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INTRODUCTION.

As this number of the JOURNAL is the first to be published since the conclusion of the momentous Imperial Economic Conference at Ottawa, it has been considered important that as much information as possible concerning the Agreements reached should be included in the following pages. For this reason the issue of the JOURNAL has been delayed in order to take in summaries of the discussions in the United Kingdom Parliament on the Financial Resolutions and the Second Reading of the Ottawa Agreements Bill, and also the discussions upon the Agreements in the Canadian Parliament during the Debate on the Address, together with a full summary of the speech of the Prime Minister (Mr. R. B. Bennett) in introducing the Resolution for approval of the Agreements.

It has further been found possible to include in this issue the statement of the Prime Minister of the Australian Commonwealth (Mr. J. A. Lyons) upon the effect of the Agreements, with a summary of the discussion indicating the views of other Party leaders. The Budget Statement and discussion also contains references to the Agreements.

So far as the details of the Agreements are concerned, the Ottawa Agreements Bill as submitted to the Parliament of the United Kingdom is summarised fairly fully in order that it may be available for ready reference, both on its own account and for the purpose of making clear the many references to the Agreements in the various Parliaments.

A good many details especially applicable to Canada are also given in the course of the statement of the Prime Minister of that Dominion, to which attention has already been directed.

Regarding New Zealand, reports of the Parliamentary discussions were not available in time for summaries to appear in this number, but these and also the discussions in other Legislatures will be summarised in the January issue of the JOURNAL.

References, however, to the Agreements concluded at Ottawa will be found under "India" in the summary of the Viceroy's Speech, but the discussion in the Legislature will not be dealt with until the January number.

Other matters of inter-Empire economic importance which are considered in this JOURNAL are dealt with in some of the summaries of the United Kingdom section relating to the proceedings of the Parliamentary Session before the adjournment in July, viz.: Colonial Preferences, and the Irish Free State (Special Duties) Act; while the Emergency Imposition of Duties Act, the Land Annuities question and trade with the Dominions are dealt with in the Irish Free State section.

Other economic matters of Empire interest are the Trade Agreement between Canada and New Zealand, summarised in the New Zealand section; and tariff proposals and primage duties in the Australian Commonwealth section.

Owing to the outstanding nature of the Ottawa Agreements and economic matters generally, the subjects of international importance have in this number of the JOURNAL, as in the last, taken a somewhat secondary position. References to international subjects, however, will be found in the United Kingdom section relating to the International Economic Conference, the denunciation of the Commercial Agreement with Russia, the Lausanne and Geneva Conferences, and disarmament policy; in the Canadian section to certain International Conventions; in the Australian Commonwealth section to the Lausanne Conference and trade with Germany; in the New Zealand section to the proposed Trade Treaty with Belgium; and in the Irish Free State section to diplomatic representation in Germany and the trade mission to the United States.

Other matters which are of Empire importance, but which have no direct bearing on economic questions concern the Amendment to the Admiralty Act in the Canadian Parliament and the Amendment to the Defence Act in the Union Parliament of South Africa, both being designed to meet the positions created by the Statute of Westminster; and the summaries of discussions in the State Council of Ceylon on matters affecting the working of the new Constitution, such as the control of finance, legislative powers of the Governor and Council respectively and Government by Executive Committees, should be of considerable interest to Members of the other Parliaments of the Empire.

Subjects dealt with in the following pages which are of more immediate local importance, but which nevertheless are of general interest to other Parliaments, relate to the Wheat Act, the Sunday Entertainments Act, and the appointment of a Royal Commission to report on Lotteries, Betting and Gambling, in the United Kingdom Parliament; the Gold Export Act, the Relief Act (providing for advances to Provinces to meet the economic depression and unemployment), and the Marriage and Divorce Amendment Act, in the Canadian Parliament; the High Commissioner Act (providing for a resident Cabinet Minister in London), the appointment of a Royal Commission to report on performing rights; and financial matters, in the Australian Commonwealth Parliament; Reform of the Legislative Council in the New South Wales Parliament; financial measures and unemployment in the Parliaments of Victoria, Queensland, South Australia and Western Australia; the National Expenditure Adjustment Act, Public Safety Conservation Act (dealing with a state of emergency), industrial arbitration, unemployment and small farm settlements, etc., in the New Zealand Parliament; the Tobacco Control Bill and Dairy Industries Control Bill and financial measures in the Union Parliament of South Africa; the Control of Manufactures Bill (to control number and nature of external firms engaging in manufacture) in the Irish Free State Parliament; the Criminal Law Amendment Bill (dealing with civil disobedience, etc.), Indian coastal traffic and the paper industry in the Central Legislature of India; the shortage of silver, the Coinage Act, the Entertainments Control and Censorship Act, and unemployment, in the Southern Rhodesian Parliament; and the Governor's Speech on the meeting of the new Parliament in Malta after the suspension of the Constitution.

THE EDITOR.

EMPIRE PARLIAMENTARY ASSOCIATION
(*United Kingdom Branch*),

WESTMINSTER HALL,
HOUSES OF PARLIAMENT,
LONDON, S.W.1.

31*st October*, 1932.

UNITED KINGDOM.

(Great Britain and Northern Ireland.)

On 13th July, 1932, Parliament adjourned for the Summer Recess.

The Session was resumed on 18th October, instead of on 27th October, the date being advanced in order to ensure the early passage of the Ottawa Agreements Bill.

In the succeeding pages summaries are given of debates both before and since the Recess.

MINISTERIAL CHANGES (*Note*).

On 28th September, following a meeting of the Cabinet at which the Agreements concluded at the Imperial Economic Conference at Ottawa were discussed, it was announced that nine Ministers had resigned in consequence of their inability to agree with the Government's policy in this connection. They were :—

Cabinet Ministers : Viscount Snowden (National Labour), Lord Privy Seal; Sir Herbert Samuel, M.P. (Liberal), Secretary of State for the Home Department; Sir Archibald Sinclair, M.P. (Liberal), Secretary of State for Scotland.

Other Ministers : Marquess of Lothian (Liberal), Under-Secretary of State for India; Sir Robert Hamilton, M.P. (Liberal), Under-Secretary of State for the Colonies; Mr. Isaac Foot, M.P. (Liberal), Parliamentary Secretary to the Mines Department; Mr. H. Graham White, M.P. (Liberal), Assistant Postmaster-General; Mr. Walter Rea, M.P. (Liberal), Comptroller of the Household; Sir McKenzie Wood, M.P. (Liberal), Assistant Whip; and Mr. Harcourt Johnstone, M.P. (Liberal), Assistant Whip.

To fill the vacancies thus occasioned the following appointments were made :—

Lord Privy Seal: Mr. Stanley Baldwin, M.P. (Conservative). Mr. Baldwin will combine his office of Lord President of the Council with that of Lord Privy Seal.

Secretary of State for the Home Department: Sir John Gilmour, M.P. (Conservative), previously Minister of Agriculture.

Minister of Agriculture: Maj. Walter Elliot, M.P. (Conservative), previously Financial Secretary to the Treasury.

Secretary of State for Scotland: Sir Godfrey Collins, M.P. (Liberal-National).

Financial Secretary to the Treasury: Mr. L. Hore-Belisha, M.P. (Liberal-National), previously Parliamentary Secretary to the Board of Trade.

Parliamentary Secretary to the Board of Trade: Dr. E. L. Burgin (Liberal-National).

Under-Secretary of State for the Colonies: Earl of Plymouth (Conservative), previously Parliamentary Secretary to the Ministry of Transport.

Parliamentary Secretary to the Ministry of Transport: Lt.-Col. C. M. Headlam, M.P. (Conservative).

Under-Secretary of State for India: Mr. R. A. Butler, M.P. (Conservative).

Parliamentary Secretary to the Mines Department: Mr. Ernest Brown, M.P. (Liberal-National), previously Parliamentary Secretary to the Ministry of Health.

Parliamentary Secretary to the Ministry of Health: Mr. Geoffrey Shakespeare, M.P. (Liberal-National), previously a Junior Lord of the Treasury.

Assistant Postmaster-General, Sir Ernest Bennett, M.P. (National Labour).

Comptroller of the Household: Sir George Penny, M.P. (Conservative), previously Vice-Chamberlain of the Household.

Vice-Chamberlain of the Household: Sir Victor Warrender, M.P. (Conservative), previously a Junior Lord of the Treasury.

Junior Lord of the Treasury: Mr. James Blindell, M.P. (Liberal-National).

Assistant Whip (unpaid): Dr. J. Morris-Jones, M.P. (Liberal-National).

OTTAWA AGREEMENTS BILL.

(Preferential arrangements with the Dominions; Legislative action; Full summary of the Bill; Views on Imperial Economic Conference results; Closer economic unity; Free entry of Dominion produce into United Kingdom; New or increased Colonial Preferences for the Dominions; Free Trade view; Labour and Liberal criticisms.)

To enable effect to be given to the Agreements made on 20th August, 1932, at the Imperial Economic Conference at Ottawa the Government introduced on 24th October the Ottawa Agreements Bill.

The Bill authorises the British Government to charge the various Customs duties on goods imported into the United Kingdom specified in the schedules to the Agreements, and to take other action necessary to the fulfilment of the Agreements.

There are certain features which are common to all the Agreements. In the case of Canada, Australia, New Zealand, South Africa, Newfoundland and Southern Rhodesia, the Agreements are all to remain in force for a period of five years. Thereafter they are to continue in force subject to six months' notice of denunciation by either party.

A definite period is not fixed for the duration of the Agreement with the Government of India. It is to remain in operation until after the expiration of six months' notice of denunciation on either side.

Another provision embodied in all the Agreements is that the British Government undertake that Orders shall be made to ensure the continuance after 15th November, 1932, of the entry free from duty into the United Kingdom of goods grown, produced, or manufactured in any of the Dominions concerned, in India and in Southern Rhodesia.

This provision is subject to the reservation that as regards eggs, poultry, butter, cheese and other milk produce, free entry for Dominion produce will be continued for three years certain. The British Government reserve to themselves the right, after the expiration of that period, to review the basis of Preference so far as these articles are concerned.

They may then, if considered desirable, either impose a Preferential duty on such Dominion produce, whilst maintaining existing Preferential margins, or, in consultation with Dominion Governments, bring such produce within a system for the quantitative regulation of supplies from all sources in the United Kingdom market.

United Kingdom—Canadian Agreement.

Following are the principal provisions relating to the United Kingdom-Canadian Agreement:

Customs duties are to be imposed under the Bill on imports of foreign goods into the United Kingdom as follows:—

	s.	d.	
Wheat in grain	2	0	per quarter.
Butter	15	0	„ cwt.
Cheese	15% *ad valorem*.		
Apples, raw	4	6	per cwt.
Pears, raw	4	6	„
Apples, canned, in addition to sugar content duty	3	6	„
Dried fruits (now dutiable at 7s.)...	10	6	„
Eggs in shell—			
(a) Not exceeding 14 lbs. in weight	1	0	per great hundred.
(b) Over 14 lbs., but not exceeding 17 lbs.	1	6	„ „
(c) Over 17 lbs.	1	9	„ „
Condensed milk, whole, sweetened, in addition to sugar content duty.	5	0	„ cwt.
Copper, unwrought, whether refined or not, in ingots, bars, blocks, slabs, cakes and rods ...	0	2	per lb.

General 10 Per Cent. *ad valorem* Duty.

The general 10 per cent. *ad valorem* duty imposed under the Import Duties Act on the following foreign goods imported into the United Kingdom is not to be reduced except with the consent of the Canadian Government:—

Timber of all kinds imported in substantial quantities from Canada, in so far as now dutiable; Fresh sea fish; Canned salmon; Other canned fish; Asbestos; Zinc and Lead.

The duty on wheat in grain, copper, zinc or lead may be removed if Empire producers are unable or unwilling to offer these commodities on first sale in the United Kingdom at prices not exceeding the world prices and in quantities sufficient to supply requirements.

BACON AND HAMS.

Legislation to be introduced in the British Parliament for the quantitative regulation of supplies of bacon and hams coming into the United Kingdom will contain a provision for free entry of Canadian bacon and hams of good quality up to 2,500,000 cwt. maximum p.a.

TOBACCO.

Legislation to be introduced in the British Parliament securing, for a period of 10 years, to tobacco consigned from any part of the British Empire and grown, produced or manufactured in Canada, the existing Preference over foreign tobacco, so long as the duty on foreign unmanufactured tobacco does not fall below 2s. 0½d. per lb., in which event the margin of Preference shall be equal to the full duty.

COLONIAL PREFERENCES FOR CANADA.

The British Government will invite the non-self-governing Colonies and Protectorates to give to Canada Preferences accorded to other parts of the British Empire (except those accorded by N. Rhodesia to the Union, etc.) (*Art.* 8) and the Agreement contains a list of the new or increased Preferences which the Governments of certain Colonies and Protectorates will be invited to grant to Canada.

The countries concerned are THE BAHAMAS, BARBADOS, BERMUDA, BRITISH GUIANA, BRITISH HONDURAS, JAMAICA, the LEEWARD ISLANDS, TRINIDAD and TOBAGO, the WINDWARD ISLANDS, FIJI, the FEDERATED and UNFEDERATED MALAY STATES, MAURITIUS and NORTHERN RHODESIA. The list of Preferences includes :—

Rubber boots and shoes and canvas boots and shoes, rubber soled.	1s. per pair, or the equivalent in local currency.
Motor vehicles	20 per cent. *ad valorem.*

[In the case of motor vehicles an exception is made in the case of Bermuda (so long as their importation is prohibited), Northern Rhodesia, Ceylon, Malta, and a few other countries.]

Parts of motor vehicles, including rubber tyres	20 per cent. *ad valorem.*
Hosiery of cotton or artificial silk	6d. per pair.
Hosiery of silk	9d. per pair.
Butter	1½d. per lb.

THE BAHAMAS.—The preferential drawback of 25 per cent. of certain Customs duties to be increased to 50 per cent.

BARBADOS, ETC. :—

Electrical appliances and apparatus	15 per cent. *ad valorem.*
Bacon and ham	½d. per lb.

The tariff treatment of pitch pine to be assimilated to that of other wood and timber, and a margin of Preference of not less than 10s. per 1,000 ft. to be established.

Condensed milk	10 per cent. *ad valorem*, or the equivalent specific rate.
Shooks	10 per cent. *ad valorem.*
Potatoes and onions ...	2s. per 100 lbs.
Oats	9d. per 100 lbs.

BERMUDA, ETC.

Electrical appliances and apparatus	15 per cent. *ad valorem.*
Hardware	10 per cent. ,,
Bacon and ham	½d. per lb.
Eggs	2d. per doz.
Canned meat	10 per cent. *ad valorem.*
Canned fruit and vegetables	15 per cent. ,,
Furniture	10 per cent. ,,

CEYLON :—

Bacon and ham	10 per cent. *ad valorem.*
Canned fruit and vegetables	15 per cent. ,,
Canned fish	15 per cent. ,,

MALTA :—

Wheat flour	2s. per 100 kilogs.

CANADIAN ACTION.

Legislation to be passed at the instance of the Canadian Government will provide for the immediate modification in the case of goods from the United Kingdom of the duties imposed by Canada on about 215 items. In 132 cases the duties on United Kingdom goods are to be reduced and in 79 cases United Kingdom goods are for the first time to enjoy freedom from Customs duty.

The remaining 83 modifications consist of increased margins of Preference in favour of United Kingdom goods which will be effected by increased duties on goods from competing countries.

The Canadian Government undertake that tariff protection against the United Kingdom shall be afforded only to those industries reasonably assured of sound opportunities for success (*Art.* 10), and also undertake that the tariff shall be based on the principle that protective duties shall not exceed such a level as will give the United Kingdom producers full opportunity of reasonable competition, special consideration, however, being given to industries not fully established (*Art.* 11).

The Canadian Government undertake forthwith to constitute the Tariff Board for which provision is made in the Tariff Board Act, 1931. No existing duty is to be increased on United Kingdom goods except after an inquiry and the receipt of a Report from the Board. United Kingdom producers are to be entitled to full rights of audience before the Board.

All existing surcharges on imports from the United Kingdom are to be completely abolished as soon as the finances of Canada will allow. The Canadian Government will also give sympathetic consideration to the possibility of reducing and ultimately abolishing the exchange dumping duty in so far as it applies to imports from the United Kingdom.

ADDITIONAL PREFERENCES ON COLONIAL PRODUCTS.

A further schedule to the Agreement contains a list of new or additional Preferences which the Canadian Government will grant in respect of certain Colonial products, some of which have hitherto received no Preference in Canada.

The Canadian Government undertake (*Art.* 19) to accord to the non-self-governing Colonies, Protectorates and the Mandated territories to which the benefits of the British preferential rates are accorded (also to Zanzibar) various Preferences, of which the most important are semi-refined petroleum, various vegetable oils, tomatoes, canned pineapples, etc., and also any Preferences accorded to the United Kingdom. There is a provision that the Canadian Government shall not be bound to accord Preferences to any Colony or Protectorate which, not being precluded by international obligations from according Preferences, either (1) accords to Canada no Preferences, or (2) accords to some other part of the Empire (in the case of Northern Rhodesia, excepting the Union of South Africa, Southern Rhodesia and the territories of the South African High Commission) Preferences not accorded to Canada.

DUMPING OF FOREIGN GOODS.

The dumping of foreign goods is dealt with in the following Article :—

" This Agreement is made on the express condition that, if either Government is satisfied that any Preferences hereby granted in respect of any particular class of commodities are likely to be frustrated in whole or in part by reason of the creation or maintenance directly or indirectly of prices for such class of commodities through State action on the part of any foreign country, that Government hereby declares that it will exercise the powers which it now has or will hereafter take to prohibit the entry from such foreign country directly or indirectly of such commodities into its country for such time as may be necessary to make effective and to maintain the Preferences hereby granted by it" (*Art.* 21).

United Kingdom—Australian Agreement.

The list of goods in the Canadian Agreement on which duties are to be imposed in the United Kingdom is repeated in the Agreement with the Australian Commonwealth Government with the following additions :—

Canned fruits (other than apples) in addition to sugar content duty.	15 per cent. *ad valorem.*
Condensed milk, whole, not sweetened	s. d. 6 0 per cwt.
Milk powder and other preserved milk, not sweetened	6 0 ,,
Honey	7 0 ,,
Oranges, raw	3 6 per cwt. from 1st April to 30th November.
Grape-fruit, raw	5 0 per cwt. from 1st April to 30th November.
Grapes (other than hot-house)	0 1½ per lb. from 1st February to 30th June.

A Preference in the United Kingdom of 2s. per gallon is to be accorded to Australian wine not exceeding 27 degrees of proof spirit.

In the case of the following goods the British Government undertakes (*Art.* 4) that the 10 per cent. *ad valorem* duty on foreign goods under the Import Duties Act will not be reduced except with the consent of the Commonwealth Government :—

Leather ; Tallow ; Canned meat ; Zinc ; Lead ; Barley ; Wheat flour ; Macaroni ; Dried peas ; Dressed poultry ; Casein ; Eucalyptus oil ; Meat extracts and essences ; Copra ; Sugar of milk ; Sausage casings ; Wattle bark ; Asbestos ; and Dried fruits, other than currants.

The duty on foreign wheat and grain, copper, lead and zinc are conditional on Empire producers of these commodities continuing to offer them at first sale in the United Kingdom at prices not exceeding the world price (*Art.* 5).

COLONIAL PREFERENCES FOR AUSTRALIA.

The Agreement contains a list of the new or increased Preferences which the British Government will invite the Governments of certain Colonies and Protectorates to accord to Australia. The list includes the following items :—

THE BAHAMAS, BARBADOS, BERMUDA, ETC. :—	
Butter	1½d. per lb.
THE BAHAMAS :—	
Brandy	A specific Preference equal to the specific Preference for the time being accorded to whisky produced within the Empire.
Wine	15 per cent. *ad valorem.*
BARBADOS, ETC. :—	
Brandy	5s. per gallon.
Condensed and powdered milk	10 per cent. *ad valorem*, or the equivalent specific rate.
BERMUDA :—	
Canned meat	15 per cent. *ad valorem.*
Canned fruit and vegetables	15 per cent. ,, ,,
CEYLON :—	
Bacon and ham	10 per cent. *ad valorem.*
Biscuits	10 per cent. ,,
Brandy	Rs. 3·50 per gall.
Canned fruit and vegetables	15 per cent. *ad valorem.*
Cheese	10 per cent. ,,
Fruit, fresh	10 per cent. ,,
Milk, condensed and powdered	10 per cent. ,,
Wines :—	
Sparkling	Rs. 1·50 per gall.
Other	Rs. 1 ,,
MALTA :—	
Biscuits	10 per cent. *ad valorem.*
Brandy	1s. per litre.
Flour	2s. per 100 kilogs.
Milk, condensed and powdered	10 per cent. *ad valorem.*

AUSTRALIAN PREFERENCES FOR COLONIES.

The Australian Government undertake to accord to the non-self-governing Colonies and Protectorates and the Mandated Territories of Tanganyika, British Cameroons and Togoland, Preferences on commodities shown in the Schedule, which include 10 per cent. *ad valorem* on asphalt, 15 per cent. *ad valorem* on dry gums, 15 per cent. *ad valorem* on essential oils, various Preferences on preserved fruits, spirits, 20 per cent. *ad valorem* on certain timber, 6d. per pound on unmanufactured tobacco for cigars, 1s. per pound on manufactured tobacco, 2s. per pound on cigars, 15 per cent. *ad valorem* on unground spices, etc., etc., and also Preferences granted to the United Kingdom on the request of the Government thereof. The provision regarding the freedom from obligation to accord Preferences is similar to that set out in the Canadian Agreement.

REGULATION OF MEAT IMPORTS.

The two Governments agree to the regulation of imports of frozen mutton and lamb and frozen and chilled beef into the United Kingdom. The maximum quantities of foreign meat to be imported during each quarter from 1st January, 1933, to 30th June, 1934, expressed as percentages of the quantities imported in the corresponding quarters of the twelve months ended 20th June, 1932, are :—

Meat.	1933.				1934.	
	Jan.-March.	April-June.	July-Sept.	Oct.-Dec.	Jan.-March.	April-June.
Frozen mutton and lamb	90	85	80	75	70	65
Frozen beef (carcasses and boned beef) ...	90	85	80	75	70	65
Chilled beef	100	100	100	100	100	100

The Commonwealth Government agree to limit the export of frozen mutton and lamb to the United Kingdom for the year 1933 to an amount equivalent to the total imports into the United Kingdom from Australia during the year ended 30th June, 1932.

The Commonwealth Government, recognising the inter-relation of all meat products, and that the object of the regulation of imports into the United Kingdom is to raise the price level of frozen meat, undertake to use their best endeavours to ensure that during the year 1933 the exports of frozen beef from Australia to the United Kingdom shall not be increased to an extent exceeding 10 per cent. of the quantities exported for the year ending the 30th June, 1932.

CONCESSIONS TO UNITED KINGDOM.

The Agreement provides that United Kingdom goods shall enjoy

certain minimum Preferences graded according to the duties chargeable upon goods. The formula (set out in Part I. of Schedule F) is as follows :—

When the duty on United Kingdom goods is	The minimum margin of Preference will be
Free to 19 per cent. *ad valorem* ...	15 per cent. *ad valorem.*
19 to 29 ,, ,, ...	17½ ,, ,,
Over 29 ,, ,, ...	20 ,, ,,

The formula is subject to the proviso that the 20 per cent. margin of Preference is not to be applied so as to result in a rate of duty exceeding 75 per cent. *ad valorem.* It is not of universal application, but is subject to certain exceptions. The Australian Government undertake that tariff protection shall be afforded only to those industries reasonably assured of sound opportunities for success.

MAINTENANCE OF EXISTING PREFERENCES.

As regards goods of United Kingdom origin which already enjoy Preferences exceeding those which would result from the application of the formula, the Australian Government will maintain the Preferences at their existing level, subject to retaining freedom of action in respect of certain limited classes of goods.

Provision is made for a review as soon as practicable by the Australian Tariff Board of existing protective duties and their variation wherever necessary so as to give United Kingdom producers full opportunity of reasonable competition.*

Other points in the Agreement include the repeal by the Commonwealth Government of the prohibition on the importation of certain goods from the United Kingdom, the removal of the surcharges and the reduction or removal of the primage duty as soon as the finances of Australia allow.

United Kingdom—New Zealand Agreement.

In this Agreement the British Government undertake to pass legislation to impose duties on foreign goods as follows :—

Butter	15s. per cwt.
Cheese	15 per cent. *ad valorem.*
Apples, raw	4s. 6d. per cwt.
Pears, raw	4s. 6d. ,,
Eggs	From 1s. to 1s. 9d. per great hundred.
Condensed milk	5s. to 6s. per cwt.
Milk powder...	6s. per cwt.
Honey	7s. ,,

Articles in respect of which the United Kingdom Government undertake that the general *ad valorem* duty of 10 per cent. on foreign

* The words of the Article (10) referring to the principle upon which the tariff is to be based are the same as Article 11 of the Canadian Agreement (*vide* p. 849).

goods will not be reduced without the consent of the New Zealand Government are :—

Tallow; Canned meat; Sausage casings; Casein; Meat extracts and essences; Dried peas; Seeds, grass and clover; Leather; Copra; Sugar of milk; and various gums.

The New Zealand Government will introduce legislation to substitute for the duties now levied on United Kingdom goods the following duties :—

Confectionery	27½ per cent. *ad valorem.*
Apparel and ready-made clothing ...	27½ ,, ,,
Hosiery	27½ ,, ,,
Silk and artificial silk piece-goods ...	Free.

All United Kingdom goods are to be exempted from the application of the surtax of nine-fortieths or one-twentieth of the Customs duty as the case may be.

The principles upon which the New Zealand tariff will be based will be similar to those set out in the Canadian Agreement (*vide* p. 849, *Arts.* 10 and 11).

As regards meat, the Agreement provides for consultation during 1933 between the two Governments as to the best means of ensuring an improved price situation, and the more orderly marketing of supplies. The Dominion will give a reliable estimate of shipments of mutton and lamb as early as possible in each export season. The arrangements regarding the restriction of meat importations into the United Kingdom set out in the Australian Agreement (*vide* p. 852), and other matters, are endorsed in a letter from Mr. Coates to Mr. Baldwin appearing as a Supplement to the Agreement.

COLONIAL PREFERENCES.

The British Government undertake to invite the non-self-governing Colonies and Protectorates to accord to New Zealand Preferences which may be accorded to other parts of the British Empire (excepting Preferences accorded by Northern Rhodesia to the Union, Southern Rhodesia, etc.).

The New Zealand Government undertake to accord to the same Colonies, etc., set out in the United Kingdom—Australian Agreement, Preferences of 10 per cent. *ad valorem* on asphalt, 2s. per pound on cigars, ½d. per pound on cocoa, 1d. per pound on coffee, 4s. per proof gallon on rum, 10 per cent. *ad valorem* on unground spices, and also any Preferences accorded to the United Kingdom. The provision regarding the freedom from obligation to accord Preferences is similar to that set out in the Canadian Agreement.

United Kingdom—Union of South Africa Agreement.

Under the Agreement with the Union Government, the British Government will impose duties on imports of foreign goods according to the following list :—

Oranges, raw	3s. 6d. per cwt., from 1st April to 30th Nov.
Grape-fruit, raw	5s. per cwt., from 1st April to 30th Nov.
Peaches and nectarines, raw	14s. per cwt. from 1st Dec. to 31st March.
Plums, raw	9s. 4d. per cwt., from 1st Dec. to 31st March.
Grapes (other than hot-house)	1½d. per lb., from 1st Feb. to 30th June.
Apples, raw	4s. 6d. per cwt. through the year.
Pears, raw	4s. 6d. ,, ,, ,,
Dried fruits, now dutiable at 7s.	10s. 6d. ,, ,, ,,
Apples, canned	3s. 6d. per cwt.
Other canned fruits	15 per cent. *ad valorem*
Maize, flat white	10 ,, ,, ,, ,,
Butter	15s. per cwt. ,, ,,
Cheese	15 per cent. *ad valorem.*
Eggs in shell	1s. to 1s. 9d. per great hundred through the year.
Condensed milk	5s. to 6s. per cwt.
Milk powder and other preserved milk, not sweetened	6s. per cwt.
Copper, unwrought	2d. per lb.

A Preference of 2s. per gallon is to be given on imports into the United Kingdom of wine from South Africa not exceeding 27 degrees of proof spirit.

The 10 per cent. *ad valorem* duty on foreign goods entering the United Kingdom is not to be reduced without the consent of the Union Government in the following cases :—

Wattle bark and tanning extracts made therefrom; Maize products; Asbestos; Dried fruits, other than currants, not already specified; Fruit preserved by chemicals or artificial heat, other than fruit preserved in sugar; Fruit juices; Whale oil and whale products (other than whale oil and whale products produced or manufactured in floating factories which are British concerns); Crayfish; Hake, fresh; Oyster-shell grit; Ground nuts; Goat-skins; Lucerne seed; Kaffir corn and meal; Box-wood; Potatoes; Sausage casings, and Ostrich feathers.

The duty on copper is conditional on the Empire producers of copper continuing to offer this commodity on first sale in the United Kingdom at a price not exceeding the world price.

The Agreement contains an undertaking by the British Government to make provision in any quantitative regulation of meat imports for the importation of South African mutton and lamb.

NEW PREFERENCES.

The Union Government will, as a result of legislation, secure to about 20 different classes of United Kingdom goods new or increased margins of Preference. The great majority of items represent new Preferences.

Minimum specific duties are also to be imposed on certain goods from sources other than the United Kingdom, thus giving the latter a

Preference. Provision is made by the Union Government for the maintenance of existing Preferences.

NON-SELF-GOVERNING COLONIES, ETC.

The United Kingdom Government undertake to invite the non-self-governing Colonies and Protectorates to accord to the Union Preferences accorded to any other part of the British Empire.

The Union Government undertake to accord to the non-self-governing Colonies and Protectorates and the Mandated Territories of Tanganyika, British Cameroons and Togoland, Preferences of 1d. per lb. on raw coffee, 10 per cent. *ad valorem* on asphalt and bitumen in bulk, and also any Preferences accorded to the United Kingdom on the request of the Government thereof. There is a provision that the Union Government shall not be bound to accord Preferences to a Colony or Protectorate which, not being precluded by international obligations from according Preferences, either (1) accords to the Union no Preferences, or (2) accords to some other parts of the Empire Preferences not accorded to the Union.

For the purposes of the Agreement the Mandated Territory of South-West Africa is deemed to be part of the Union.

United Kingdom—Newfoundland Agreement.

In accordance with the terms of this Agreement, the United Kingdom Government will ensure the imposition of duties on foreign goods as follows :—

	s. d.	
Cod-liver oil	1 4	per gallon.
Chilled or frozen salmon	0 1½	per lb.

The general *ad valorem* duty of 10 per cent. on foreign goods is not to be reduced without the consent of the Newfoundland Government in the following cases : Cod fish and Marine shell.

The Newfoundland Government will secure to about 60 kinds of United Kingdom goods a margin of Preference of 10 per cent. *ad valorem* subject to the right of that Government in certain cases to accord lower margins, if necessary, on revenue grounds.

Provision will be made for new and more favourable conditions as from July, 1933, in regard to the valuation of the pound sterling for customs purposes.

COLONIAL PREFERENCES.

The United Kingdom Government undertake to invite the non-self-governing Colonies and Protectorates to accord to Newfoundland any Preferences accorded to any other part of the British Empire, except as provided in the New Zealand Agreement.

The Newfoundland Government undertake to invite Parliament to pass legislation according to the same Colonies, etc. set out in the United Kingdom—Australian Agreement Preferences of 2 cents per pound on coffee, 10 per cent. *ad valorem* on fruit, oranges, lemons, etc., 4 cents per pound on coconut, 4 cents per pound on tea, 20 per cent. *ad valorem* on raw vegetables, viz., tomatoes, and also Preferences accorded to the United Kingdom on the request of the Government thereof. The provision regarding the freedom from obligation to accord Preferences is similar to that set out in the Canadian Agreement.

United Kingdom—Indian Agreement.

Duties to be imposed by the United Kingdom on foreign goods under this Agreement are :—

	s. d.	
Wheat, in grain	2 0	per quarter.
Rice, husked	0 1	per lb.
Castor oil, Linseed oil, Coconut Oil, Ground nut oil, Rape oil and Sesamum oil ...	15%	*ad valorem.*
Magnesium chloride	1 0	per cwt.
Linseed	10%	*ad valorem.*

The margin of Preference on Indian coffee will be established at 9s. 4d. per cwt. In the following cases the present margin of Preference in the United Kingdom enjoyed by Indian goods over similar foreign goods will not be reduced :—

Tea ; Coir yarn ; Coir mats and matting ; Cotton yarns, unbleached up to No. 40 count ; Cotton manufactures ; Leather (undressed)—hides, other than sole leather ; Leather (undressed)—skins ; Jute manufactures ; Oil-seed, cake and meal ; Paraffin wax ; Spices ; Teak and other hardwoods ; Woollen carpets and rugs ; Bran and pollard ; Rice meal and dust ; Tobacco ; Castor seed ; Magnesite ; Sandalwood oil ; Granite setts and curbs ; Ground-nuts ; and Lead.

The United Kingdom Government undertake to co-operate in any practicable scheme agreed between the manufacturing, trading and producing interests in the two countries for promoting the greater use of Indian cotton in the United Kingdom.

The Agreement provides for the grant by the Indian Legislature of Preferences to a lengthy list of United Kingdom goods. The margin of Preference will be 10 per cent. *ad valorem*, except in the case of motor vehicles and parts, where it will be 7½ per cent. *ad valorem.*

The protective duties to be imposed on cotton and artificial silk piece goods will be considered by the Indian Government in the light of the findings of the Tariff Board. Where protective duties are not imposed on United Kingdom goods of this kind as a result of the Board's recommendations, such goods will be accorded a 10 per cent. Preference.

A supplementary Agreement embodied in correspondence subsequent to the Conference provides further for a Preference on galvanised sheets. The existing duty on galvanised sheets is Rs. 83 a ton, and there is no differential duty in favour of the United Kingdom. The Agreement provides for the following duties :—

Rs. 30 per ton on United Kingdom sheet made from Indian semi-finished material.

Rs. 53 per ton on United Kingdom sheet made from any other semi-finished material.

Rs. 83 per ton on sheet not made in the United Kingdom.

There is provision for flexibility in the event of price changes. The Supplementary Agreement will remain in force till March, 1934, when the whole position will be reconsidered.

COLONIAL PREFERENCES.

The United Kingdom Government undertake to invite the non-self-governing Colonies and Protectorates to accord Preferences as set out in the New Zealand Agreement, and further will invite the Colonies shown in Schedule E to accord new or additional Preferences. Included in the latter category is :—

CEYLON :—

Cotton yarn, cotton piece goods, fruits and vegetables (fresh, dried and preserved), iron and steel, teak, apparel, boots and shoes, woollen carpets and rugs, etc.	Rate not less than 10 per cent. *ad valorem.*
Tea	$12\frac{1}{2}$ cents per pound.
Coffee (raw, roasted or ground) ...	6 cents per pound.
Tobacco manufactures	To be subsequently determined.

The Government of India will invite the Legislature to pass legislation securing to the same Colonies, etc. set out in the United Kingdom—Australian Agreement Preferences of 10 per cent. *ad valorem* on asphalt, beeswax, soda-ash, gum, certain oils, coconuts and coconut products, dried and canned fish, fresh and preserved vegetables, canned fruit, fibre, ivory (unmanufactured), plumbago, sago and tapioca, etc., and, so long as it is consistent with India's tariff policy, to impose duties on fresh (not coconuts), dried, salted or preserved fruits ; of $7\frac{1}{2}$ per cent. *ad valorem* on betel nuts, unground spices, and, so far as Preferences are granted to the United Kingdom, drugs, medicines and apparel. Preferences at specific rates are given to coffee (1 anna per lb.) and tea (2 annas per lb.), etc., and to unmanufactured tobacco at rate to be determined. The provision regarding the freedom from obligation to accord Preferences is similar to that set out in the Canadian Agreement.

United Kingdom—Southern Rhodesian Agreement.

The United Kingdom Government will pass legislation to impose duties as follows on foreign goods :—

Maize, flat white	10 per cent. *ad valorem.*
Butter	15s. per cwt.
Cheese	15 per cent. *ad valorem.*
Eggs in shell	1s. to 1s. 9d. per great hundred.
Copper, unwrought	2d. per lb.
Oranges, fresh	3s. 6d. per cwt. from 1st April to 30th November.
Grape-fruit, fresh	5s. per cwt. from 1st April to 30th November.

The general *ad valorem* duty of 10 per cent. in the United Kingdom on the following foreign goods is not to be reduced unless with the consent of the Southern Rhodesian Government :—

Asbestos ; Ground nuts ; Kaffir corn and meal ; and Potatoes.

Provision is to be made for increased margins of Preference in Southern Rhodesia in favour of United Kingdom goods. The new and existing margins of Preference are shown in the following table :—

	Margin of Preference.	
	Existing. Per cent. *ad valorem.*	New. Per cent. *ad valorem.*
Electrical batteries	5	15
Typewriters	10	15
Electrical material (except cable and wire)	5	10
Wireless telegraphy and telephony instruments	5	15
Cutlery	10	20
Glassware (except bottles and jars and plate and window glass)	10	15

The Agreement also provides for minimum specific duties on cotton, silk and rayon piece goods, other than blanketing, which will have the effect of increasing the protection of United Kingdom goods against the cheaper foreign lines in these goods.

COLONIAL PREFERENCES.

The Government of the United Kingdom will invite the non-self-governing Colonies and Protectorates to accord to Southern Rhodesia Preferences accorded to any other part of the British Empire, and to so adjust their Customs duties upon cigarettes and manufactured tobacco that a Preference shall be given to tobacco manufactured and grown within the Empire.

The Government of Southern Rhodesia will invite Parliament to accord to the same Colonies, etc. set out in the United Kingdom—Australian Agreement Preferences of 2d. per lb. on tea, 1d. per lb. on raw coffee and cocoa, 2s. per lb. on cigars, and 3s. per Imperial proof gallon on rum and bitters ; and also any Preferences for the time being accorded to the United Kingdom on the request of the Government thereof.

DEBATE IN HOUSE OF COMMONS.

On 18th October, the House of Commons went into Committee of Ways and Means for the purpose of considering the Financial Resolutions on which the Bill was founded. The debate in Committee on the Resolutions was continued on 19th and 20th October.

The Chancellor of the Exchequer (Rt. Hon. Neville Chamberlain) said that in estimating what might arise and what might be the consequences of the Imperial Economic Conference one must consider first what were the conditions under which the Conference was held. The time was long past when any country could suppose itself to be indifferent to what was going on in other countries. The operations of finance and commerce were no longer merely national: they were international. They were so closely entwined that it was impossible that any disturbance of the system in any part of the world should not have its reactions upon every other part.

The success of the Ottawa Conference, if it should result in increased prosperity for a united British Empire, was the largest contribution that the Empire could make towards the restoration of the prosperity of the world. Mr. Chamberlain quoted the following statement by a great American industrialist, Mr. Charles M. Schwab :—

"The Ottawa Agreements are going to hit America. They are going to hit my own concerns, especially in the Canadian market. We must take a wide view. If the British Empire prospers under those Agreements, America and all the world must prosper in the long run."

Continuing, Mr. Chamberlain said he did not suppose there was any difference in the House as to the desirability of promoting the unity of the British Empire. but perhaps they did part company when they began to consider how that unity was best to be achieved.

Ties of Empire.

There were those who were of opinion that the ties which bound the British Empire together were of so delicate a nature that they should be left entirely to the operations of sentiment. He himself, in a speech made a little time ago, expressed the view that those ties had in recent years worn dangerously thin in places. After giving instances of divergences from the path of Imperial unity, Mr. Chamberlain said that the first test they had to apply to the Ottawa Agreements was: What was their effect upon the future course of Imperial relations? Did the delegates feel at the end of the Conference that they saw a definite prospect, by closer trading relations with one another, of attaining a new strength and new security for all the countries of the Empire? There was only one possible answer to a question of that kind.

The Resolution adopted unanimously by the Conference at its concluding meeting was quoted by Mr. Chamberlain :—

"The nations of the British Commonwealth having entered into certain Agreements with one another for the extension of mutual trading by means of reciprocal preferential tariffs, this Conference takes note of these Agreements and records its conviction that by the lowering or removal of barriers among themselves, provided for in these Agreements, the flow of trade between the various countries of the Empire will be facilitated, and that by the consequent increase of purchasing power of their peoples the trade of the world will also be stimulated and increased."

He called particular attention to the succeeding paragraph :—

"This Conference regards the conclusion of these Agreements as a step forward which should in future lead to further progress, and will utilise protective duties to ensure that the resources and industries of the Empire are developed on sound economic lines."

Unanimity of aim.

Those words struck a note of hope and confidence. Anyone who could not see that such a unanimity of aim, such a determination to pursue in common the advantages of mutual trade was bound to bring in its train a similar community of thought and action in other matters, must either be blind or else must be wilfully hiding his eyes. There were many points in the Agreements which showed how the helm of the ship had been put over, and how all the vessels of the Empire were now being directed upon a common course.

Proceeding to draw attention to certain features of the Agreements which were particularly significant because they tended to show how in these discussions they had put a check upon fissiparous tendencies, Mr. Chamberlain pointed out that for the first time India had recognised definitely the principle of Imperial Preference. "Under the new arrangements which, subject to the ratification of the Legislature, we have agreed upon," the Chancellor of the Exchequer said, "India has given us Preferences which cover no less than 26 per cent. of her imports into that country."

Canadian and Australian markets.

Canada and Australia, the two Dominions which were the most industrialised of all, had for some time been pursuing a policy of fostering their own industries. No one would for one moment suggest that they had not a perfect right to do so, and that indeed a further development of those industries was quite inevitable and proper for both those countries. It would be found that in the British Agreements with them they had given up the idea that their home markets were to be reserved entirely to the home manufacturer, and they had adopted three fresh principles which were of the utmost importance to Great Britain :—

(1) They undertook that they would not in future protect uneconomic industries—those industries which had not a reasonable chance of making a success.

(2) They would so adjust their existing tariffs and so frame any new ones that in articles which they desired to make themselves the British manufacturer should have a fair competitive chance with the Dominion manufacturer.

(3) The decision, or rather the investigation as to how that principle was to be applied was to be taken entirely out of politics, Party or otherwise, and entrusted to something in the nature of an impartial Tariff Commission.

That change of policy alone would have fully justified the British delegates in their endeavours to obtain closer trading relations.

Canadian Tariff Board.

British interests had been assured that they would have an opportunity of presenting their case to the Canadian Tariff Board. Mr. Chamberlain referred to the Conference Resolution dealing with commercial relations with foreign countries :—

"That it was their policy that no treaty obligations into which they might enter in future should be allowed to interfere with any mutual Preferences which Governments of the Commonwealth might decide to accord to each other, and that they would free themselves from existing treaties, if any, which might so interfere. They would in fact take all the steps necessary to implement and safeguard whatever Preferences might be so granted."

The British Government, he said, had already taken steps to fulfil that Agreement by their denunciation of the Trade Agreement with Russia,* Also the South African Union had begun to take steps to free themselves from their obligations under the South African and German Treaty. Under that statement of policy no Treaty would be concluded by South Africa in the future which would in any way frustrate the intention of the Preferences which had been arrived at as a result of the Agreement.

Another feature was that for the first time the whole of the Colonial Empire had been brought into the negotiations.

Economic consultation and co-operation.

The Conference set up a Committee to consider the means of facilitating economic consultation and co-operation between the several Governments of the Commonwealth, and an examination of what alterations or modifications, if any, in the existing machinery for such co-operation within the Commonwealth were desirable. That marked the determination of the Conference that they were not going to rest upon their laurels; that they were not going to remain satisfied with what was actually achieved at Ottawa, but were going persistently to pursue investigation into how further they could open the clogged channels of trade between the various members and how they could improve the machinery which led to further co-operation.

The broad conclusion he drew was that, apart altogether from any immediate advantages which Great Britain might get by the alteration of the Dominion tariffs, the general trend and tendency of the Agreements was to the lowering of

* *Vide* p. 890.

inter-Imperial tariffs and to further mutual co-operation in trade. The British delegates recognised from the first that the results of the Agreements must necessarily be more rapid in their operation in the case of the Dominions than they could be in Great Britain, but, on the other hand, it was evident that the value of the new Preferences which Great Britain was obtaining from the Dominions would continue to grow as the purchasing power of the Dominions increased. Now that they had made those preferential arrangements with the Dominions, he thought they might fairly claim that the concessions they gave the Dominions with regard to wheat, butter, cheese, eggs, or fruit were made in the interests of their own industrial population in Great Britain.

Imperial agricultural association.

The concessions were there as the price Great Britain paid for certain advantages in selling her manufactures in the Dominions' markets. Their policy, in which the Dominions cordially concurred, was that in all agricultural matters their first care should be to help home farmers and their second to try to give an expanding share of the import market to the Dominions. Not only by the Agreements into which the British Government entered, but also by the opportunities which were offered of conversation or association between representatives of the home farmers and those who came from the various Dominions, they laid at Ottawa the foundation of a real Imperial agricultural association. What was begun there would, in the future, bring perhaps even greater benefits to agriculture in the United Kingdom than it did to the industrial community.

Discussing the arrangement that was made about meat, Mr. Chamberlain said that the problem centred round the industry in mutton and lamb, in which the prices had fallen to a level far below the cost of production. Whereas the fall in general commodity prices since 1929 had been about 25 per cent., the price of English mutton had fallen from 11·95d. in 1929 to 6·75d. to-day, and lamb had fallen from 14·11d. to 7·5d. If that calamitous state of affairs went on much longer sheep farmers must be completely ruined, not only in Great Britain, but in all countries where sheep raising formed one of the staple industries.

Having quoted figures showing the great expansion of imports of mutton and lamb into the United Kingdom since 1929, Mr. Chamberlain said that what they had to do if they were to restore the prices which had been ruined by that excessive increase in importation into a market of which the capacity was not increasing was to regulate the supply of imports until they reached some reasonable relation between what the market could take and what was going to be offered to it. A duty on foreign meat would be useless for the purpose, in the first place because the foreigner would pay the duty and send in the meat just the same, and in the second place because the excess was not coming from the foreigner. It was coming from the Dominions.

There was only one market for surplus mutton and lamb —the United Kingdom—and there were only four main sources of supply. They had the home farmer, the Australian farmer, the New Zealand farmer, and the Argentine. What they hoped for was that it might be possible that the producers in those four cases would come together and make a voluntary arrangement among themselves under which they would regulate their supply according to an agreed programme and consequently obtain the required rise in wholesale prices. Of course such an arrangement would have to be subject to the approval of the British Government and to the general lines of policy that Government might lay down. But in any case it was not possible to work out and carry to a conclusion so large an arrangement in the time at their disposal at Ottawa.

Temporary meat programme.

What they did, therefore, was to come to a temporary arrangement with the Dominions interested which was to last for 18 months. This temporary programme provided for :—

(1) A progressive reduction in the imports of foreign mutton and lamb into the United Kingdom during the 18 months.

(2) A fall in the importation of chilled beef which was not to exceed the figures of the year which ended in June last, a year in which the imports into the United Kingdom of chilled beef were only 93 per cent. of the average of the five preceding years.

(3) A standstill on the importation of Dominions mutton and lamb, and only a moderate increase in the importation of Dominions frozen beef.

The producers in and exporters from the Argentine had agreed to work the arrangement. Under it the importations of mutton and lamb should go back to normal rates in 1934 and there should be a gradual rise in the wholesale prices. The British Government had reserved the power to remove the restriction if it should appear that at any time the producers were not able to meet the reasonable requirements of the consumers in the United Kingdom.

"During the period of experiment," Mr. Chamberlain said, "we shall be considering and consulting with others as to the possibility of making a permanent scheme. If we find, as I hope and believe we shall find, that it has enabled us to get over the major difficulty in the case of mutton and lamb, the market for which is in this country, then it will have proved an object lesson which we may find extremely useful when we come to deal with the more complicated problem of the commodities which are sold in world markets."

Preferential tariffs.

The British delegates were successful in bringing back, Mr. Chamberlain observed, a series of immediate improvements in the Preferential tariffs against the United Kingdom, which were of substantial value at once to industry and employment, and in time were bound to grow larger and larger.

"In the case of Canada," he continued, "over 40 per cent. of the imports from the United Kingdom will enjoy in the future lower duties than have been given formerly, and goods which in 1931 amounted to over 8,000,000 dollars will now be admitted free of duty altogether into Canada. That includes a number of lines of steel and iron, chemicals, and other important industries. In the case of Australia, we have agreed upon a formula applicable to all goods which are not competitive as between Australian manufacturers and British manufacturers, under which increased Preference will be given in every case to the British import.

"As to the rest, the tariffs will be reviewed by the Tariff Board, which is already in existence, and indeed that review has already begun, and substantial reductions in the tariffs on British goods have already been made. In addition to that, prohibitions on certain British imports which existed have been abolished, and surcharges and primages which have been found very hampering to British trade have already been removed from an extended list of goods.

New Zealand, South Africa, India.

"In the case of New Zealand, wherever there is an existing duty upon British imports, that duty is going to be reduced by an amount which varies from 5 to $12\frac{1}{2}$ per cent.; and in South Africa we have an increased Preference on goods the imports of which were valued in 1931 at over £6,000,000. India I have already mentioned, but I may say that the Preference, which includes such important articles as woollens, hardware, heavy chemicals, building and engineering materials, and boots and shoes, covers goods the value of which in 1931 amounted to nearly £29,000,000."

Putting all this together, Mr. Chamberlain claimed that the British delegates had brought back with them solid advantages for the manufacturing industries of the United Kingdom which would be put into immediate effect. He repeated that the value of what was done at Ottawa was not to be judged by its immediate effects, and could not be estimated unless they took into account the tendencies, the trends, and the increased purchasing power, which would increase the value of the Preferences the United Kingdom had got.

Labour's point of view.

Rt. Hon. G. Lansbury (Leader of the Opposition) recalled the Chancellor of the Exchequer's statement that all Parties were agreed on bringing about, as far as possible, closer agreement and closer economical arrangement with the Dominions. So far as the Labour Party were concerned that was correct; but they disagreed fundamentally on the methods. They wanted a united Commonwealth of British Nations, and they wanted it not for the purpose of dominating the rest of the world, or to stand aloof in any way from the rest of the world: they wanted a British Commonwealth of Nations which should within itself carry on its business in a co-operative manner as laid down in "*Labour and the Nation,*" and not in the competitive way they were discussing that day. From that they all hoped that they would be able to lead on to international co-operation.

It was certain, as was obvious from the very first, that the Dominions had driven a bargain which had given them a tremendous gain right away without the people of the United Kingdom gaining anything at all. He and his friends could not associate themselves with the notion that there was in the world to-day anything like Free Trade in the old accepted sense of the word. The trade of the world was dominated very largely by trusts and monopolies within which men who called themselves Free Traders and men who called themselves something else managed to work together for the purpose of exploiting some parts of the world and the markets of the world. There was nothing in the proposals at Ottawa that interfered with that sort of monopoly or would break it down.

Better relationships: Development and Migration.

They were told that these Agreements were to lead to better relationships. What was happening in the Parliaments of Australia and Canada was proof that in both those countries there was considerable opposition to the proposals. Mr. Mackenzie King made even more bitter speeches against them than Sir Herbert Samuel or any other speaker in Great Britain. Mr. Scullin in Australia had taken the same line and, as far as he understood, their object was to put the trade of their countries first all the time. He could not see whence any new work for the people in the United Kingdom was to come. He did not gather that Mr. Chamberlain could put his finger on any place and say: "Here trade will be increased: here employment will be increased."

That was really the condemnation of the whole of this policy. Nothing had been done at Ottawa, so far as he could gather, to deal with any great development of either Canada or Australia. All that the Government were doing was to shift trade. Had they gone to Ottawa and said: "We are prepared to raise a great loan in order to develop the undeveloped portions of your Dominions," there might have been something to be said for them. But he understood that the whole question of migration or development had been shelved. He could not understand how the Prime Minister could be supporting this policy, because he had always taken the view that they gained nothing by simply shifting business about from one place to the other, but that what the world needed was an expanding consumption of goods.

The arrangement with India.

He did not agree that the people who were said to represent India at Ottawa did represent even the business side of the community in India. He was very doubtful if the arrangements which had been come to would be accepted by Indians themselves. The Indian people had not agreed to them, because they had never been asked, and there was no authority in India at present to speak in the name of India, from either a business or an industrial point of view.

On the question of the House of Commons being bound for a number of years by what had been done, he had taken the trouble to get the opinion of people who understood the constitutional and legal position. He was told that it was impossible for one Parliament to bind another Parliament. They could not that day pass a Resolution to give effect to all that was contained in the Command Paper and fix it on the necks of the British people for five or ten years. "The electorate of this country," Mr. Lansbury remarked, "has a right to say at the next Election that the whole of these things shall be cancelled. . . Parliament is embarking on an entirely new and novel policy which has never been before the electorate."

Continuing, Mr. Lansbury said that perhaps the Secretary of State for the Colonies would tell them whether the people of the Colonies had been consulted in the matter?

The Secretary of State for the Colonies (Rt. Hon. Sir P. Cunliffe-Lister): "I was in consultation with the Government of every Colony for months before I went to Ottawa, and discussed with them in advance both what I should ask for and what I should give."

Mr. Lansbury: "Certainly; but you never consulted the people of the Colonies."

Trading agreement with Russia.

Referring to the notice given by the Government to cancel the trading agreement with Russia,* Mr. Lansbury said everybody knew that what Canada wanted was to have the advantage of the markets without Russian competition. He hoped they were going to have a public inquiry into the business of Russian dumping, and the charges made against Russia generally. There were millions of people out of work, and the only thing that had happened was that the Government had gone out to Ottawa to see how they could help their friends in the Dominions to shift trade from one place to another. He was certain that they would enter the World Economic Conference prejudiced and hindered by these proposals, and any chance that they might have had of bringing about international co-operation was almost at an end.

Mr. P. J. Hannon (Unionist, *Birmingham, Moseley*) believed that in every branch of public life and in every phase of their industrial activity there had been a wide appreciation of the sound foundations laid at Ottawa as the beginning of a new outlook in the development of their Imperial relationships. There was no doubt that there was great disturbance among the farming community of Great Britain as to the policy to be pursued by the Government in relation to the importation of meat. The livestock industry of Great Britain was one of their greatest national assets. Therefore, in dealing with the importation of meat the Government must constantly keep in mind the extent to which the farming community depended for its future prosperity on a revival of that industry.

The dissentient Liberals.

Rt. Hon. Sir H. Samuel (Liberal, *Darwen*) said that it would be clear from the view that some of his friends and himself took of the Ottawa Agreements that it would be impossible for them to express the opinions it was incumbent upon them to do while remaining members of the Government. If the whole result of the Ottawa proposals were to promote the unity, welfare and prosperity of the British Commonwealth of Nations they would receive them with complete approval. Every Clause of the Resolution under discussion meant the imposition of fresh taxes, fresh duties, and fresh restrictions upon British trade. The lowering of inter-Imperial barriers, of which Mr. Chamberlain spoke, was excellent, but wider in their scope were the measures raising the extra-Imperial barriers.

Dealing with the effect of the Agreements upon the Colonial Empire, upon those Colonies which are not self-governing, Sir Herbert said the Imperial Government had

* *Vide* p. 890.

secured the co-operation of their Governments in imposing taxes upon the imports into their countries from foreign countries. Great Britain should be exceedingly careful not to allow any suspicion even to grow up among the sensitive native populations that the government to which they were subjected was being conducted not solely in their interests, but partly in the interests of the country which exercised that power. For the first time their Colonial Empire was to be made, to as great an extent as they found it possible to do it, into a preserve for British manufacturers.

A constitutional objection.

The constitutional objection to these five-year Agreements was a very grave one. What was proposed was wholly contrary to the practice of the Constitution and to all precedents. He accepted wholly the view that these Agreements were analogous to their commercial treaties if those who put it forward were willing also to accept the common form of those commercial treaties, which was that they were all terminable at short notice. There was a provision in the Indian Treaty to the effect that it should continue in force until a date six months after notice of denunciation had been given by either party. So it could not be so very wrong and so very foolish to suggest that in the Dominion Agreements also the same provision should be inserted.

It was far from being the case that the Agreements were universally approved in the Dominions and that the five years' term was unalterable. The British Constitution worked because all Parties recognised the importance of continuity of policy in international and Imperial affairs. But there was a reciprocal obligation on the Government of the day not to tie up its successors in matters of keen controversy. If the Measure was carried in its present form the Liberal Parliamentary Party would regard it as contrary to constitutional practice. They would say that the rule of continuity would not apply, and that they must be free in the future to take such action as to modification or repeal as conditions might require.

Rights of Parliament.

A further point was that with respect to the long series of duties dealing with foodstuffs and raw materials the British Parliament could repeal them during the five years' period, but only with the assent of the Dominions concerned. Tariffs were taxation. There would have to be six agreements all over the Empire, six assents, before the British Parliament could repeal a tax it had itself imposed. That was contrary to the rights and privileges of Parliament. If they hoped to effect great things at the World Economic Conference, these permanent tariffs must in a large measure be an obstacle. When this legislation was passed, Great Britain would be one of the most completely protectionist countries in the world. No less than three-fourths of the whole of their imports, after allowing for all those from the Dominions, would be subject to duties.

Controversy on Empire questions.

The Ottawa policy would no doubt bring some into employment; but it would throw out more. Alleged to conduce to wider free trade, it would erect two barriers for every one it lowered. Intended to unite the Empire, it would bring Empire questions into vehement controversy all over the Empire. Worst of all, it brought into direct conflict the urgent daily needs and interests of the poorest classes of Great Britain with the claims made on behalf of Imperial patriotism.

Vice-Admiral E. A. Taylor (**Unionist**, *Paddington, S.*) said the real advance which had been made at Ottawa was the acknowledgment and acceptation by all units of the Empire of the principle of Imperial economic unity founded on the basis of Imperial preferences and their determination to put that policy into practice. He regretted that the policy of migration was not dealt with at Ottawa. Unless and until they had a long-term policy of migration, whereby man-power could provide for developing the vast areas of the Dominions, there could be no great increase in the prosperity and wealth of the Empire as a whole.

Mr. T. J. O'Connor (**Unionist**, *Nottingham, C.*) remarked that a good deal of the attack directed upon the Ottawa Agreements failed utterly to take account of the pre-existing situation in the Empire. Ottawa marked something very like the economic crisis of the Empire. If the divergence of policy between the different parts of the Empire had been permitted to continue, then, within measurable distance, they would have had complete economic disunity between the different self-governing Dominions and the last bond of Imperial unity would have been unduly strained and loosened.

A great advance.

It was little short of a triumph for the British Delegation that they brought home Agreements which secured acceptance of the view that there must be a modification of the purely national spirit, that there must be a rationalisation of production, an allocation of production to the portions of the Empire in which it could be most efficiently carried out, and that the control of the tariffs of the different self-governing Dominions should be in the hands of a non-political tribunal. The great advance that marked could hardly be appreciated by those who had not been in close contact with the Dominions. Better a thousand times the foundation of principle established in these Agreements than the blank negative proposed by those who said that in no circumstances ought they to attempt to keep fiscal step with the different units of the Empire.

Duchess of Atholl (**Unionist**, *Kinross and West Perth*) expressed great satisfaction that the British Delegation had found themselves able to accede to the strongly pressed request of the Canadian Delegation that power should be taken to prohibit dumping on the British market of commodities which had competed severely and unfairly with imported Canadian commodities. No one who had studied the Board of Trade Returns could fail to have noticed how cruelly Canadian exports to the United Kingdom had suffered since they began, some two years ago, to buy so largely of Russian cereals, and, some years further back, to buy so largely of Russian timber. Australia also had suffered from the dumping of Russian wheat in the United Kingdom. Both Australia and New Zealand had suffered from the heavy drop in the price of butter, which was clearly due to the low price at which Russian butter had been imported into the United Kingdom in the last three or four years. In the same way, South Africa had suffered losses in her sales of maize.

Security for producers.

Were the Government prepared to give the same security to the producers in other Dominions that they were pledged to give the Canadian producer ? If that happily were the case, would the security be extended to the Colonial producer, who might occasionally come up against Russian dumping in the British market, and to the British producer ? If they could, by State action, prevent dumping on the British market, they would help to restore the purchasing power of the countries which were accustomed to trade with them on ordinary normal lines.

Mr. Morgan Jones (**Labour**, *Caerphilly*) argued that the claim which was made that in some nebulous way the Agreements were going to be a contribution to the economic well-being of the people was entirely untenable. They were told that all sorts of trades were going to thrive under this new arrangement. Would the Prime Minister point to a single item in the Agreements whereby an extra ounce of South Wales coal was to be sold as a consequence of them ? When mining was so largely providing their unemployment figures, it was disgraceful that the Government should have been so utterly callous as to overlook the claims of that important trade. If they now said to the Argentine, " We do not want so much of your wheat or meat," would they not say in return " We do not want your coal " ?

Trade with Russia.

Sir George Gillett (**National Labour**, *Finsbury*) said that even if the Trade Agreement with Russia terminated, there was no reason why the traders of Great Britain could not, if they so chose, go on trading with Russia as they did at the present time. One of the considerations which had induced him to support the Ottawa proposals was his experience, during the days of the Labour Government, in watching the attempts made by Mr. Graham to try and get something done under the Free Trade system.

The last Labour Government was a Free Trade Government supported by the Liberal Party, and for two and a quarter years Mr. Graham, whose faith in Free Trade nobody questioned, attempted to do all he could to improve the condition of the country on a Free Trade basis. No one could say that it did not have a fair trial, or that during that period the unemployment figures did not go on increasing steadily and systematically. Sir Herbert Samuel and his friends had made an outstanding mistake in going out on a question that was virtually second-rate in comparison with the much greater economic questions ahead, which alone were going to find any remedy for the evils from which they were suffering.

The economic question, the disarmament question, the question of India, were matters which would be studied and considered as landmarks in the history of Great Britain long after the proposals of Ottawa would have been almost forgotten and obliterated.

Question of prices.

Mr. D. R. Grenfell (**Labour**, *Gower*) remarked that the Empire was supposed to have a common mind and purpose, and the first step to be taken was the restoration of wholesale prices. If that was the object, he believed these Agreements and tariffs were doomed to failure, because the steps taken at Ottawa must lead, not to an increase, but to a considerable diminution of wholesale prices.

The Prime Minister (**Rt. Hon. J. Ramsay MacDonald**) claimed that not a single election pledge given by any responsible member of the Government had been broken by what was proposed now under the Ottawa Agreements. The British Delegation knew perfectly well that the Ottawa Conference, if successful, could only result in something in the nature of tariffs and that foodstuffs would have to be included somehow or other. All that they did was to put up the stiffest fight that was possible in order that these tariffs should be as advantageous as possible to Great Britain.

The Commons and finance.

Continuing, the Prime Minister referred to the argument that in all finance matters—taxes, tariffs, and so on—the House of Commons must retain its power to change them, to stop them, to abolish them at its will. He pointed out that in the German Commercial Treaty it was laid down that it should remain in force for five years. One of the things the Government wanted to do if the Ottawa policy succeeded was to establish certain sources of labour and of income—in other words, to develop certain parts of the Dominions. Suppose fruit was one of the commodities. What was the use of going to a Dominion and saying: "We would like you to develop your fruit industry and we guarantee you a six months' continuance of this Agreement"? They would laugh at it.

Either they should not put their hand to this sort of thing at all, or they should do it in such a way that the effect they wanted by doing it could be realised. He was one of those people who were prepared to change things to-morrow if in the course of time it had been proved that certain of their most cherished constitutional practices had become out of date. All that the Government wanted the House to do by the division which would follow the debate was to say to the Dominions that the Government would stand by the Agreements up to the period specified and would do everything they could to get the country to stand by them so that the Agreements would be carried out.

Tariffs and unemployment.

There had already been statements that unemployment had gone up since tariffs had been introduced. It was futile for any Party in the House of Commons, any propagandist outside the House, to delude the country that the rise in unemployment during the last few years was evidence either of the failure of Free Trade or the success of tariffs. It was not true. The state of rising unemployment was common to Free Trade countries and common to tariff countries. It meant that in applying tariffs they had to apply them with the discriminating care that characterised the work of the British Delegation at Ottawa. They discussed the items of a programme and came to agreements which undoubtedly would expand trade throughout the Empire.

He was told that what had been done would put an end to the International Economic Conference. He supposed he would be compelled to accept an invitation which had already been given to him to preside over that Conference, and he was willing to face that Conference with the Ottawa Agreements. What would have made the Conference impossible would have been a failure at Ottawa. "Never has there been a clear road," the Prime Minister added. "I do not expect one now, either here or at the International Conference, but with full knowledge of what one is up against I would appeal to the House, when the division comes, to show the Dominions that we accept the Agreements, and that we are prepared to carry them out in the most generous spirit; and at the same time I appeal to the Dominions to show the same spirit in applying the Agreements to their own conditions."

Position of British Delegates.

Mr. C. R. Attlee (Labour, *Limehouse*) said that when one looked at the Agreements one found that what the United Kingdom was to give was specific, and for a certain period. When one looked at what the United Kingdom was to get in return one found that everything was nebulous, uncertain, and dependent on the interpretation of various phrases. The Ministers from the great National Government could not come back from Ottawa and say: "We have failed." They had to get something, anything, to make a show. It was obvious that they were thoroughly well bullied by the Dominion representatives, and made an intolerably bad bargain for Great Britain.

He was not in favour of these tariff bargains with the Dominions: he did not think bargaining was necessarily the best way of cementing friendship. The House of Commons surrendered the whole control over taxation to the Ministers whom it sent to Ottawa. That was very generous of the House, and the Ministers decided to be equally generous, because they in turn, handed over the power of taxing the people of the United Kingdom to the people in the Dominions. "We are now," Mr. Attlee said, "tied up to taxing our people unless we are kindly permitted by Dominion representatives to release ourselves."

Capitalist agreements.

Expressing a desire for more information respecting the various trading interests concerned in the commodities dealt with in the Agreements, Mr. Attlee said that at the last Imperial Conference Dominion Prime Ministers and Ministers assured him that over and over again where they had given a Preference, it had been entirely nullified by capitalistic agreements. As a matter of fact, all the talk of trading agreements was out of place under their individualistic system. He could understand the Government wanting to make trading bargains to develop the Empire as a whole on certain lines, provided they took control of the industries in Great Britain, and the same with the Dominions, but it was entirely illusory while they had private enterprise in control.

Condition of agriculture.

Rt. Hon. G. Lambert (Liberal National, *South Molton*) drew attention to the condition of agriculture, and argued that an increase of their agricultural products was vital to Great Britain. He asked the Government what they had done to restrict Dominion competition in mutton with the home farmer? He did not see anything in the Ottawa Agreements to assist that end.

The Chancellor of the Exchequer said that surely Mr. Lambert must have read the Australian Agreement under which the Australian Government undertook to restrict the importation of frozen mutton.

Mr. Lambert: "If I read the Australian Agreement aright, the exports of mutton from Australia are to be of the same amount as for the year ending June, 1932?"

The Chancellor of the Exchequer: "Yes, but that is accompanied by a diminution in the foreign imports, and therefore, on the whole there must be a considerable diminution in imports."

Mr. Lambert said it was the large imports from the Dominions that had brought down prices and if they were to come in at the same rate as last year there was not much hope for sheep farmers in Great Britain for some time to come. Producers in Devonshire had complained to him that they had not been able to sell their butter because there had been such a glut in the market. Exports of butter from Australia and New Zealand had increased enormously. The Government had done the pig-breeding industry considerable disservice by taxing foreign feeding stuffs. He could not conceive of a greater disservice to the British Empire than that British agriculture should be sacrificed on the altar of Imperial sentiment.

The Agreement with Canada.

Maj. H. L. Nathan (Liberal, *Bethnal Green, N.E.*) said that those who had considered the Agreement with Canada were so fearful that it would mean a flow of goods from Canada to England with no reciprocal flow of goods in the other direction that, as soon as the Agreement was published, sterling relatively to Canadian dollars went down in value.

It was difficult to calculate the additional amount of trade which was likely to flow from Great Britain to the Dominions, but he believed that a sober and balanced estimate was that the turnover was unlikely to exceed £5,000,000 sterling in any year in the immediate future. In many cases nothing would be gained by the removal of a duty on British imports so far as regarded Canada, and Canada was far the most important of the Dominions concerned. The items added to the Free List were trivial in the volume of trade, while all sorts of conditions were laid down which, even when they had the Free List established would largely take away from its benefits.

In a great variety of cases even the reductions achieved by the Ottawa Agreements left the duties at a prohibitive level.

Mr. C. Atkinson (Unionist, *Altrincham*) argued that when they approached these Agreements they had to remember that they were forced to do something to divert their imports from those countries that would not take payment in British goods to those countries which were ready to do so. Was it not something that they should secure a reduction of the tariff walls against them in some quarter of the world? If these Agreements had been made with countries that were not part of the Empire, hon. Members would have been delirious about it.

Greater share of Dominion markets.

It was because the Agreements had been made with their own people that they seemed to be regarded with so much suspicion. The Empire imported £500,000,000 worth of manufactured goods a year. It had only taken two-fifths of those imports from the United Kingdom, and they wanted to get a big slice of the other three-fifths. If they wanted the Dominions to take from them goods which up to now they had got from the rest of the world, they had to make it possible for the Dominions to pay for them by sending more of their production to the United Kingdom.

"There is one point of considerable importance to which I should like an answer from the Government," Mr. Atkinson said. "The Canadian Agreement imposes two conditions on the observance of which these duties may continue. The Dominions must be able and willing to supply at world prices and in quantities sufficient to supply the requirements of United Kingdom consumers. If you turn to the Australian Agreement, which contains what I think is intended to be a similar clause, that last condition does not find a place. The duties are to continue conditionally upon the Empire producer of wheat, grain, copper, lead and zinc continuing to offer these commodities at prices not exceeding the world price, but the second condition, which is of really very great importance, that they should give us all we want, is omitted.

"If you look at the South African Agreement, it is omitted there as well. Obviously it ought to find its place in each of these agreements."

Industrial development.

Mr. D. Kirkwood (Labour, *Dumbarton Burghs*) remarked that when he and others went through Canada in 1928* as guests of the Canadian Government every Province they visited appealed to them to get the United Kingdom to advance it money in order that it could develop its own industries in Canada. That was the situation at that time, and it was the situation to-day.

Mr. A. M. Lyons (Unionist, *Leicester E.*) said that at the beginning of the Conference the question of "Empire content" was discussed, but it was not found possible to unify the differing ideas of the different countries. Many industries had been faced with a new difficulty owing to the entry through Canada of foreign goods made substantially in American territory by American labour and American capital. These goods had been sent into the United Kingdom through the Canadian corridor with a certificate saying that there had been expended upon them 25 per cent. of Imperial labour. Now that the Ottawa Conference was over he asked that some arrangement should be made to prevent such goods entering into the United Kingdom, fully manufactured, at the expense of their industries, and thus prevent the present flagrant evasion.

After stating that he had had the advantage of travelling over the whole of Canada, Mr. Lyons said that while he realised that the Dominion was commencing an industrial era, there must, nevertheless, be tremendous room in that great country for many British trades to take the place of foreign trades which got the benefit of Canadian markets to-day. Sir Herbert Samuel had said that he would like to have seen a great migration policy as part and parcel of the Ottawa Agreements. Anyone who had recently been to Canada or to any other Dominion must know, however much they regretted the fact, that in present circumstances any such migration scheme was not in the realm of practical politics.

Unsuccessful bargaining.

Mr. Dingle Foot (Liberal, *Dundee*) contended that the policy of making trade agreements with countries outside the Empire had been considerably handicapped by what had been done at Ottawa. They on the Liberal benches did not object to bargaining within the Empire any more than to bargaining outside the Empire, but they did object to unsuccessful bargaining. The present policy, as a result first of all of the Tariff Bill, and then of the Ottawa Agreements superimposed upon it, made absolutely the worst of both worlds.

Maj. Sir Herbert Cayzer (Unionist, *Portsmouth, S.*) pointed out that one industry overlooked at Ottawa was the shipping industry, which had suffered ever since the War. No country had done more for the freedom of the seas than Great Britain. Unfortunately, no such thing existed to-day.

* Mr. Kirkwood was one of the Delegation, representing the United Kingdom Branch of the Empire Parliamentary Association, which visited Canada in 1928, at the invitation of the Branch of the Association in the Canadian Parliament.

British shipping was suffering from very unfair competition, for practically every foreign Government was discriminating against it, either by direct discrimination in the form of subsidies, or by not conforming to Conventions. They should see that the impetus which Ottawa would undoubtedly give to Empire trade, as it would be reflected in the increased carrying, would be borne in British and not foreign bottoms. Few people realised to what an extent foreign shipping was cutting out British shipping in the Empire trade.

The present problem.

Mr. T. Williams (**Labour**, *Don Valley*) observed that the problem of production had been solved. The problem with which the world was confronted at the moment was how to get rid of the commodities which had been produced. Instead of lowering tariffs, clearly the Resolutions would increase tariffs and tend to strain British relations with various other countries with whom they had done a good deal of trade.

The Financial Secretary to the Treasury (**Mr. L. Hore-Belisha**) remarked that the British Government decided that it was an eminently good thing that the purchasing power of the Dominions should be increased, and they set about to increase it. As an overriding principle, protection as against the United Kingdom was to be abandoned in favour of a reasonable opportunity of competition. Article 10 of the Australian Agreement—and it was the same in the other Agreements—said :—

"Protective duties shall not exceed such a level as will give United Kingdom producers full opportunity of reasonable competition."

That meant that the countries of the Empire *vis-à-vis* the United Kingdom had abandoned the principle of Protection completely. Of course, if the principles were not observed the consequences would be very regrettable, but let them at any rate assume at this stage that both the United Kingdom and the other parties who had signed the Agreements were going to carry them out.

Duration of commercial treaties.

The Secretary of State for Foreign Affairs (**Rt. Hon. Sir John Simon**) replied to the contention that, alike in principle and in practice, it was unconstitutional for the Executive to bind the House of Commons in negotiating a commercial treaty outside Great Britain in a matter of taxation for more than twelve months. He quoted the position as stated to him by the responsible permanent officials of two Departments. The Foreign Office said :—

"Our Commercial Treaties usually contain an Article providing that they must remain in force for a stated number of years after their entry into force (the number of years varies from one or two to twelve) and then, on the expiry of this stated number of years, they go on until they are denounced upon twelve or six or three months' notice."

Officials of the Board of Trade informed him :—

"There is no validity in the contention that it is a constitutional innovation for His Majesty's Government to undertake long-term obligations with regard to the duty which shall be charged on specified kinds of goods coming from particular countries. There is nothing new in an undertaking in a treaty which binds Parliament for a period of years with regard to the duties which may be imposed upon particular kinds of goods."

Did anybody really suppose, Sir John asked, that they could negotiate a complicated commercial treaty for months and months, involving a long-term policy, with the additional clause that the whole thing could be brought to an end in three months ?

Bargains with foreign countries.

It was absolutely untrue to say that because of Ottawa they could not bargain with foreign countries. It was true, however, that in some respects their freedom was limited. Since the Import Duties Act came on the scene, and again now that the Ottawa Agreements had been produced, they were constantly invaded at the Foreign Office to a quite unusual extent by the representatives of different countries who wanted to negotiate. The late Mr. William Graham* tried to get a tariff truce with some seven industrial countries in Europe. Why did he fail ? It was because as long as they attempted to negotiate these agreements on behalf of a country which was standing absolutely firm on a Free Trade basis, though there were great advantages to be derived from that basis, they were immensely handicapped in their negotiations.

Summarising the results of Ottawa on the two sides, Sir John said that Empire produce now came in duty free under the Import Duties Act and would continue to come in free of duty after 15th November. That was, of course, enlarging the area of free imports. Under the Import Duties Act, that free entry would have ceased after 15th November. Because of that free entry of Empire products and other articles on the Free List, to start with about one-third of their total imports would come in free from any Customs duty. On a limited number, about 20 foreign products, the United Kingdom had undertaken to impose a slightly higher tariff. Since last March, those articles had been subject to the 10 per cent. duty. The Ottawa Agreements provided that on those items there was to be an increased duty of about 5 per cent.—15 per cent. instead of 10 per cent.

* President of the Board of Trade in the last Labour Government.

Food duties.

On a certain number of foreign products the 10 per cent. *ad valorem* duty imposed under the Import Duties Act was to be maintained for the period of the Agreement. There were about 38 items. What did that involve? Take the figure for 1930. The value of foreign imports subject to duty under the Import Duties Act was £350,000,000. The result of Ottawa was that the new duties on foreign imports would increase that amount by £36,000,000. Take food alone. Under the Import Duties Act, foreign foodstuffs to the value of £126,000,000 were subject to duty. As the result of Ottawa, an additional £24,000,000 worth of foodstuffs were subject to duty. So what Ottawa meant was that food duties covering only one-fifth of what was covered by the Import Duties Act were now in question.

What was the United Kingdom going to get? In the first place the Dominions accorded increased Preferences on certain British goods. In a large number of cases that was secured by the removal of duties—putting things on the Free List—or by the reduction of duties, and in other cases by the imposition of increased duties. Equally, if not more important, the Dominions had undertaken to remove prohibitions, surtaxes and primage duties, and he believed to some extent that had already been done.

Long term policy.

What was the long term policy? The Lord President of the Council pointed it out in the speech he made when he came back from Ottawa. He said:—

"The biggest thing of all to my mind is the declaration that we have got in the Agreements themselves that Australia and Canada, who have hitherto practised a very much higher scale of Protection than we have any idea of doing, have declared themselves willing in their future policy to bring their tariffs down until we are in a position of a competitor."

If, as a matter of fact, that was a fair promise, a truly meant contract, he submitted that it was very well worth having.

The economic situation.

Rt. Hon. Arthur Greenwood (Labour, *Wakefield*) said there was nothing in the Ottawa Agreements that mattered to the National Government and its supporters except tariffs. All the rest was "poppycock," intended to have no meaning. The real question was, "Were the Agreements going to result in an increasing volume of trade and an increasing volume of employment?" To that question they had had no answer. There had been, from the Treasury Bench, no assertion that within any period of time, one year or two years, the economic situation was to improve. Even the Government's own supporters did not now believe in tariffs and Preferences on their merits. The opinion of all people whose opinion was worth having on this question had been, for the last ten years, that tariffs had been a growing menace and one of the most important contributory factors to the present economic condition of the world.

At Ottawa the Government allowed itself to be blackmailed by the Dominions: Britain had now been reduced to Crown Colony status. It had not even the independence and self-respect of a Dominion. Was there anything which reflected less credit on a Government than that, at the point of a pistol, it agreed to scrap a trade treaty with Russia which all business men who had any knowledge of the question believed was a potential asset of great value to the United Kingdom. That was done at the dictates of an outside Power. "You can see, if you look at the Agreements," Mr. Greenwood observed, "that they are not Agreements of real give and take. They are one-sided. We have done all the giving and the Dominions are doing all the taking."

Illusory preferences.

The point was, he continued, that the United Kingdom had been given some hundreds of Preferences and that most of them were illusory. That kind of policy was not going to improve their trade situation, but was going to intensify the difficulties with which they were dealing. No one would put the possible value of Ottawa higher than this: that the Agreements might divert trade in one direction or another. In their hearts, the members of the National Government knew that this kind of fiscal jugglery was not going to get them out of the difficulties in which they were placed. A dose of economic Imperialism was not going to cure the effects of a surplus of economic nationalism. It was going to make the matter worse.

Rt. Hon. L. S. Amery (Unionist, *Birmingham, Sparkbrook*) said that they had at any rate got one thing in the first instance out of Ottawa: that was the preservation of the system of Preferences which had already meant so much to British trade in the past. One thing, at any rate, did not happen at Ottawa, namely, a breakdown of the Conference, which would have ended in the disappearance of these immensely valuable Preferences. On the contrary, the British delegates had succeeded in getting a measure of increased Preference far greater than anyone could have anticipated. Take the Canadian Agreement alone. Was it a merely illusory Preference that, in respect of some £6,000,000 of trade, in a bad trade year, the duties on the United Kingdom should have been reduced from 10, 15, 20 and 25 per cent. to nothing—

put on the Free List—and that, with Preferences running from 10 to 35 per cent. the United Kingdom was given an opportunity such as it had never had before?

What Australia has given.

Thanks to Preferences averaging something over 10 per cent. all round, Australia had been Great Britain's second best customer. The average Preference which Australia was going to give Great Britain would amount to something like $17\frac{1}{2}$ per cent.—15 per cent. on articles where the duty was not higher than 20 per cent., and from $17\frac{1}{2}$ to 20 per cent. where the duties were higher. It was preposterous for anyone to suggest that these agreements would not result, especially when normal trade conditions were restored, in a very great increase of British trade.

What they were doing that day was endeavouring to meet new conditions. The methods might be different as circumstances changed, but the underlying object they all aimed at was the same—mutual reciprocal trade. In ratifying the Ottawa Treaty they were not reviving the old battle between Free Trade and Protection. That issue was settled in February. It was on the contrary the inauguration of a new policy in which the elements of both Free Trade and Protection were combined in a synthesis which met the conditions of a new world. If that was so, was it not possible for all Parties to do what they did for three generations after the adoption of Free Trade: to continue their conflict on other issues, but to accept in the main a great national and Imperial policy based both on the conception of Free Trade and also on the collective protection of Empire Trade against the rest of the world?

That policy had been most effectively established or, at any rate, initiated at Ottawa.

A solid beginning.

Ottawa was only a beginning, but a very substantial and solid beginning. The line had been taken that what the United Kingdom was giving as the outcome of the Ottawa Agreements were sacrifices out of all proportion to the benefits it had received.

"There are no sacrifices," Mr. Amery continued. "Once the Dominions have constituted themselves, as they have done by far our best customers, then they are customers whom it is to our interest to encourage and to develop. Once we were assured, as we are assured to-day, of the permanent goodwill of the Dominions in this matter, then everyone of the Preferences which we have given were worth our while to give even if the Dominions had never asked for them. Every one of those Preferences is something given with one object, and one object only, to strengthen the Dominion market, our best market, and to increase their population.

"The population can be helped to grow by migration from this country, and incidentally, it cannot be helped to grow by trade agreements with foreign countries. There you have something which is worth everyone's while."

Policy of co-operation.

Once the policy of co-operation was genuinely and whole-heartedly entered upon they were all benefited. That was the reason why they should not only fulfil, both in the letter and in the spirit, the Agreements into which they had entered, but why it was also worth their while doing what Mr. Mackenzie King had suggested for Canada, namely, going beyond the Agreements and adding, whenever they could see an opportunity, to the Preferences they were already giving to the Empire. Every Preference which they gave would come back to them in renewed strength.

With regard to meat, Mr. Amery agreed that at the present moment it might be useful and desirable to introduce quantitative restriction to deal with the position of over-production. But he thought the Chancellor of the Exchequer was skating on rather thin ice when he suggested that there was no case for imposing duties, because they would be paid by the foreigner and therefore could not help to raise the wholesale price. If they raised the duty sufficiently the foreigner would begin to stop paying and cease sending his supplies, and a policy of restriction could thus be effected in a perfectly easy and elastic fashion.

Monetary policy.

The whole meaning and effect of any scheme of Preference was profoundly affected by the question of the price level, actual and relative, within the British Empire. The whole assumption on which their arrangements were based was that the different currencies of the Empire would continue to bear the same relation to each other upon a price level which would enable production to continue in the British Empire. But that assumption could not be maintained unless the question of monetary policy was dealt with far more courageously and definitely than it was at Ottawa. They were told that the question was put back at Ottawa in order to be discussed more effectively at the International Conference. They could have discussed it far more effectively at the International Conference if they had settled their own Empire position.

Reasons for Liberal resignations.

Rt. Hon. Sir Archibald Sinclair (**Liberal,** *Caithness and Sutherland*) said that Liberal resignations from the Government had taken place because instead of freeing trade additional tariffs had been put on and existing tariffs raised; because for every tariff barrier that had been lowered two had been raised; because instead of getting rid of arbitrary and erratic quota systems they were being compelled to adopt them themselves. Governments kept on poking their ramrods of tariffs, quotas and exchange restrictions into the delicate mechanism of international trade until now the machine was jammed almost to a standstill. The path of prosperity now, as at every stage of the world history, was the path of enterprise, courage and freedom.

The Chancellor of the Exchequer had talked of the bonds of Empire wearing thin. These Agreements were no bonds of Empire. They were apples of discord scattered between Governments and Parties in every Dominion in the Empire. The five-year duration of these Agreements had been repudiated by the Labour and Liberal Parties in Great Britain, who had declared that they would not be bound by them. It had been repudiated by the official Opposition in Australia, who had declared that they would not be bound by them. It had been roundly condemned by the Liberal and Labour Parties in the Dominion of Canada. Surely there could not be any difficulty in getting the Dominions to agree to amend the Agreements in that respect and to strike out of them this mischievous innovation.

A long-distance policy.

Sir Henry Croft (Unionist, *Bournemouth*) said it would have been a sham to have gone to Ottawa to make an agreement which was only to last a year. It would have meant that they were not working on a long-distance policy—that it was merely the gesture of a moment. All the Dominions were Protectionist in character; they believed in Protection. They had built up a wonderful prosperity under it, and they said: "That policy is good enough for us. We have reached this great success under a tariff, and we shall not abandon it, but we shall do all we can to adjust it in favour of products from the Empire overseas." A foundation had been laid and henceforth it would be true to say that the British people, in whatever country they dwelt in the British Empire, preferred the products of their own countrymen.

Sir Stafford Cripps (Labour, *Bristol, E.*) remarked that the Labour Party did not believe in the theory of continuity of policy in these matters when that policy raised a definite political issue. They believed that any Government that was elected ought to be free to abrogate treaties of this sort when those treaties attempted to fix a definitely Party policy upon Parliament. The main criticism that was to be levelled at the Ottawa Agreements was their total ineffectiveness, their failure to do anything to meet what was admitted by almost every economist of every Government as being the great difficulty in which world trade found itself at the moment. Disillusionment was bound to come as regarded Ottawa.

New Agreement with Russia.

The Lord President of the Council (Rt. Hon. Stanley Baldwin) denied that it was the British delegates at Ottawa who had pressed for the term of five years because others had desired a shorter term. With respect to Russia, the Government did not desire to stop trade with that country, and they had told the Russian Government that they were perfectly willing to make a new Agreement. "But in the nature of that," Mr. Baldwin said, "we must safeguard our own position and see, as the State of Russia is the sole arbiter of where orders go, that we have a better proportion of the trade than we have had before, and that we have the power in the event of any imported goods being directed against any of our home industries, of stopping it, as we should not under the Agreement as it stands. I have no reason at all but to think that negotiations will begin shortly."

Dealing with the Conference itself, Mr. Baldwin argued that a stigma would have attached to a great nation, such as Great Britain, if they had absolutely failed in attempting to come to an Economic Agreement with the Dominions. Undoubtedly there was a feeling throughout the Dominions of looking to see where they could get economic assistance. They looked to Great Britain first. If Great Britain had failed at Ottawa that would not have been the end of the story. Were Canada to be brought into any other than the Imperial orbit, economically, it would only be a matter of time before she must be completely sealed up against British trade, and there would be a real danger of her being sealed up against emigration from Great Britain.

They had not failed at Ottawa; he believed that they were right and that the foundations were sound.

The credit side of Ottawa.

They had been asked: "What have you got out of all this; what does it mean in trade?" He answered quite frankly: "I do not know; no one knows. What we have done is to make the way a great deal easier, and it is up to British business men to seize the advantages which we believe we have made for them. . . We can now also proceed with the negotiations with foreign countries." He was confident that the Members of the present Governments throughout the Empire now had a far better comprehension not only of each other's needs, but what was equally important, of each other's difficulties than they ever had before.

The spirit of co-operation was in excess of what he had seen in any previous Conference. It was marked particularly from South Africa, a Dominion which, in the past, had approached Imperial co-operation with perhaps more hesitating steps than others. Regret had been expressed that nothing was done at the Conference about migration. It was perfectly obvious to anyone who knew the Dominions that nothing could be done at the moment. The only chance of increasing migration in the Dominions was to see that they were more prosperous, and until the purchasing power of their great agricultural communities was restored it would be impossible for them to open their doors any wider than they were open now.

Lower tariff barriers.

In spite of what had been said they had as a result of Ottawa lower tariff barriers. It must be remembered that the whole tradition of Australia was very high Protection and of industrial Canada high Protection. To him it was a wonderful thing that they had got this Article in the Australian Agreement:

"His Majesty's Government in the Commonwealth of Australia undertake that during the currency of this Agreement the tariff shall be based on the principle that protective duties shall not exceed such level as will give United Kingdom producers full opportunity of reasonable competition."

The Australian Government gave an undertaking in the next Clause to review their tariffs. Referring to Tariff Boards, Mr. Baldwin said that these Boards on the lines discussed at Ottawa, which were included in the Agreements, were a new experiment in the Dominions in which they were being tried. All he said was: "Let us trust the good faith of the Dominions as we should trust our own. Very likely, being human beings they may make their mistakes in the early days of these Tariff Boards. . . If they carry them out, as I have every reason to believe they will make an honest endeavour to do, in the spirit of the Agreements as well as in the letter, I think it will be a very good day's work for the Dominions themselves and a very good day's work for British industry."

On a division the first Resolution was carried by 451 votes against 84. The subsequent Resolutions were carried by similar majorities.

The Resolutions were discussed on the Report stage on 21st and 24th October; on the latter date the Bill based on them was formally introduced.

Second Reading Debate.

On 26th and 27th October, the Bill was debated on the Order for Second Reading.

The Secretary of State for Dominion Affairs (Rt. Hon. J. H. Thomas), replying to the assertion that the policy adopted at Ottawa was merely a Tory Party policy, said that, whatever might be the merits of the Agreements, the national aspect of the question was always uppermost in the minds of the British Delegates. He proceeded to repudiate the suggestion that the Government had done nothing for the unemployed and nothing for the miners. The representatives of the steel industry, after weeks of negotiation, brought to the Delegates a unanimous Agreement, which said in substance: "Not only are we satisfied with this Agreement, but it means thousands of tons of steel being imported into Canada that cannot be obtained in existing circumstances." If, as they knew, there was a minimum of 2½ tons of coal in every ton of steel produced, how could it be maintained that the interests of the miners were ignored?

Continuing, Mr. Thomas instanced the increased imports of British coal into Canada as a result of the action of the Dominion Government, action which was, he said, confirmed at Ottawa. The value of Ottawa must in the end be judged on a long and not a short-range policy.

Good faith of the Dominions.

He had been asked whether the Government took any steps to deal with what was undoubtedly a serious barrier to trade between Canada and the United Kingdom, namely, the Customs method of valuation and all those extra charges that not only made for uncertainty, but very often made business impossible. The Canadian Government had promised to deal with all these aspects of the situation and the House would be pleased to know that it had introduced a Valuation of Goods Bill with a view to removing the difficulties British manufacturers had experienced. This was a further illustration that Members of the British Delegation not only had no reason to doubt the good faith of the Dominions, but that they were already getting evidence of the sincerity of the Dominions in giving effect to the Agreements.

On the question of migration, Mr. Thomas asked how many people realised the tremendous part that migration must play in their home unemployment figures? From 1919 to 1931 no fewer than 1,346,000 persons migrated to the Dominions. In 1931, for the first time in their experience, more returned to the United Kingdom than left. If they could start prosperity again in the Dominions, if they could do something that would enable them again to welcome to their shores hundreds of thousands of British people every year, a real impression would be made on the unemployment figures. Those facts demonstrated that the British Delegation did not ignore the problem of unemployment when they were in Canada.

Negotiation with foreign countries.

As regarded negotiation with foreign countries, Mr. Thomas argued that Great Britain was now in a strong position.

" We were very disturbed in the last Labour Government," he continued, " because we felt that the Treaty between South Africa and Germany was not a good agreement from our point of view, yet when we made this Agreement at Ottawa, when we undertook to take the steps we did with regard to Russia, South Africa promised, and has already entered into, a new Treaty with Germany which prevents her getting the Preference that she would have got under the old Treaty. Instead of condemning this action, I feel proud when I look at the history of South Africa. I know the differences of the past. I know the record of that Dominion, and I am proud that at Ottawa not only did she concede the principle of Preference, but took the responsibility of cancelling a Treaty in order to give effect to it. That in itself is the best justification for our action."

With regard to the Irish Free State, Mr. Thomas indicated that as a new agreement was not made at Ottawa the free entry of goods into the United Kingdom employed by that country would cease to exist on 15th November.

Opposition Amendment.

Mr. W. Lunn (**Labour**, *Rothwell*), on behalf of the Opposition, moved a reasoned Amendment for the rejection of the Bill. No one could say, he remarked, that an additional man would be employed in Great Britain as a result of the Agreements. If the Ottawa policy was to mean that additional food taxes were to be placed upon the people in Great Britain which could not be removed without the consent of the Dominions then the Empire would stink in the nostrils of the people at home. The idea in the Bill which sought to isolate a group of nations from the rest of the world could not do other than hinder world recovery. There was embodied in the Bill a policy of reactionary nationalism. He was sure that it was a last throw to bolster up private enterprise.

The Secretary of State for the Colonies said that he went to Ottawa, as representing the Colonies, to promote their trade, to get a new market, and, in return, to extend Empire trade to their markets. No one was more alive than the Colonies themselves to the importance of developing that kind of mutual trade. He thought they had every reason to be satisfied with the results which had been obtained. Hitherto the Colonies had received Preference only from the United Kingdom, Canada and New Zealand. As a result of the Ottawa Agreements, for the first time they had received Preferences from Australia, the Union of South Africa, Newfoundland, India and Southern Rhodesia. That was a tremendous gain from the point of view of the Colonies.

Colonies and British trade.

He knew of no markets where the export trade of the United Kingdom could be more steady and valuable than the Colonial markets. In 1924 only 6½ per cent. of their export trade went to the Colonial Empire: in the first half of this year 11 per cent. of it went to the Colonies. They were holding the trade increasingly in very difficult times when the prices of primary commodities had fallen and they would have thought that the Colonies would be less able to buy. It would be an increasingly valuable trade in the future.

Mr. George Hall (**Labour**, *Aberdare*) declared that since the Agreements had been published no Labour organisation had given approval to them. He was astounded to find that since the present Government had been in office, including the effect of the Ottawa Agreements, no less than £150,000,000 worth of foodstuffs imported into the United Kingdom was to be taxed. Great Britain had given the Dominions almost everything they had asked for, and now, when Great Britain asked for something in return, she got the miserable Agreements to which the Bill was to give legislative effect.

Great Britain's position.

The President of the Board of Trade (**Rt. Hon. W. Runciman**) said that in his view Great Britain, as a market, as a centre of finance and as a world force, was, and must remain, the most important and vital part of the Empire. Consequently, the policy of the United Kingdom, as a creditor country, with investments both inside and outside the Empire, was to cultivate commercial and financial freedom and activity, but this freedom and activity were limited by the policy of the rest of the world and of the Dominions. These limits could and ought to be the subject of negotiations. They could most usefully begin with the Empire countries, and afterwards they could negotiate with important foreign countries. The extension of trade within the Empire involved the readjustment of existing tariffs, and, remembering their need for freedom and activity, these adjustments ought to be on a low level.

The export trade of the United Kingdom was dependent on a restoration of the purchasing power of the wide areas of the world devoted to the production of primary commodities. For instance, if Australia and New Zealand could not sell their meat, wheat and wool profitably; if India could not sell her jute and teas, and the West Indies could not sell their sugar except at a loss, they in turn could not buy Great Britain's cotton and woollen goods, and Great Britain, in her turn, must inevitably restrict her purchases of raw cotton and wool.

If they were put on a fair competitive basis they could hold their own against the competition of the world. The Preferences given in the Dominions aimed at stimulating British competitive power. Preferences given in Great Britain aimed at the extension of the purchasing power of the Dominions. Preferences which were not effective because the tariff was prohibitive were not genuine Preference. Each Preference should be such as to give a fighting chance for any enterprising efficient producer within the Empire.

What he personally welcomed at Ottawa was every step towards an expansion of world as well as of Empire trade. The good-will of the Dominions was a priceless possession. What had to be done and what would be done was to build on that foundation the future prosperity of the whole Empire.

On a division the Amendment was negatived by 422 votes against 77, and the Bill was afterwards read a second time.

GREAT BRITAIN AND RUSSIA.

(The Commercial Agreement with the Soviet Government; British notice of denunciation; Result of Ottawa discussions.)

On 18th October, in the House of Commons, answering **Mr. C. R. Attlee (Labour,** *Limehouse*),

The Secretary of State for Dominion Affairs (Rt. Hon. J. H. Thomas) stated that the British Government had recognised the importance of maintaining the effectiveness of the Ottawa Preferences against State action by any foreign country which might stultify the intentions of the Preferences. This principle was acknowledged in Article 21 of the Agreement with Canada. It necessitated the British Government being in a position to discriminate by prohibition against the import of commodities from any such country. This stipulation had rendered necessary the denunciation of the temporary Commercial Agreement with the Government of the Union of Socialist Soviet Republics signed at London on 16th April, 1930, which assured to Soviet trade the privilege of most-favoured-nation treatment, and therefore would stand in the way of the prohibition which might in conceivable circumstances be necessitated by the Ottawa obligation.

A Note was therefore addressed on 17th October to the Soviet Chargé d'Affaires in London giving notice of denunciation at six months date in accordance with Article 7 of the Agreement, and adding that the British Government remained anxious for the furtherance of trade with Soviet Russia, and were prepared to enter into discussion for the promotion of that end at the earliest moment.

Dumping of sweated goods.

Rt. Hon. G. Lansbury (Leader of the Opposition) asked whether the Government had come to this decision without any inquiry or investigation as to whether the conditions obtaining in Russia would necessitate the denunciation of the Treaty ?

The Secretary of State for Dominion Affairs replied that the Government came to the decision on two grounds :—

(1) Having entered into an obligation to give preference within the British Commonwealth of Nations, they must take all the necessary steps to see that no country should frustrate that effort by the dumping of sweated goods. Incidentally that did not appear to him to be inconsistent with any views of the Labour Party.

(2) The Government, having given that intimation to the Dominions at Ottawa, made it clear that that need not interfere with legitimate and common-sense trading agreements between two nations.

Mr. Lansbury understood that this action was taken so that if dumping was proved the Government would be free to take action. Why, he asked, was this action taken without previous investigation ?

The Secretary of State for Dominion Affairs said that, if Mr. Lansbury meant that the Government were ignorant of previous dumping, he could assure him that they had that fully in mind in coming to this decision.

Investigation to be made.

Mr. Lansbury remarked that the Government had always taken the line that they had no evidence.

The Secretary of State for Dominion Affairs said that before any action was taken investigation, examination and proof would be necessary. All he was announcing that day was that the Government were taking the necessary power to act if, after investigation, they found it necessary.

Mr. Attlee inquired whether Russia was the only place where goods were produced under sweated conditions, and whether the Government were prepared to take any action against goods produced under sweated conditions coming from Empire countries ?

The Secretary of State for Dominion Affairs answered that so far as the Ottawa Agreements were concerned the British Government had undertaken to take action against any Government that would be responsible for preventing the Preferences given being maintained.

COLONIAL PREFERENCES.

On 29th June, in the House of Commons, replying to **Dr. J. Morris-Jones (Liberal-National,** *Denbigh*),

The Secretary of State for the Colonies (Rt. Hon. Sir P. Cunliffe-Lister) said that the arrangements arrived at between Colonial Governments and the British Government for preferential tariff treatment were not provisional and did not require confirmation at Ottawa. In an answer given on 13th April last * he gave a full list of the Colonial Preferences which had been approved or brought into force up to that date.

Since the date of that reply a preferential tariff had been introduced in the Straits Settlements which was similar to that of the Federated Malay States, and the High Commissioner had also reported that a similar enactment was being considered in the Unfederated Malay State of Johore. A preferential tariff had also been introduced in the Turks and Caicos Islands under which the British Empire received a Preference ranging from one-quarter to the whole of the duty.

As regarded Ceylon, the position was that the State Council recently passed a Resolution in favour of the principle of Imperial Preference on a reciprocal basis, and detailed proposals for the establishment of a system of preferential duties were now under consideration of the Ceylon Government.

Sir Joseph Nall (Unionist, *Manchester, Hulme*) asked whether, in view of the Preference given on tea in the United Kingdom, the Secretary of State would press the matter of Preference in Ceylon ?

The Secretary of State for the Colonies replied that he pressed it a long time ago, but under the Constitution of Ceylon his powers were limited.

INTERNATIONAL ECONOMIC CONFERENCE.

(Meeting in London ; League of Nations invitation.)

On 18th October, in the House of Commons, replying to **Mr. C. R. Attlee (Labour,** *Limehouse*),

The Prime Minister (Rt. Hon. J. Ramsay MacDonald) said that the Lausanne Conference invited the League of Nations to convene a World Conference on Monetary and Economic questions. The League had decided that the Conference should meet in London and that invitations should be issued to all countries, including the members of the League of Nations, the United States of America, the Soviet Union and Egypt. The Preparatory Commission of Experts which was to make a preliminary examination of the questions which would be submitted to the Conference would meet on 31st October. The date for the meeting of the Conference would be decided later after the Preparatory Commission had begun its work.

* *Vide* JOURNAL, Vol. XIII., No. 3, pp. 586-87.

Mr. P. J. Hannon (Unionist, *Birmingham, Moseley*) asked whether the invitation would be extended to members of the League who had not paid their contributions to the League ?

The Prime Minister : "That is not for me to decide. That is for the League of Nations itself."

LAUSANNE AND GENEVA CONFERENCES.

(Decision on Reparations ; Single capital payment by Germany ; A three years' moratorium ; Europe's internal difficulties ; A chance for industry ; Preparations for World Economic Conference ; Great Britain and the gold standard ; The disarmament problem : President Hoover's plan.)

On 12th July, in the House of Commons, on the Order for the Third Reading of the Consolidated Fund (Appropriation) Bill, a debate took place on the Lausanne and Geneva Conferences.

DEBATE IN HOUSE OF COMMONS.

The Prime Minister (Rt. Hon. J. Ramsay MacDonald) claimed that the Lausanne Conference and its results could lead to a settlement of the Reparations question, which lay somewhere about the root of every economic trouble that had overtaken the world since the War, had falsified national Budgets, and had placed in the centre of Europe a country whose financial position was a menace to the whole world. While Reparations lasted there could be no complete industrial recovery. The Prime Minister proceeded to contend that it was impossible to treat Germany as "something apart" : that until the position of Germany as an element in world trade was understood and settled there was no recovery for either Great Britain or Germany.

Referring to the attitude of America, he said it was that Europe should decide the settlement which it believed practicable for itself taking all the circumstances into account. It should publish to the world what its views were and America would consider reasonably what was the part which in equity it could play. In view of the grievous results likely to follow upon any representations that at Lausanne Europe had combined to present something in the nature of an ultimatum to the United States, he wanted to make it absolutely clear that all Lausanne did was to straighten out the internal difficulties of Europe.

The Scheme.

The position of the British Government was very simple. They said " cancellation all round," which would have obliterated a great many of the consequential difficulties of adopting any other scheme. But it could not be done. Cancellation all round meant cancellation of Reparations, cancellation of War Debts, and so on. " Finally," said Mr. MacDonald, " we got them to agree to one capital payment and be done with it. That is the characteristic of the scheme. Three milliards of Reichmarks are to be paid into the Bank for International Settlements by the German Government and to be kept in trusteeship." The first thing that had to be done was to see that the money was taken completely out of the hands of the politicians and put into the hands of the Bank.

The second thing was that a certain moratorium should be given. They had to give the creditors of Germany some sort of security that within a few months or a year or two they would not find that the security would completely disappear. In the end, after much argument, they settled on three years' complete moratorium. Supposing at the end of the three years Germany's credit was not restored. Quite obviously, at any rate so far as Great Britain was concerned, they would never agree to that money coming on to the market then. Therefore they devised a means by which the Bank for International Settlements should decide themselves when the bonds were to be put upon the market. It would be only when German public credit had reached a certain point. He thought they had hit upon a very ingenious way of meeting the necessities of both aspects of the case.

An end to Reparations.

The great point was that the scheme put an end to Reparations. By that, although they had sacrificed some money on paper, they had given industry a chance to recover.

" We have never received Reparations," Mr. MacDonald remarked, " when we did not pay more away for them than we got. . . The most foolish man in creation is he who sums up the figures of Reparations from Germany and thinks they are net profit or income to this nation. These payments raise far greater issues than their own amount. They threaten the whole of our modern industrial civilisation." The work of the Conference beyond Reparations was still proceeding. Preparations were being made for the second phase of the Conference, and there would be no delay. The idea was that the League of Nations should call it.

Rt. Hon. Winston Churchill (**Unionist**, *Epping*) asked whether the Prime Minister was referring to the World Conference on the money problem to which the United States had expressed its willingness to come.

The Prime Minister replied in the affirmative. He added that if Europe was going to solve its economic and financial problems it must also solve its political problems. Those political problems depended on the state of political mentality. He was glad to say that Lausanne brought Great Britain nearer to France, France nearer to Germany, and France and Germany nearer to Great Britain.

Opposition attitude.

Rt. Hon. G. Lansbury (**Leader of the Opposition**) said that Reparations were imposed in defiance of the 14 Points laid down by President Wilson, and for 12 years the nations had reaped the harvest of the repudiation of the pledged word of all the Governments engaged on the Allied side. The Labour Party had never ceased to fight that dastardly business from the beginning. Because that was the case, they were delighted that at the last an agreement had been reached which they hoped and believed the great people in the United States would help the signatories to implement. " Our friends in America must remember that they were parties to these Reparations," Mr. Lansbury observed. " They assisted in imposing them. As it is now admitted by everyone that it was a colossal blunder, the least we can expect is that they will help us to put it right."

The Labour Party thought there never would be a real clearing up of the relationships between Central Europe and France until the political issues of the Peace Treaty were dealt with, and especially until they faced up to that most terrible accusation against the German nation that they alone were responsible for the War. Speaking of the World Financial and Economic Conference, Mr. Lansbury said it was not merely War Debts and Reparations that were the cause of the world economic distress. They were a good part of it, and must be cleared away, but the Labour Party was certain that economic nationalism as against internationalism was bound to bring failure to the whole world. The world must now be treated as one unit.

The gold standard: Government statement.

The business would probably take a long time and would impose a good many sacrifices on other nations as well as Great Britain. That was all quite worth while if in the end there was real agreement to come to economic arrangements for the exchange of goods and commodities on a basis of co-operation and not competition. Mr. Lansbury asked whether there was any proposal about Great Britain being put back on to the gold standard immediately, or while Parliament was not in session.

The Chancellor of the Exchequer (Rt. Hon. Neville Chamberlain): "I have no hesitation in saying at once that the Resolution passed by the Bank for International Settlements does not represent any new departure on the part of this Government. There is no intention on the part of this Government to return to the gold standard either now while Parliament is sitting, or in the immediate future."

Mr. Lansbury said there was a very large body of opinion which thought that it would be disastrous to go back to the gold standard.

The Chancellor of the Exchequer: "The Resolution, as I understand it, was the view of the Bank for International Settlements of what the ultimate solution of the currency problem ought to be. I did not read it to have any bearing upon any immediate action to be taken by this or any other Government."

Disarmament.

Mr. Lansbury, continuing, referred to the Conference at Geneva on disarmament and to the statement of British policy by Mr. Baldwin.* The Labour Party were not going to be satisfied with being fobbed off again with a Conference that passed pious resolutions and then went home to rest.

Rt. Hon. D. Lloyd George (Independent Liberal, *Carnarvon Boroughs*) said the most important thing that happened at Lausanne was not in the White Paper.† The Gentlemen's Agreement, which established the link between Reparations and Debts, did not figure in it. The White Paper was not complete. There was another document that might render it entirely nugatory. Until negotiations had been gone through between America and every individual debtor, and between Great Britain and France and Italy, the White Paper was not alive. "We have been quite willing to surrender our rights and interests if everybody else does the same thing," Mr. Lloyd George continued. "We made that offer. The right hon. Gentleman opened the Conference with it, and I wish to Heaven that he had stuck to it. I thought that it was the right line."

Referring to the economic situation, he expressed the hope that the common-sense of the nation would prevail against the

* *Vide* p. 897.

† Final Act of the Lausanne Conference (Cmd. 4126).

ideas that they were going to recover world trade, or their own trade, by merely juggling with currency. Great Britain was more dependent on international trade than any other country, and, therefore, its restoration was a much more important matter to her. He had observed that there was not the same radiant confidence about tariffs that there was. When they got manufacturers and traders coming together to discuss world tariffs, they were all agreed as to the disastrous effect of those barriers on international trade.

Policy of cancellation.

Mr. Chamberlain said that if America should decide, either when Great Britain went to her or at any future time, to cancel all debts owing to her the British offer at Lausanne was still open: they were still ready to cancel all debts owing to Great Britain. "If the cancellation all round can be achieved, we cancel," Mr. Chamberlain stated. "If, on the other hand, cancellation all round is not possible, then we must wait and see what America may propose to us before we decide what we are going to do."

The Secretary of State for Foreign Affairs (Rt. Hon. Sir John Simon), speaking of disarmament, pointed out that what the British delegates at Geneva had tried to do was to show the Americans that there was no question of opposing the principles, methods and drive of their plan. The point was rather that President Hoover had made a contribution of inestimable value. At the same time, he had never suggested that the contribution was some cast-iron proposal which everybody must bow down to and worship, and that everybody who tried to modify it was a heretic or a backslider. "We are entitled to say in exactly the same spirit," Sir John added, "that we want to make a contribution."

After further debate, the Third Reading of the Bill was agreed to.

BRITISH DISARMAMENT POLICY.

(The declaration by President Hoover: attitude of British Government; Quantitative and qualitative limitation; Naval, military and air proposals.)

On 7th July, in the House of Commons, a statement on British policy with respect to Disarmament was made in reply to a question by Rt. Hon. G. Lansbury (Leader of the Opposition).

STATEMENT IN HOUSE OF COMMONS.

The Lord President of the Council (Rt. Hon. Stanley Baldwin) said that the British Government most cordially welcomed President Hoover's declaration alike because it called for a really substantial measure of disarmament and because it sought to apply the two principles of quantitative and qualitative limitation. As President Hoover said, "Reduction should be carried out not only by broad general cuts in armaments, but by increasing the comparative power of defence through decreases in the power of the attack." The British Government desired to associate themselves with those conceptions and to contribute all that they could to secure their practical application. Success at Geneva depended upon general agreement, and the American Delegation had made it plain that President Hoover's proposals were put forward as a contribution to an agreed general programme.

Referring to the "wide suggestions" advanced by the British Governmant, Mr. Baldwin observed that a comparison with President Hoover's proposals would show that already there was a substantial area of common ground. The British Government desired to put on record their agreement with President Hoover that the three problems of military, naval and air disarmament were inter-connected. International agreement could not be attained without an adequate contribution from all three sources. Inasmuch as Britain, like the United States, found her strongest arm in the Navy, the contribution which concerned her most was to be found in that sphere in which contributions to disarmament on the largest scale had already been made. Nevertheless, the British Government now offered a further contribution as part of a general world settlement.

Land proposals.

As regarded land disarmament, the British Government had not only abolished conscription, but had already effected reductions to the minimum numbers required for the preservation of internal order and the defence of their overseas Possessions and communications. Taking account of the whole British Army, including not only British troops in Great Britain and her Colonies, but also those maintained in India, the personnel had been reduced, as compared with the year before the War, from 259,000 to 207,000.

The United States' proposal for a division of land forces into a "police component" and a "defence component" would require very careful examination, but, so far as the British Government understood the implication of the suggested basis of calculation, the result would be to show that the British land forces had already been reduced substantially below the number recognised to be necessary for the maintenance of internal order, without making any allowance for the forces needed for the lines of communication between the United Kingdom and territories overseas.

The British Government had already joined in rejecting the use of chemical and bacteriological methods of warfare. They had proposed the abolition of all mobile guns of a calibre greater than 155 mm. (6·1 inches calibre). Under this head also they found themselves, therefore, in general agreement with the United States' proposals.

Tanks.

In regard to tanks, they found themselves entirely at one with President Hoover in desiring the application of the principle that specifically offensive weapons should be prohibited. They had already advocated the abolition of all tanks above a weight of 20 tons.

Tanks of the lighter type could not be regarded as specifically offensive weapons. Moreover, in a small voluntarily-enlisted army they constituted an essential compensation for lack of numbers which it would be impossible to surrender. As far as Great Britain was concerned, any general prohibition would require an increase in their present land forces in terms of man power and thus, as a measure of disarmament, would tend to defeat its own ends.

It would be seen, therefore, that in the realm of land disarmament the United States' proposals, so far as they related to matters which directly touched the British land forces, approximated very closely to those favoured by the British Government, and that in the total of their effectives the British Government had been able already to put into practice a measure of disarmament which more than conformed to the standards proposed by President Hoover.

Naval proposals.

The naval proposals covered all types of vessels—capital ships, aircraft carriers, cruisers, destroyers and submarines. Having regard to the widely-scattered responsibilities of the British Navy, it was not practicable for them to cut down the number of naval units beyond a certain point. Occasions might arise when those responsibilities called for the presence of ships simultaneously in parts of the world far removed from one another. If a comparison was made with the year before the War, it would be found that, taking account of completed vessels of the United Kingdom and other members of the British Commonwealth, capital ships had been reduced from 69 to 15, cruisers from 108 to 52, destroyers from 285 to 147, and submarines from 74 to 52.

Indeed, cruiser numbers would require special consideration hereafter. But though there was a limit to numerical reduction it was perfectly possible, and in the highest degree desirable, to adopt a mode of treatment which would secure by other means the large diminution in naval armaments at which they were all aiming. The present Treaty limits of size and gun calibre were far too high, and the United Kingdom Government considered that very large reductions, amounting to about one-third, both in the case of capital ships and cruisers, could be made in future construction.

Capital ships.

As regarded capital ships, the position under existing Naval Treaties was that, as between Britain, the United States and Japan, no further construction could be undertaken until 1937. The maximum size for any future construction had been fixed at 35,000 tons and the gun at 16 inches. The total tonnage of the category of ships could be reduced either by diminishing their number or their size. The American proposal would leave the size of these enormously expensive vessels and the calibre of their guns untouched. Every figure involved in those huge dimensions—initial cost, upkeep, personnel, ammunition, stores, docks—would be maintained at the highest level.

The United Kingdom proposal, while securing no less reduction in total tonnage, evaded those consequences by (1) reducing the size of the gun, and (2) reducing the size of the ship. For example, if the calibre of the gun was reduced to 12 inches the maximum size of the ship could be reduced from 35,000 to 25,000 tons, and an immense saving was effected under both heads, both initially and consequentially.

Cruisers, aircraft carriers, and submarines.

The Government of the United Kingdom were ready to apply the same principles to cruisers and to reduce their maximum size and gun calibre by international agreement from 10,000 tons and 8 inches to 7,000 tons and 6·1 inches. It would then be possible to reduce the dimensions in the case of capital ships still further and fix a maximum of 22,000 tons with 11-inch guns. On that basis the United Kingdom proposal would effect an ultimate reduction in capital ship tonnage alone of 195,000 tons: the comparable figure under the United States' proposal would appear to be about 175,000.

As regarded aircraft carriers, the British Government were in substantial agreement with President Hoover's proposals. They proposed a reduction in size from 27,000 to 22,000 tons, with consequent reduction in total tonnage from 135,000 to 110,000 tons. The United Kingdom view had been and was that the submarine should be entirely abolished. If its abolition could be secured, it would at once make possible a reduction of approximately one-third in destroyer tonnage. If international agreement to abolish submarines was found impossible, ocean-going submarines should be got rid of by

imiting the size to 250 tons and the total tonnage to the owest figure upon which agreement could be reached.

The British proposals.

The British Government put forward for immediate adoption by international agreement the following proposals relating to the Navies of the world:—

(1) Reduce the maximum size of any future capital ship to 22,000 tons, and the maximum calibre of the guns carried to 11 inches.

(2) Reduce the maximum size of cruisers hereafter constructed to 7,000 tons, and maximum calibre of guns to 6·1 inches.

(3) If international agreement on point (2) cannot be secured, the Government of the United Kingdom would still urge that the maximum size of capital ships should be reduced to 25,000 tons and their guns to 12 inches as a maximum.

(4) Reduce the maxima for aircraft carriers to 22,000 tons with 6·1 inch guns.

(5) Abolish submarines.

(6) Reduce destroyer tonnage by approximately one-third, this depending on the abolition of submarines.

(7) If submarines cannot be completely abolished, fix their maxima surface displacement at 250 tons, with a strict limitation both of total tonnage and number of units.

Air disarmament.

"There is no aspect of international disarmament more vitally urgent than the adoption without delay of the most effective measures to preserve the civilian population from the fearful horrors of bombardment from the air," Mr. Baldwin continued. "The Government of the United Kingdom would be prepared to go to any length, in agreement with other Powers, to achieve this object, and if more drastic measures are proposed from any other quarter and are shown to be practicable, they will examine them with the utmost sympathy.

"They propose that the High Contracting Parties should agree between themselves in respect of their air forces that there should be:—

(1) The complete prohibition of all bombing from the air, save within the limits to be laid down as precisely as possible by an international convention. Attacks upon the civilian population would be entirely prohibited;

(2) a strict limitation in the unladen weight of all military and naval aircraft (troop carriers and flying boats excepted);

(3) a restriction in the numbers of all kinds of military and naval aircraft.

"In this last connection the United Kingdom Government wish to add an observation. They sincerely desire to see numbers of military and naval aircraft restricted, and here again regard must be had to the course of recent events. In 1913-14 air armaments were negligible, and no comparison with that date can usefully be made. At the end of the War, Great Britain was one of the two leading air Powers in the world. Her Colonial Possessions are widely scattered, and since the War her responsibilities have been increased by her various mandates from the League of Nations. More than any other Power she relies upon aircraft to discharge her mandatory duties and to police and control undeveloped regions.

British reductions.

"Yet in 1932 her first-line aircraft had been reduced to little more than 20 per cent. of her post-War strength, with the result that the United Kingdom now stands, in the number of its military and naval aeroplanes, only fifth in the list of States. Of aircraft authorised for Home Defence in 1923 by the United Kingdom Government, with the approval of Parliamant, 20 per cent. have not, in fact, been constructed.

"Great and far-reaching as these reductions in all three arms have been—beyond comparison greater than any which have been effected elsewhere outside the countries disarmed by the Treaty of Versailles—His Majesty's Government in the United Kingdom are ready and eager to join in the further measures of disarmament for which general agreement can be attained. The proposals which, accordingly, are now made constitute an additional contribution, practical and extensive, to the effort to relieve the heavy burdens which the maintenance of existing standards imposes upon the world and which the world expects us, by a great common effort, effectively to diminish."

IRISH FREE STATE AND GREAT BRITAIN.

(Financial questions at issue between the two Governments; Claims disputed by Free State Government; Proposal for arbitration: Mr. De Valera's refusal of an Empire tribunal; Abortive negotiations in London; Free State's counter-claim against Great Britain.)

On 4th July, in the House of Commons, in reply to **Rt. Hon. G. Lansbury (Leader of the Opposition),**

The Secretary of State for Dominion Affairs (Rt. Hon. J. H. Thomas) read a Dispatch he had received from the Irish Free State Government, signed by Mr. De Valera, with reference to financial matters in dispute with the United Kingdom Government and to the condition laid down by the British Government that arbitration on the questions at

issue should be conducted by a tribunal constituted in accordance with the provisions of the Statute of Westminster. The Dispatch stated :—

"It is noted that the British Government is unwilling to agree to the removal of the restriction which it desires to place on the choice of the personnel of the proposed arbitral tribunal. . . . Freedom of choice by the parties in the selection of their nominees on the arbitral tribunal is of the very essence of arbitration, and the Government of the Irish Free State does not abandon the hope that the British Government will reconsider its attitude in this regard."

Disputed claims.

As regards financial payments by the Free State the Dispatch continued :—

"The Government of the Irish Free State disputes the claims of the British Government not only in regard to the Land Purchase Annuities, but in regard to all other annual or periodic payments, except those made in pursuance of Agreements formally ratified by the Parliaments of both States. These disputed claims include those in respect of :—

Bonus and Excess Stock under the Irish Land Acts, 1903-1909;

Pensions and compensation allowances to ex-members of the Royal Irish Constabulary under the Constabulary Acts;

Civil, including Judicial Pensions;

Annuity in respect of advances made from the British Local Loans Fund through the Commissioners of Public Works and the Land Commission in Saorstát Eireann before the 1st April, 1922;

Annuities arising under the Public Offices Site (Dublin) Act, 1903; the Telegraph Acts, 1892-1921; and the Railways (Ireland) Act, 1896, and Marine Works (Ireland) Act, 1902;

the payments on which in the aggregate, added to the Land Purchase Annuity payments, impose on the people of the Irish Free State a financial burden which they are unable to bear."

The Dispatch added that the Irish Free State was in full accord with the British Government in the view that both parties must agree in advance to be bound by the arbitral award.

Sums involved.

Proceeding, the Secretary for the Dominions gave a list of the amounts involved in the disputed claims additional to the Land Purchase Annuities :—

Bonus and Excess Stock under the Irish Land Acts: An annual amount of £134,500.

Royal Irish Constabulary Pensions; An amount of just over £1,000,000 a year.

Civil Pensions: An amount of about £60,000 a year.

Judicial Pensions: An amount of about £20,000 a year.

Local Loans Fund Annuity: An annuity of £600,000 a year.

Telegraph Acts: An amount of about £16,000 a year.

Public Offices (Dublin) Act: An annual payment of £13,200.

Railways (Ireland) Act and Marine Works (Ireland) Act: An annual payment of £10,000.

"All these," Mr. Thomas added, "are payments resulting from solemn Agreements made between the two Governments. This reply leaves no doubt that Mr. De Valera, while agreeing in principle to our offer of arbitration, definitely refuses a Commonwealth tribunal. The form of tribunal proposed by us was strictly in accordance with the recommendations unanimously agreed to at the Imperial Conference of 1930. Moreover, the reply goes beyond the Land Annuities and seeks to repudiate generally the financial settlement between the two countries."

Failure of negotiations.

On 18th October,

Mr. Lansbury asked whether a statement could be made regarding the breakdown in the negotiations with the Irish Free State Government on the question of the Land Annuities.*

The Secretary of State for Dominion Affairs said it was unfortunately found impossible to reach an agreement, and the negotiations came to an end. Prior to the meetings of the previous week the position was that Great Britain had offered either arbitration on the validity of the Irish Free State obligations to the United Kingdom Exchequer, or direct negotiations provided that there was a prospect of finality. Mr. De Valera agreed to negotiations on that basis.

Negotiations were directed to the financial matters outstanding. The case of the Irish Free State Delegation was presented from the historical, technical and legal point of view, and was directed to three main issues.

The Free State case.

"First," Mr. Thomas continued, "they denied the validity of the Agreements from which result the payments claimed by us to be due. Secondly, they asserted that no ultimate financial settlement between the two countries was ever made. Thirdly, on this basis, they claimed that a new settlement should now be made covering all outstanding financial matters between the two Governments.

"In this connection they put forward claims not only in respect of pre-Treaty matters, such as the alleged over-taxation of Ireland, since the Act of Union in 1801, to the extent of some hundreds of millions of pounds, but also in respect of matters arising since the Treaty, including an unspecified loss said to have been sustained by them in consequence of our departure from the gold standard last year.

* The reference was to negotiations which took place in London between representatives of the two Governments on 14th and 15th October, 1932.

Validity of the Agreements.

"There was a free and frank exchange of views, but we were unable to find that any new point was brought forward affecting the validity of the Agreements of 1923 and 1926. These Agreements were, in our opinion, made in complete good faith and have, in fact, been acted upon, up to this year, on both sides. We again expressed our readiness for arbitration on the legal issue; but this Mr. De Valera was unable to accept, since he maintained his previous attitude towards an Empire Tribunal.

"Basing ourselves on the view that the Agreements of 1923 and 1926 were, as I have said, made in complete good faith, and that the 1926 Agreement was intended, and stated in terms, to be the ultimate financial settlement, we obviously could not accept the claim of the Irish Free State that they were entitled to reopen that settlement unless some manifest injustice was disclosed in its terms. So far from that being the case, the discussions confirmed our view that the settlement was advantageous to the Irish Free State.

Irish claims unaccepted.

"We expressed the view that there was neither a legal nor a moral basis for the Irish Free State claim in respect of over-taxation in the past, and we supported this view by illustration and argument. Further, we made it clear that we could not accept for a moment the Irish Free State claims in respect of any matters arising subsequently to the Treaty and the Agreements.

"It became plain, in these circumstances, that the continuance of the discussions could serve no useful purpose." Mr. Thomas added that in agreeing to the negotiations the British Government were actuated by a sincere desire to bring to an end this unhappy dispute.

The Oath.

Mr. Lansbury asked whether the division between the two Governments was still one as to the body which should arbitrate?

The Secretary of State for Dominion Affairs replied that it was not that alone. The first difference with the Irish Free State was their intimation that they intended to ignore, without consultation with the British Government, the Treaty with regard to the question of the Oath. The second issue was the withholding of the Land Annuities and other payments. "The House must keep clearly in mind," Mr. Thomas added, "that behind the financial difficulties, and indeed equally important, if not more important than the financial difficulties, is the position of the Government, which is, that, unless people honour obligations entered into as these were, we cannot make agreements with people who expect to treat them in this way with impunity."

Mr. P. J. Hannon (**Unionist**, *Birmingham, Moseley*) asked what was the amount of the pre-Treaty claim made by the representatives of the Irish Free State arising out of the taxation of Ireland under the Act of Union?

The Secretary of State for Dominion Affairs: "Their claim is within the region of £400,000,000, but it is only fair to say that we not only do not accept that figure, but that, if we were going into a discussion on that basis, there would be a lot to be said on the other side."

"A united Irish Republic."

Mr. G. Buchanan (**Labour**, *Glasgow, Gorbals*) asked whether the Government had discussed any other steps, or were contemplating taking any other steps, than the imposition of the duties against the Free State? Further, was anything raised during the discussions by either side regarding the establishment of a Republic in Free State Ireland?

The Secretary of State for Dominion Affairs: "With regard to the first part of the question, the feeling and determination of His Majesty's Government is that we will take any step we feel necessary to give to the British people what we believe the British people are entitled to. With regard to the other part of the question, during the two-days' discussion, obviously, there were issues raised apart from financial issues.

"All I would say upon that is that Mr. De Valera was quite consistent in maintaining, honestly and sincerely, what he believes to be the only real and permanent solution of Irish difficulties, namely, a united Irish Republic, with some sort of connection—I have never been able to define the sort—with the British Commonwealth."

IRISH FREE STATE (SPECIAL DUTIES) ACT.

(Power taken to levy special Customs duties on Irish imports; Measures to recover payments alleged to be due from Southern Ireland.)

On 12th July the Royal Assent was given to the Irish Free State (Special Duties) Act.

The Act provides that, if it appears to the Treasury that any failure of the Irish Free State Government to implement their obligations has resulted, or is likely to result, in a direct loss to the revenue of a public fund of the United Kingdom, or in an additional charge on such fund, the Treasury may, with a view to making good the loss, impose Customs duties on imports of any class or description from the Free State, or exported from the Free State to any other country and thence brought into the United Kingdom.

DEBATE IN HOUSE OF COMMONS.

On 4th July a debate took place in Committee of Ways and Means on the Financial Resolution on which the Bill was based.

The Secretary of State for Dominion Affairs (Rt. Hon. J. H. Thomas) said that the British Government still desired a peaceful settlement of the dispute with the Free State Government. He pointed out that it was with a single-minded desire to ease the land agitation in Ireland and make the farmer his own landlord that the British Government passed the Irish Land Acts. The result was that over 300,000 farmers had become their own landlords, and it was reported by the Irish Land Commissioners that they had secured a total reduction of over £3,500,000 per annum on their original rental of approximately £7,500,000. "The average tenant purchaser," the Commissioners said, "is now repaying to the State as purchasing instalments little more than half the amount payable to the landlord as rent prior to the Land Act of 1881."

Continuing, Mr. Thomas explained that the Chancellor of the Exchequer had budgeted for the receipt in the present financial year of £3,000,000, which he assumed he would receive from the Irish Free State in respect of the Land Purchase Annuities. That money was due to the bondholders on 1st July, and although the money had not been received from the Free State the British Government had met the obligation. When Mr. De Valera had intimated that the Land Annuities would be withheld, the British Government offered arbitration. The only qualification the British Government made was that it should be by an Empire tribunal in accordance with the decision of the Imperial Conference when providing ways and means whereby internal differences could be settled.

Mr. De Valera's refusal.

Mr. De Valera said: "No, an Empire tribunal is too restricted and will have the dice loaded against us." Beyond that, he said that he wanted practically every financial clause of the Treaty re-examined. The British Government said that was an impossible solution. They also said: "When we made that Treaty, with all that it involved, with its give-and-take on both sides, we meant it to be a binding instrument, and that only on points of interpretation or difference would we submit it to an Empire tribunal." Unfortunately, Mr. De Valera refused to accept that.

Were the British Government, Mr. Thomas asked, to take the responsibility of saying that the £3,000,000 was to be carried by the British taxpayer because the other people repudiated their obligations? The answer he gave on behalf of the Government was "No." The Government asked with confidence for power to impose duties in their own way on imports from the Irish Free State, but only to obtain the amount due and not one copper more. When that amount was obtained they would cease. It was not intended as a tariff war.

He emphasised that even at the moment, if Mr. De Valera were prepared on the Land Annuities question to accept an Empire Tribunal the British Government would welcome the opportunity; but they could not be a party to allowing a question of that kind, which was a solemn obligation made between two peoples, to be treated simply as if it were a scrap of paper.

Opposition attitude.

Rt. Hon. A. Greenwood (Labour, *Wakefield*) said that, according to his information, it was the intention of the Free State Government to set aside the receipts from these funds until such time as a settlement had been made. That was an indication that the Free State Government realised that the matter was one which might be open for further discussion. The sweet reasonableness and patience which the British Government were prepared to exercise in negotiation with other Governments had been thrown to the winds, and they had simply seized the thick stick. Instead of the Free State being treated as a co-equal, as she was entitled to be treated, she had been treated with a lack of courtesy and a brusqueness—and indeed a brutality—which was bound to create the most serious effects upon enlightened opinion outside Great Britain.

They were dealing with inter-trade relations between the Free State and Great Britain amounting to over £75,000,000 a year. They could not disturb those trade relations by a method of that kind without repercussions on the whole of that trade. What was far graver than the actual imposition of the duties was that the Motion was an act of economic warfare. The Free State Government must have regard for its own public opinion. It would not be able to sit still and do nothing, and what the political consequences of this move might be no man could tell. The situation was far too serious to try to make any Party capital out of the debate, but he would be shirking his duty if he did not say that he believed this action might lead to the possible disintegration of the British Commonwealth of Nations.

Rt. Hon. Sir Austen Chamberlain (Unionist, *Birmingham, W*), speaking as one of the signatories to the Irish Treaty, said the House had to ask how far it meant to insist on a solemn Treaty being kept, and how far it meant to allow the Irish Free State Government to claim successfully all the advantages of being a member of the British Commonwealth of Nations and to repudiate all the corresponding obligations. Was there ever an obligation more founded in justice and merit or more solemnly and freely undertaken? The credit of the United Kingdom was invoked to raise the money necessary to carry out that great scheme of land purchase, that vast transfer of property, and to guarantee to those who provided the money that they should receive interest on the debt.

Now Mr. De Valera took it upon himself to say: "I shall collect the moneys due to you for the payment of our creditors. I shall not relieve the Irish farmer of the annuity which he is bound to pay. All I do is to intercept it *en route* and to put the money which belongs to someone else into the pockets of the Irish Government." As regarded arbitration, he hoped that whatever difficulty they might have to face they would all stand fast to the great principle that between member and member of the British Empire they would admit no foreign interference. There never was a time when it was more important that the sanctity of Treaties should be upheld. Without them they could not restore the world's confidence, and without the restoration of its confidence they could not restore its prosperity.

Great Britain's right to act.

Rt. Hon. Winston Churchill (Unionist, *Epping*) said that they (Great Britain) were a sovereign independent State and were entitled, in the presence of any action by any Power or any country, inside or outside the British Empire, which was injurious to their well-being, to take such steps as they were doing to protect their own people. An amicable settlement was what they were hoping for, and if they could not obtain that they would take steps to obtain a just settlement by peaceful means. Did the House realise that if there was £5,000,000 paid for Land Annuities and other matters across the Channel of St. George from Ireland to England, there was more than £3,250,000 paid back out of that very money to the revenues of Ireland?

The net balance of payments which went out of Ireland to be spent elsewhere was only £2,000,000 a year. That was less than could be accounted for by the Land Annuities as a result of which the Irish had a peasant proprietary which, through all that country's misfortunes, had enabled them to have a great measure of happy rural life. In this matter it seemed to him the Dominions Secretary had trod with very great success a path at once of moderation and of firmness. Undoubtedly some inconvenience was to be caused, but if it was for good reasons they ought to face it. It was their honest hope and desire that, although for the time being there might be friction, after a period not too remote they might again have those close and amicable arrangements which were being built up under Mr. Cosgrave's long and memorable tenure of power.

Question of arbitration tribunal.

Mr. J. Devlin (Nationalist, *Fermanagh and Tyrone*) asked if the British Government were afraid of setting up an impartial arbitration tribunal. The suggestion of a British tribunal to adjust differences in Ireland had always left a bad taste in his mouth since the Boundary Commission.*

The Secretary of State for the Dominions interposed the statement that the British Government had never suggested a British tribunal. All they said was that it should be a tribunal limited in its personnel to the British Commonwealth of Nations, and once that principle was accepted they would discuss the personnel with Mr. De Valera right away.

Mr. Devlin, continuing, said that the gentlemen who were going to have an economic war with Southern Ireland over a sum of £3,500,000 had already relieved Northern Ireland of £7,000,000 and there was not a word said about it.

Vice-Admiral E. A. Taylor (Unionist, *Paddington, S.*): "In the one case it is breaking a Treaty, and in the other case it is not."

Mr. Devlin contended that it was perfectly clear that the British Government were subsidising one section of Ireland against the other. He suggested that the matter should be dealt with by the appointment of an impartial committee within the British Empire. It would be sure of success if he was president of it.

Dominions and arbitration.

Mr. C. R. Attlee (Labour, *Limehouse*) argued that it was not obligatory that every dispute between two Members of the British Commonwealth of Nations should go to a Commonwealth tribunal. The matter was left voluntary and not obligatory.

The Secretary of State for the Dominions: "Is it true or not that, while it is not obligatory on the part of all Dominions to accept arbitration, it is obligatory on them, if they do accept it, to accept an Empire tribunal?"

* The Commission which defined the Boundary between Northern and Southern Ireland.

Mr. Attlee said that was an entirely different point. Some disputes between Members of the British Commonwealth, the Dominions Secretary would admit, would go before the League of Nations. The British Government's action was a method of bringing coercion to bear on the Irish Free State. It was the method of war. The Government had been too precipitate and in the long run the burden of payment would fall on the British workers.

Mr. D. D. Reid (Ulster Unionist, *Down*) declared that it was absolutely untrue to say that any amount had been forgiven Northern Ireland in regard to her obligations under the Act of 1920. The contribution had been paid every year.

Labour Amendment.

Sir Stafford Cripps (Labour, *Bristol, E.*) moved an Amendment to the effect that duties should not be imposed until after there had been a decision by a Court of Arbitration set up by agreement between the two Governments or, failing such agreement, appointed by representatives of the Dominions assembled in Imperial Conference, that the Irish Free State had failed to implement their lawful financial obligations.

It was important to remember, he said, that the sums which Mr. De Valera was holding in hand were to be paid to a suspense account. They were not being dealt with by the Irish Free State as moneys which were inevitably their own possessions, but as moneys which had to abide the decision of some arbitral tribunal in the future.

The Secretary of State for the Dominions said he agreed that if Mr. De Valera was holding the money in a suspense account because he believed there would be arbitration, then the issues were narrowed and were much simpler. "When we signed the Optional Clause, on which there was so much controversy, we, as a Labour Government, specially reserved inter-Imperial disputes from submission to The Hague Court," he remarked. "We deliberately did so, because we said inter-Imperial disputes are a domestic matter.

"Now, therefore, that Mr. De Valera agrees that arbitration must ultimately decide as to this money, I repeat . . that the Government will agree to arbitration before an Empire tribunal, but they will not allow any foreign country to determine what is an Imperial domestic matter, as the Imperial Conference of 1930 so intended."

A justiciable dispute.

Sir S. Cripps thought there could be no doubt in the mind of anyone that they had here a justiciable dispute. Sir Stafford proceeded to argue that the recommendations of the Imperial Conference showed that it was to be voluntary for either party to agree to set up a particular arbitral tribunal.

The recommendations did not mean that if they did not agree to that form of arbitration they could not have any other. Nobody could possibly suggest that there was a compulsion upon the one who wanted to go outside to submit the matter to the tribunal set out by the Imperial Conference. The Imperial Conference said: "As we cannot get you all to agree to refer your disputes to any arbitral tribunal that we can think of, all we can do is to recommend you, if you are willing, to refer them to a Commonwealth tribunal." In the present dispute the British Government could say that an Empire tribunal was the only one they could accept and Ireland might say that the only one they would accept was another method. The result was that they arrived at an *impasse*, and the only thing to do was to find some way to cut the Gordian knot.

The Labour Party suggested that the Irish Free State and the British Government should each appoint two members of the tribunal. It should be left to the Imperial Conference to decide who was to be the chairman.

Imperial Conference intention.

The Secretary of State for the Dominions denied that the British Government were influenced in any way by a spirit of either vindictiveness or revenge. If the Imperial Conference did not intend that all Imperial matters should be discussed by an Imperial tribunal, why did they discuss it at all?

Sir S. Cripps: "Because they hoped they would be able to arrive at a unanimous agreement to set up an Imperial tribunal. They failed. All they could do was to make the recommendation of this tribunal."

The Secretary of State for the Dominions: "If they did not think that an Imperial tribunal was essential for an Imperial matter there was no need to discuss it at all." Continuing, Mr. Thomas said the dispute with Mr. De Valera had never been as to the chairman or personnel of the tribunal. Mr. De Valera said: "I want a Court not limited to the British Commonwealth." The British Government could not, and would not, allow the matter to go outside the Empire.

Rt. Hon. G. Lansbury (Leader of the Opposition) thought that the best method of dealing with the subject would be to have a Commonwealth tribunal, and because they were in a difficult situation they should appeal to the body which represented the whole of the Dominions.

On a division the Amendment was negatived by 321 votes against 43.

After further debate the Resolution was carried by 223 votes against 31.

"Economic reprisals."

On 6th July the Bill came before the House of Commons for Second Reading.

Mr. Lansbury, on behalf of the Labour Party, moved the following Amendment:—

"That this House, taking note of the fact that the Government of the Irish Free State are paying disputed funds into a suspense account pending arbitration, and realising that the free association of nations within the British Commonwealth depends upon the maintenance of good-will, declines to assent to the Second Reading of a Bill for the precipitate adoption of economic reprisals against the Irish Free State."

He said that if agreement could have been found to refer all disputes within the Commonwealth of Nations to a Commonwealth tribunal the method of appointing it would have appeared in the Statute of Westminster and would have been ratified by the Dominion Parliaments and themselves. On Mr. Thomas's own showing the British Parliament never ratified even a voluntary agreement, and therefore it was not fair continually to bring it up as if the Irish Free State Government were repudiating something to which they had agreed. They agreed to a perfectly voluntary arrangement, if the parties could agree. The House that night was going to pass a piece of penal legislation which could only engender hatred and bitterness.

Dominions and the Empire.

On the simple narrow issue of who should arbitrate and who the chairman should be he challenged whoever was going to reply to say, if South Africa and Canada had a dispute, would anyone dare to declare on the part of the British Government that if they chose to go outside the Empire the British Government could prevent them?

The Secretary of State for the Dominions: "No."

Mr. Lansbury: "Then right away that knocks the bottom out of all this argument about breaking up the Empire by going outside it. If South Africa has the right, if Canada has the right, so has Great Britain and so has Ireland."

On a division the Amendment was negatived by 321 votes against 41, and the Bill was afterwards read a second time. The Third Reading was carried on 8th July, and on 11th July the House of Lords passed the Bill through all stages.

Liability to duties of Free State goods.

On 27th October, in reply to a question on the subject of the duties to which Free State goods will become liable,

The Secretary of State for Dominion Affairs said: "The duties under the Import Duties Act will come into operation in respect to Irish Free State goods on 15th November. The effect will be that on and after 15th November Irish Free State goods will be subject

(1) To the special duties under the Special Duties Act.

(2) To the 10 per cent. general *ad valorem* duties under the Import Duties Act.

(3) To all existing additional duties imposed under the Import Duties Act.

(4) To all additional duties which may in future be imposed under the Import Duties Act.

" They will not, however, be liable to the duties imposed under the Ottawa Agreements Bill."

Note.—On 12th July a Treasury Order was issued imposing a 20 per cent. *ad valorem* duty on the following imports from the Irish Free State :

Live animals for food, Animals not for food, Butter, Eggs, Cream, Bacon, Pork, Poultry and Game, and other meat of all kinds.

Another Order issued on 7th November increased the duties on live animals from 20 to 40 per cent., and the duties on other goods mentioned above from 20 to 30 per cent.

CONSTITUTIONAL REFORM IN INDIA.

(Civil Disobedience Movement: use of emergency Ordinances; Campaign against the Government checked; Retention of special powers; Constitutional reform programme; Procedure by a single Bill.)

On 27th June, in the House of Commons, a Vote of £81,110 for the India Office was discussed in Committee of Supply.

DEBATE IN HOUSE OF COMMONS.

The Secretary of State for India (Rt. Hon. Sir Samuel Hoare) explained that the time had come when the Government must make a number of important decisions upon Indian policy. Referring to the emergency Ordinances, he said that, generally speaking, the action that had been taken had been completely successful in keeping the Civil Disobedience Movement in check. In the course of debates in Parliament it had often been said that the Government had made an excessive use of the emergency powers. The detailed survey that had been made did not give any ground for justification of that charge. Admittedly the powers were drastic, but they were justified by the necessity of proving that civil disobedience could not succeed against the organised resources of the State.

The use of the Ordinances had been strictly confined to the actual needs of the situation and had been on a diminishing scale. The Government had the Civil Disobedience Movement under control and the initiative was with them and not with Congress. The campaign against the Government had been held in check, but it had not been called off, and the Government had come to the conclusion that on 3rd July, when the Ordinances came to an end, there would be an emergency sufficiently grave to necessitate the exercise of special powers. It was, therefore, their intention to assume by Ordinance the majority of the special powers which would otherwise lapse.

Application of special powers.

The desire of the Government in India was to restrict the application of the various provisions to those Provinces where their use was definitely required. Similarly, inside the Provinces themselves the powers would only be applied to those districts where it was impossible to do without them. The ordinary law-abiding citizen need not be affected by the existence of those special powers.

It would be said that the action the Government were taking would create suspicion in India and would endanger their good faith in relation to the future action they might take in the field of constitutional reform. The way that they were going to show their good faith, the way they were going to disarm suspicion in India, if suspicion existed, was by going on expeditiously, resolutely, and sympathetically with the programme to which they had given their hand.

The constitutional programme.

Turning to the Government's future programme, Sir Samuel remarked that it did not matter where they looked in the field of Indian problems there they would find in the background the spectre of the communal trouble. It came to this, that unless some decision was given upon the communal question there could be no constitutional advance of any kind either in the centre or the Provinces. Just as the Government said last December that they would be prepared to make a decision if the communities refused to agree among themselves, so he told the Committee now that they intended to make a decision during the course of the summer.

Since the Round-Table Conference adjourned last December, he had had innumerable communications both with India and with Indians in Great Britain as to the best procedure to be adopted for bringing to an issue the questions which still remained undecided. Every communication had taken this form : " The time has now come for decisions to be made. Let us get on expeditiously with the work, and let us have as little delay as possible in the future." Secondly, every one of his friends had said, "Let us on no account abandon the attempts to maintain Indian co-operation until our efforts are completed."

A single Bill.

Almost all his Indian friends had made it clear that, upon the whole, they would prefer that the Government should attempt to proceed by the introduction of a single Bill covering the whole constitutional problem rather than approach it in two stages with a provincial autonomy first and a Federal Bill subsequently. After the most elaborate consideration of the two alternatives, the Government had definitely come to the view that it was better that they should attempt to proceed by a single Bill. No one could categorically say that an All-India Federation Bill could be produced until they knew in detail and for certain that all the Indian States were going to be an effective part of the Federation.

In the same way it was impossible to say that they would succeed in their endeavour until they had made quite sure that the safeguards to which the House of Commons had always given special attention were properly protected. The Government had started conversations with representative Provinces and those conversations would be continued primarily in India with a view to ascertaining at the earliest date how far they could proceed with the All-India Federal scheme.

Statement on procedure.

Continuing, Sir Samuel read a statement summarising the various details of the action the Government were proposing to undertake. It included the following passages :—

"In the first place, His Majesty's Government have definitely decided to endeavour to give effect to their policy by means of a single Bill, which will provide alike for the autonomous constitutions of the Provinces and for the Federation of Provinces and States. They intend that this Measure shall contain provisions enabling the provincial constitutions to be introduced without necessarily awaiting the completion of all the steps required for the actual inauguration of Federation. Since it is an essential feature of His Majesty's Government's policy that the Federation which it will be the object of the Bill to construct shall be a Federation of all India, it follows that the units concerned must be prepared actually to federate, and that the proposals to be laid before Parliament to this end must be complete in all essentials ; in particular there must be reasonable assurances forthcoming at the time the Bill is introduced that the financial and other provisions for the cementing of the structure will enable Provinces, States, the Federal Government and Parliament alike adequately and harmoniously to fulfil their several functions, and that the interests which require to be safeguarded shall be assured of practical and efficient protection.

"But it is their intention so far as lies within their power to spare no effort to secure the fulfilment of these conditions, and to this end they will continue to prosecute their endeavours to find means as speedily as possible for surmounting the obstacles which the study of the concrete details necessarily discloses.

THE CONSULTATIVE COMMITTEE.

"His Majesty's Government have carefully considered the procedure by which they can, on the one hand, most expeditiously and efficiently overcome these obstacles and, on the other hand, retain the advantages of consultation and co-operation with Indian opinion which the Round-Table Conference was designed to secure. . . In the first place, they will take the next immediate step towards the removal of obstacles and will announce the decision which they have undertaken to give on those aspects of the communal problem which now retard progress.

"Secondly, on the assumption that the communal decision removes the obstacles which have been impeding progress, they trust that, as soon as their decisions have been announced, the Consultative Committee will reassemble and will proceed continuously with its programme of work—bringing its collective advice to bear on the numerous and important questions entrusted to it, many of which were not examined by the Conference or its Committees in London. Subject to discussion in the Consultative Committee of matters which affect both British India and Indian States, His Majesty's Government are considering the means by which solutions may be facilitated and expedited of those difficulties which confront them in connection with matters affecting the States alone. His Majesty's Government greatly hope that such progress may result from the Consultative Committee's discussions that there may be found remaining over from its final session only a few specific problems, for example, financial safeguards, of such a nature that they might appropriately be the subject of informal discussions in London with a few individuals whose personal experience qualifies them to speak with authority upon them.

PARLIAMENTARY STAGE.

"If this hope is fulfilled, their intention would be, after such informal discussions, to pass straight to a Parliamentary stage on the following lines :—

"His Majesty's Government consider that the final stage of consultation with Indian opinion can usefully take place only on definite proposals. They therefore propose to invite both Houses of Parliament to set up a Joint Committee to consider their definite proposals for the revision of the Constitution and to give the Committee power to confer with representatives of Indian opinion, and it is their intention, in the belief that this course will commend itself to Indian opinion, to invite Parliament to set up the Joint Select Committee before the introduction of a Bill.

"It has been the intention of successive Governments that a Joint Select Committee of both Houses of Parliament should be called upon at some stage to examine the proposals for constitutional reform. His Majesty's Government hope that by their present decision to recommend that their important task shall be performed before any Bill is introduced, they will facilitate Indian co-operation and ensure its effective influence in what is probably the most important stage in the shaping of the constitutional reforms and at a time before irrevocable decisions are taken by Parliament.

"The programme I have indicated is based on the hope that the nquiry by Joint Select Committee may follow as the next formal stage after the conclusion of the Consultative Committee's business, but it nay be that the course of discussions in the Consultative Committee may prove that matters will not be ripe for the formulation of definite proposals for the consideration of a Joint Select Committee without further consultation of a more formal character. In that event, at the cost of delaying their programme, His Majesty's Government will make arrangements accordingly; but they would regard it as essential, unless the objects they have in view are to be frustrated, that the size and personnel of the body to be summoned for such further discussions in London should be strictly determined with reference to the number and character of the subjects found to require further discussion."

Labour criticism.

Mr. Morgan Jones (Labour, *Caerphilly*) moved an Amendment to reduce the amount of the Vote by £100. He said that he found no trace in the first portion of Sir Samuel Hoare's speech of any intention or even desire to effect some policy of reconciliation between the Government and that vast section of opinion represented by the Congress Party. If they wanted to propound proposals whereby India was to enjoy a larger measure of self-government, first of all they should make that co-operation attainable by a policy of reconciliation as between Mr. Gandhi's Party and the Government. He was sure that the Government sooner or later would be driven to realise the truth that reliance upon force was by no means a safe way of leading out of difficulties either of temperament or of philosophy.

Sir Reginald Craddock (Unionist, *English Universities*) hoped that the proposal to combine the whole scheme of constitutional reform in a single Bill did not mean that the central Government would be modified from its present status until the new Federal scheme was an accomplished fact instead of a mere aspiration accepted in principle. The Governor-General and his Executive Council should not be tampered with until the Federation was possible of immediate introduction. Otherwise they would get to the point at which there would be a measure of responsibility at the centre without the balance of the States. It was, therefore, most essential that the Bill should provide that not until Federation was really accomplished would the reforms go beyond mere provincial autonomy.

Industrial conditions.

Mr. E. G. Hicks (Labour, *Woolwich, E.*) drew attention to industrial conditions in India and urged that one of the things needed was more trade union organisation. In the past such organisation had been spasmodic and fragmentary, and had been regarded as something that must be suppressed at the earliest stages. One of the best things that could happen would be improved trade union organisation to level up wages and improve working conditions. It was imperative for the workers and industries of Britain in competition with those of India that such things should happen. Lancashire, for instance, must level down unless Bombay levelled up.

Sir John Wardlaw-Milne (Unionist, *Kidderminster*), referring to the statement made by Sir Samuel Hoare, said he agreed with the view that the time of conference was at an end and that the time for action had come. As regarded the communal question, over and over again the different communities in India had been begged to make a settlement themselves. As they had failed to do so, and as a decision was forced upon the Government, when the time came let the Secretary of State stick to his decision whatever happened, for it was certain that he would get no thanks in any case. They were entitled to say that the Government had not only carried out their pledges to the full, but were giving India a clear statement of what they intended to do and when it was intended to do it.

Self-determination.

Rt. Hon. G. Lansbury (Leader of the Opposition) said that if they attempted to carry out an extension of democratic government in the Provinces without responsibility at the centre they were bound to fail. The Labour Party had placed on record their view that the people of India had a right not only to self-government, but to self-determination. That was to say, they had an absolute right to remain in the British Commonwealth of Nations or to go out of it. When the Government's proposals for legislation came before the House of Commons or the Joint Committee the Labour Party would judge them from that standpoint. They would be found satisfactory or unsatisfactory according as they squared or failed to square with the principle he was trying to lay down.

On the question of the Ordinances, he had been severely criticised for saying what he now repeated, that a Government had no option but to maintain law and order. But if a Government could only maintain their position by the exercise of the sort of coercion which was being exercised in India, then of course they had no right there and had no right to consider that they ought to remain as rulers of that country. Nobody denied that the Government could probably beat the Congress. Nobody denied that in all probability they could hold down tens of thousands of Indian people, but he asked, "Is it worth while?" Some day a solution had to be found and they would not be able to settle the matter without the Congress.

The Lothian Report.

Rt. Hon. Winston Churchill (Unionist, ***Epping*****)** said that the Secretary for India had to go forward with his constitutional programme and it was that which was adding to his difficulties, which was creating the very unrest that strong measures were required to allay. He asked Members to look at the contradiction in terms presented by the policy of the Government. There was the re-enactment of the Ordinances, which were extreme coercive measures of restraint, and at the same time there was flung out to all parts of India the Lothian Report which said that 36,000,000 people were to be enfranchised and that they would be the foundation of the responsible authority which was to decide the future destinies of India.

He was not in opposition to, indeed he was in considerable agreement with, the Government in the procedure they had marked out. The Joint Committee of both Houses was one of the stages which was originally prescribed when the late Lord Birkenhead commenced, with the assent of all Parties, his Indian policy. He hoped that all the points of view would be represented, and that the Committee would not simply be made up of the tame supporters of the Government and of would-be Ministers. The Joint Committee constituted a great advance in the treatment of the subject. Not only did it secure the full power and the full control of Parliament, but, in addition, it removed the question from the hateful area of a negotiated Treaty which the Round-Table Conference put it into.

Proceeding on a double front.

The Secretary of State for India, in winding up the debate, said the Government were proceeding on a double front. The two sides of their policy were inextricably connected—on the one hand the rigid maintenance of law and order, and on the other hand the steps towards constitutional progress upon the lines that had been described. He assured the Leader of the Opposition that there was nothing further from the minds of the Government than to bring to an end the chapter of Indian co-operation. Their problem was to find some effective means that would enable them to proceed without unnecessary delay. It was definitely the intention of the Government that the Joint Select Committee should in spirit and in detail adequately represent the main bodies of opinion in both Houses.

It was suggested by the Leader of the Opposition that the Government's methods might exclude the representatives of the Indian States from further consultation. That would not be the case. Indeed, those methods were actually the methods that the representatives of the Princes particularly desired. Their view was that they would prefer to start conversations with the Viceroy in India. It might well be possible, at the end of those consultations, that they might wish to send a delegation over to consult with the Government in London. The Leader of the Opposition appealed for a move towards reconciliation. The door was open, and would remain open, for those who wished to co-operate. But until Congress definitely abandoned the attempt to smash the machine of government and to set themselves up as a rival organisation to the accredited Government of India there could be no question of negotiations of any kind.

On a division the Amendment to reduce the amount of the Vote was negatived by 242 votes against 28.

WHEAT ACT.

(Establishment of a quota scheme; Secure market and enhanced price for home-grown wheat.)

On 12th May the Royal Assent was given to the Wheat Bill introduced by the "Government to provide wheat-growers in the United Kingdom with a secure market and an enhanced price for home-grown wheat of millable quality" by means of a quota scheme.

The provisions of the Bill were summarised in the JOURNAL, Vol. XIII., No. 2, pp. 390-392, together with a brief account of the Second Reading debate in the House of Commons on 1st and 2nd March.

DEBATE IN HOUSE OF LORDS.

On 19th April, in the House of Lords, the Bill came on for Second Reading.

The Parliamentary Secretary of the Ministry of Agriculture and Fisheries (Earl De La Warr) said there were many experienced agriculturists who felt that by the adoption of this policy the Government were, at the expense of the consumers of bread, committing the country to the permanent encouragement and extension of a crop that could not be grown economically in the country. But they were completely overlooking the fundamental fact that there was no single great wheat-exporting country in the world that did not contain within its boundaries a vast mass of wheat producers who were at present on the verge of ruin and, therefore, producing at a financial loss. No expert, if he valued his reputation, would venture to prophesy what course wheat prices were going to take over the next two years. Who, therefore, dared to attempt a definition of the word "economic" in relation to wheat prices at the moment?

Having given an outline of the Measure, Earl De La Warr pointed out that, for geographical and other reasons connected with the trade, it was not possible to make provision for the direct physical admixture of a certain percentage of home-grown wheat in every miller's grist.

Reasons against a Customs duty.

They might be asked, "Why not go in for the very much simpler technique of the Customs duty?" The reason was that by their scheme the Government were imposing an increased charge only on home-produced wheat, the liability for which was limited to 6,000,000 quarters, an amount which was approximately one-fifth of their total consumption. There was the further reason that while they were increasing at present prices the return received by the home producer by between 50 and 60 per cent., they were actually only increasing the charge on their total wheat consumption by 10 per cent., and imposing no charge whatsoever on the poultry feeder and the livestock feeder.

If wheat had been put under the scheme for the 10 per cent. tariff there would have been as great a rise in the price of wheat all over the country with only a 10 per cent. rise in the price to the producer, whereas by the Government's scheme they were able to give to the producer five times as much increase. The actual effect on the price of grain at its very maximum could only be a farthing on the 2 lb. loaf or a halfpenny on the 4 lb. loaf, and that was to be achieved while giving to their producers a secure market and a guaranteed price. It did so while retaining the benefits of cheap imported wheat for the consumers.

Decrease in cultivated land.

Mere criticism of the scheme by its opponents was not sufficient. They had to be prepared, if they wished to oppose the Bill, to face the situation in the countryside and the necessity for putting forward at least some alternative. During the last ten years no less than 2,000,000 acres of arable land in Great Britain had gone out of cultivation. Over 120,000 men had left the countryside to go where at that moment it was impossible to imagine.

The Bill was part of the Government's general policy, some of which reached a certain stage on the previous day, when the Reorganisation Commissions for milk and bacon were announced. The Government were also working in conjunction with the National Farmers' Union on the organisation of the potato industry. They were developing that most important side of their work—the standardisation and organisation of the production and marketing of meat, of fruit and vegetables, of eggs and poultry. But if that work was to be successful it was essential that they should establish the basic conditions of credit and confidence and balance within the industry.

An inadequate measure.

Lord Marley described the Bill as utterly and hopelessly inadequate to deal with the problem. Great Britain, as a country, was probably among the highest wheat producers in the world of bushels per acre. She was far ahead of Canada, the United States, the Argentine and Australia. According to one of the most famous of the agricultural scientists who were helping the country, Sir Rowland Biffen, she could easily increase her production from 32 to 40 bushels per acre: in other words, by intensive cultivation and improved varieties that improvement could be made. It would be understandable if the policy outlined by the Government were designed to increase the wheat production acreage on some economic basis.

The Bill did nothing to increase and improve wheat production. The real problem was the price of wheat. Surely there was room for a monetary policy on the part of the Government which would follow out the recommendations of the Macmillan Committee, prevent a continued fall in prices, and secure a general rise in the price level back to the 1928 standard. It was getting increasingly impossible for Great Britain really to produce wheat economically. It was getting increasingly difficult for any adequate competition to exist between wheat grown in Great Britain and wheat grown in Canada.

Development of livestock.

Viscount Astor contended that the future of agriculture in Great Britain must depend in the main on the development of livestock products. That did not mean that those who supported that policy contemplated the abolition or extinction of wheat, oats and barley-growing. But if they put up the price of oats or barley or spent money unnecessarily on wheat they were going to prejudice the development of the corner-stone of agriculture, which was animal products.

Lord Arnold said that if the Bill were submitted to the people of the country it would be rejected by an overwhelming majority. Clearly, people in the urban districts would be against it, because it was going to make bread dearer, and there were also a large number of agriculturists who were against it because it was going to help only a minute fraction of agriculturists. The scheme avoided an out-and-out duty on wheat, but would nevertheless impose considerable burdens on the people.

After further debate the Second Reading was carried by 53 votes against 4.

LOTTERIES, BETTING AND GAMBLING.

(Appointment of a Royal Commission: terms of reference.)

On 26th May in the House of Commons, in reply to **Sir William Davison (Unionist,** *Kensington, S.*),

The Secretary of State for the Home Department* (**Rt. Hon. Sir H. Samuel**) announced that a Royal Commission had been appointed with the following terms of reference:—

To inquire into the existing law, and the practice thereunder, relating to lotteries, betting, gambling and cognate matters, and to report what changes, if any, are desirable and practicable.

The Chairman of the Commission would be Sir Sidney Rowlatt, K.C.S.I.

NOTE.—In the JOURNAL, Vol. XIII., No. 2, pp. 392-93 a summary was published of a brief debate in the House of Commons on the occasion of the introduction by Sir William Davison, on 22nd March, 1932, of a Bill to authorise the raising of money by means of lotteries for charitable and public objects.

The question of giving facilities for the further stages of the Bill was raised in the House on 11th April, when the Prime Minister (Rt. Hon. J. Ramsay MacDonald) stated that, pending the receipt of the Report of the Royal Commission, it would be inappropriate for legislation to proceed on one aspect of the problem.

SUNDAY ENTERTAINMENTS ACT.

(Modification of Sunday Observance Acts; Local authorities and Sunday entertainment licences.)

On 13th July the Royal Assent was given to the Sunday Entertainments Act.

On 13th April, the Second Reading of the Sunday Performances (Regulation) Bill was carried in the House of Commons by 235 votes against 217. Although the Second Reading was moved from the Government Front Bench, the Under-Secretary of State for the Home Department explained that it was not a Government Measure and would be left at all stages to a free vote of the House.

The Bill proposed to confer on local authorities the power to license certain Sunday entertainments—cinemas, concerts, exhibitions of animate or inanimate objects, and debates—if

**Vide* note on p. 845.

satisfied that there was a substantial demand in their respective areas for Sunday opening.

When, after the Second Reading, the Bill came under consideration by a Standing Committee an amendment was made limiting its operation to London. Thereupon, the Measure was withdrawn and the Under-Secretary for the Home Department announced that the Government would bring in a Bill themselves.

Provisions of the Act.

The Act which has now been placed on the Statute Book provides :—

That local authorities in areas where licences had previously been granted for cinematograph and other entertainments on Sundays can continue to exercise the power to issue licences.

In the case of areas where Sunday performances were not permitted before the date of the passing of the Act, and where it is desired to take advantage of the modification now introduced of the Sunday Observance Acts, a local authority is required to apply to Parliament for permission to grant licences.

The conditions under which Sunday cinematograph entertainments are permitted include the following :—

That no employee is required to work on more than six days in any week.

That the whole of the profits, or such proportion of them as the local authority may decide, will be applied to approved charitable objects.

The Section modifying the Sunday Observance Acts specifies that no penalty is to be recoverable under those Acts in respect of the management or conduct of a cinematograph entertainment at a place licensed to be opened on Sundays.

Similar exemption is provided for in the case of musical entertainments, museums, picture galleries, zoological or botanical gardens, or aquariums, and lectures or debates.

DEBATE IN HOUSE OF COMMONS.

On 27th May, in the House of Commons, the Bill was debated on the Order for Second Reading.

The Secretary of State for the Home Department (Rt. Hon. Sir Herbert Samuel) said that there was a general measure of agreement that all restrictions upon Sunday entertainments should not be completely removed. There might be those who might say : " Why should Parliament prohibit either the enjoyment of some or the employment of others on any particular day of the week ? " But so far as labour regulation was concerned, almost all of them, he thought, had come to the conclusion that what was liberty in name might prove to be compulsion in fact, and that if Parliament said to the workman "You may work if you wish" he very soon found that he must work whether he wished it or not.

When the law intervened, although it was restrictive in form, it might be liberty in fact, and in that matter, as in many others, more law might mean more liberty. It was generally agreed that universal employment for the whole population on seven days a week would be disastrous physically and mentally, and most injurious to family life. But it was said with regard to the individual: "Why should he not be free to spend his time as he likes?" There was this consideration on the other side—that environment was a social thing and did come within the sphere of legislative action. The individual could only rest fully if the nation rested at the same time. The community must act as a whole.

The Continental Sunday.

It was said that the fear of what was called the Continental Sunday was merely a bogey. He did not think that was so at all. On the Continent there had been in recent years, however, a strong reaction from the uniformity of life all through the week, and in France in particular there had been a powerful movement, which had had a great measure of success, towards the English week. *La semaine Anglaise* had become a usual phrase and the week-end was becoming a usual practice. It would be strange if, when the experience of other countries led them to think that as a whole the British practice had great virtues and advantages, they in England should tend the other way towards a custom of life which was to a large extent being discarded.

Fundamentally the British nation was, he believed, a religious nation, and if it cared less than in earlier times for theology it cared more for a real inward religion. He was convinced that the House of Commons would not be representative of the real mind of the British people if it regarded as of no account that element in the life of their country, or if it were to pass legislation which ignored the distinctive character of the day of rest. Under the Government's proposals the class of entertainment to be legalised was limited. The scope of the Bill was restricted to the areas where already the custom of Sunday opening prevailed. There was to be no general extension and no particular extension without the sanction of Parliament.

Rejection Amendment.

Sir Basil Peto (**Unionist**, *Barnstaple*), in moving the rejection of the Bill, described it as one that would secularise the British Sunday. It proceeded on the basis of legalising illegality. It made the change in the observance of Sunday because the law had been broken, and the places where the law had been broken were placed in a privileged position.

Undoubtedly it legalised Sunday trading for gain and it also legalised Sunday labour. Moreover, it placed the cinema in a privileged position as compared with theatres and other forms of entertainment. Another objection was that which he termed "the cloak of charity." That was the most unutterable humbug. To tell them that a thing which millions of people believed to be absolutely wrong in essence was right because the local authority might allocate whatever portion of the profit it chose for charitable objects was the lowest form of argument which could possibly be put before the House.

Mr. Rhys Davies (**Labour**, *Westhoughton*), in seconding the Amendment, said he knew of no trade union in this or any other country that would agree to its members working on Sundays if they could avoid it. Once public opinion took the view that Sunday did not count they would have all sorts of undesirable things happening. As soon as they opened places of entertainment every argument against opening shops on Sundays would have gone.

After further debate the Second Reading was carried by 237 votes against 61, and the Bill was subsequently passed through its remaining stages.

Northern Ireland.

The Fourth Session of the Third Parliament which met on 8*th March,* 1932, *was adjourned on* 7*th June. On* 30*th September Parliament was prorogued to the* 22*nd November,* 1932, *when it will meet in the new Parliament House at Stormont.*

CANADA.

The Fourth Session of the Seventeenth Parliament was opened on 6th October, 1932. The following summary deals with the Governor-General's Speech and the debate thereon, with the Prime Minister's statement on a Motion to approve the Trade Agreements concluded at the Imperial Economic Conference at Ottawa. The following pages also include summaries of some of the proceedings of the previous Session (prorogued on 26th May), which were held over from the last issue of the JOURNAL.

THE ADDRESS: GENERAL DISCUSSION.

(Imperial Economic Conference; Government and Opposition views; Railways and transportation; St. Lawrence Waterway; Unemployment; Redistribution; Bank Act and World Conference; Tariffs; etc.)

On 6th October, 1932, the Governor-General (Earl of Bessborough) addressed both Houses of Parliament. The following is a summary of his Speech:—

IMPERIAL ECONOMIC CONFERENCE.

It was expedient that the Agreements made at the Imperial Economic Conference held at Ottawa between Canada and the other Dominions should be considered without delay. The Government was of opinion that these Agreements provided the means by which would be developed an enduring and mutually beneficial scheme of closer Empire economic association, and that early approval was advisable in the national interest.

RAILWAYS AND TRANSPORTATION; ST. LAWRENCE WATERWAY.

The Report of the Royal Commission on Railways and Transportation would be laid before Parliament, and attention invited to a Bill designed to ensure more effective and economical operation of Canadian railways upon the basis of fair competition, secured in such a manner as would avoid extravagant duplication of services.

A Treaty had been entered into with the Government of the United States for the completion of the St. Lawrence Waterway. Upon its ratification by the United States, it would be submitted to Parliament for approval.

UNEMPLOYMENT; HARVEST.

Unemployment continued to receive the anxious attention of Ministers. Under the powers granted at the last Session they had been able to develop further, in co-operation with the Provinces and Municipalities, a scheme of direct relief to be put into operation during the autumn and winter. Plans for the re-establishment of the unemployed in various parts of the country were in preparation and would become operative as soon as the public expenditure incident thereto would be productive of commensurate benefits.

It was a matter of gratification that in those large areas in the West, where, during recent successive years, crop failure had been followed by widespread distress, this season's bountiful harvest forecasts had greatly improved conditions and made possible a corresponding reduction of relief measures.

REDISTRIBUTION; BANK ACT; ETC.

In accordance with the British North America Act, they would be invited to consider a Bill for the redistribution of representation of the Provinces in the House of Commons.

The Speech also referred to the extension of Bank Charters for one year in order that Parliament might be informed of the results of the proposed World Conference, to be called to consider financial, economic and monetary problems, before undertaking the decennial revision of the Bank Act.

The Speech concluded by stating that while the economic situation still weighed heavily upon all classes, there were at last definite signs that the acuteness of the depression was passing.

DEBATE IN HOUSE OF COMMONS.

On 10th October, on the Motion for the Address-in-Reply, **Rt. Hon. W. L. Mackenzie King (Leader of the Opposition)** felt sure that they would get a truer reflection of popular opinion if in the cities proportional representation was adopted. The Speech offered no definite statement that the St. Lawrence Waterway Treaty would be submitted to Parliament, or of the Government's policy. The Conservative Convention had laid down a statement of policy with respect to the waterway: "An all-Canadian project to be developed in the national interest." But that was not what they had before them in the Treaty. All that the Government offered as a solution of the unemployed problem was the statement that it intended to associate itself with the Provinces and Municipalities in a contributory dole. There should be appointed a national committee to do with the administration of moneys voted by the Federal Treasury for unemployment relief. A national system of unemployment insurance was essential. The Government had been found wholly wanting, not only in its failure to cope with the question of finding employment, but in its inability to find any kind of remedy to prevent a recurrence of similar conditions.

Bank Act; Tariffs.

The action of the Government in postponing consideration of the Bank Act was extraordinary in view of the fact that banking and allied problems were weighing heavily on the minds of the people. What had the Imperial Economic Conference done to assist in the solution of the matter? It had shifted the responsibility to a world conference. They need not wait for a world conference to deal with a domestic problem with which they alone could deal. The need had arisen for the national control of credit; in other countries central national banks of rediscount had helped very much towards more credit at reasonable rates of interest. The trade of the country had been cut in half during the time the Government had been in office. The number of unemployed had increased from 200,000 to over half a million. The policies of the Government with respect to the tariff were accountable in a most direct way for conditions being so serious. Unless these high tariff policies were changed speedily, the country's condition would become even worse.

Amendment.

Mr. Mackenzie King then moved an Amendment for the addition of the following words to the Address-in-Reply :—

Whilst reserving an expression of view upon the merits of the Agreements concluded at the recent Imperial Conference, this House is of the opinion that the tariff policies of the present Administration have seriously injured the trade of Canada and have intensified the economic depression, and that the Government has wholly failed to afford a remedy for unemployment and agricultural distress as pledged by the Prime Minister.

The House regrets that except for the dole the Government has no policy with respect to the relief of unemployment.

It also deplores the Government's obvious endeavour, by postponing the revision of the Bank Act, to avoid consideration by Parliament of the all-important subjects of banking, credit and currency.

Imperial Economic Conference: method of negotiation.

Turning to the Imperial Economic Conference, Mr. Mackenzie King said that so far as there had been public expression as to the aims of the Conference, they were all along the line of reducing tariffs within the Empire, making possible an increase of trade not by the raising, but by the lowering of tariffs. And the still larger belief had been expressed that if world conditions were to be improved it was absolutely essential that nations should find some way of coming to a general agreement which would enable them to lower their tariffs and thus permit increase of trade among themselves.

If these aims had been carried out as evidenced by the Agreements, they would meet with the whole-hearted approval of the Opposition. But the method of negotiation had been most unfortunate. "I believe," declared Mr. Mackenzie King, "that the bargaining method as a matter of intra-Imperial policy is all wrong, and I believe that what took place at the Conference in Ottawa has demonstrated that to the minds of those who participated. I do not believe we shall ever see again within the British Empire another venture of that kind made, because I think that relations came . . as near to the breaking point as it is possible for strained relations to come between different parts of a great Empire. There is something of difference between the method of approach and the kind of action that should govern in dealings between the different nations of the British Commonwealth, and what should govern between the British Empire, or parts of the British Empire, and foreign nations. In relation to Canada the other parts of the British Empire . . are not foreign countries. We are all members of one great family, united by ties of kinship and race and sentiment and institutions and . . common allegiance to one Crown. I believe that in negotiations between members of the great family of British nations some method other than bargaining should be adopted to reach whatever may be the desired goal. . . At no other Conference . . was there any such departure as that represented by the bargaining process until my right hon. Friend introduced it at the Conference of 1930. In that year my right hon. Friend went to London and said that the only basis on which he would negotiate with the other members of the Empire was a bargaining basis, and he stated further that the bargaining basis should be a 'Canada first' protectionist basis, that it was on those lines alone that he would bargain. . . I contend, however, that the Conference of 1930 was a gigantic failure . . , and it was a failure because my right hon. Friend adopted the attitude and laid down the policies he did at that time. If the Conference held in Ottawa this summer was not an equal failure it was simply because of a retreat from his previous position on the part of the Prime Minister and because all parties to the Conference had come to the conclusion in the end that in the eyes of the world the risk would be too great to allow it to fail even though the cost of agreement might be considerable."

Interference in domestic policies.

Some of the Prime Minister's supporters claimed that he assumed the attitude he did deliberately, with a view to making Great Britain change her fiscal policy; that the basis on which they were to make arrangements within the Empire in regard to matters of trade was by one part of the Empire interfering with the domestic affairs of another part. If that was to be the basis of negotiation, they would disrupt the Empire in a very short time. They could not expect Canada to take an attitude towards Great Britain which they were not prepared to have taken towards them by Great Britain or any other part of the Empire.

"If there is one essential ground," continued Mr. Mackenzie King, "for the maintenance of relations between all parts of the

Empire on a friendly basis it is the recognition of the complete autonomy of each self-governing part and the right of each nation to have the autonomy respected with regard to all policies. If Canada can interfere in Great Britain's domestic policies and cause her fiscal policy to be changed, then Great Britain can do the same thing in respect to our domestic policies, and if it can be done in respect to fiscal policy it can be done with respect to other matters as well. It can be done with respect to defence; it can be done with regard to immigration, and it can be done in matters of a constitutional character. . . . That is the great fundamental difficulty at the root of this bargaining business; sooner or later it involves one part of the Empire interfering in the domestic affairs of another part."

He gathered from the attitude of some hon. Gentlemen opposite that they claimed that a great victory had been achieved by Canada through the amount of pressure that had been exerted upon the British Government by the Prime Minister in putting forward Canada's demands in connection with the Agreement. Their contention was that these Agreements had been arrived at not by any free-will on the part of the British Ministers, but rather under duress which amounted to a threat to break up the Conference unless agreements could be reached along a certain line. In dealing with inter-Imperial relations the argument had heretofore never been used that something could be done in one part only by all parts of the Empire doing it. They were to have from now on—they had it now in concrete form in these Agreements—an Imperial policy which had been decided, not by the Parliaments of the Empire, but by those who happened to be members of the Executives of the different Governments which had arrived at agreements which were now ironclad. Would the House have the right to alter one line of these Agreements? Would it have any opportunity of lowering or raising any duties as fixed in those Agreements? Would not all these legislative bodies be told: "These Agreements were arrived at at the Conference at Ottawa and they are to be put through without any change whatever." What, then, became of the freedom of Parliament?

New fiscal system; cancellation.

"I contend," declared Mr. Mackenzie King, "that what we have at the present time is action not by the Executive of this Parliament alone, but by the Executives of the various Parliaments of the Empire working together—action under the guise of separate Agreements, but which is, nevertheless, establishing . . a new British Empire fiscal system. If such is the case, it is a very serious thing."

The Minister of Trade and Commerce (Hon. H. H. Stevens) asked whether the drafting and signing of the Australian Treaty in 1925 was any different from what was being done now.

Mr. Mackenzie King replied that there was a vast difference between an agreement which was subject to cancellations at the end of six months and one which was to remain in force for five years. If these Agreements involved increases in the tariff then those increases were to be binding for the next five years. That was circumscribing the fiscal freedom of Parliament. Utterances of the Prime Minister seemed to indicate that under this arrangement they were not so much freeing trade within the Empire as making increasingly difficult trade between different parts of the Empire and the world. Canada needed world markets, and any agreements that would foster trade within the Empire at the expense of freedom of trade with other countries would not be acceptable. If the purpose of these Agreements was to create something in the nature of an economic unit, there could be only one result, and that was that economic units of vast proportions would grow up in other parts of the world, and it would become increasingly difficult for Canada to find outside of the Empire any markets for her surplus products, products too great in extent to find sufficient markets within the Empire. Were they to understand that the tariff had been lowered in some respects only on condition that the tariff would be raised in Great Britain? If that was the case it meant that the Government of Canada had virtually compelled the British Government to tax the food of the British people.

The Prime Minister (Rt. Hon. R. B. Bennett) asked whether Mr. Mackenzie King, when he spoke about freedom and tying the hands of Parliament, was forgetful that his Government had negotiated the West Indies Treaty for twelve years, during which no notice could be given to terminate. Was he aware that Sir Wilfrid Laurier in 1911 was a party to a Treaty with Japan for twelve years? This endeavour to arrange the fiscal policies of the Dominion on a stable basis so that the greatest benefit might accrue to every part of it for a period of five years was attacked by the Leader of the Opposition, forgetful of the achievements of the past when a period of twelve years was not considered too long for a treaty, whether with a British Colony or a foreign Power.

Method of approval.

When they were asked why they had adopted the course they did, it was because, under their Rules, Ways and Means Resolutions became effective on the day on which they were moved, and it would be impossible, if those tariff changes were published, to prevent forestalling by the dealers that would be inimical to the revenues and to the State. One of the discussions that had taken place at the Conference was as to the best way in which this could be done without making them public so far as tariff operations were concerned. A different practice prevailed in Great Britain and in the different parts of the Empire. In cases other than that of the United Kingdom, Bills were to be introduced. With respect to the Agreements with the Free State and South Africa a different course was followed. In the case of Great Britain's concessions to Canada, they could be published, as had already been done. They had not endeavoured, as an Executive, to do anything that bound the people of Canada or Parliament, nor had the Executive of Great Britain or any other part of the Empire taken any action which bound Parliaments until such time as the people's representatives had expressed approval. Hence it was that the British Parliament was dealing with the Agreements at their advance Session, and that the Parliaments of every part of the Empire were dealing with these matters.

When the Leader of the Opposition said that there should be no such thing as bargaining, he forgot one of the essential elements of a contract. There could be no treaty unless there was discussion and negotiation. Proposals made in the first instance might be varied by subsequent discussions in order that the mind of the people negotiating might meet, and a contract or treaty might result. That was what had transpired at the Imperial Economic Conference; it transpired at every conference at which treaties had to be made. The Agreements were not other than single Agreements; there was a separate Agreement with the Irish Free State, with South Africa, with Rhodesia, with the United Kingdom. Nothing had proved the status of the Dominions as had the Conference; each negotiating as separate nations with one another, they had made separate Agreements. He made this reference in order that the effort to talk about Imperial policies and defence might be exposed.

So far as the St. Lawrence Waterways were concerned, the Treaty which had been signed was to be adopted by the United States before it was submitted to Parliament. The sovereignty of Canada with respect to every inch of soil and every drop of water it now possessed had been reserved in its entirety.

Unemployment.

Speaking on unemployment, the Prime Minister said that it had been abundantly demonstrated that what had seemed to be a local condition was a world-wide disease. When England went off the gold standard Canada was struck the greatest blow she had ever experienced. It was not correct

to say that the proper course was to appoint a commission to administer unemployment insurance. The Privy Council had decided that no Dominion Parliament was competent to enact legislation that would interfere with the rights of the Provinces in that regard. While the danger and difficulty were national the administration rested with the Provinces and Municipalities, and the duty of the Dominion was to lend assistance. They had endeavoured to learn something of the lessons of Great Britain. To construct public works to enable money to be paid without effort was just as bad as the Provinces endeavouring to provide relief for those who needed it and could not find anything to do. That was the history of Great Britain in that regard. Their policy had been to construct useful undertakings, not those that were called into being as an excuse, but those that would be required. But to anticipate them beyond a given point would be ruinous for the future and the present alike.

Bank Act and the World Conference.

Canada should receive the benefit of the World Conference before proceeding to revise the Bank Act. The main questions which demanded examination were: monetary and credit policy; exchange difficulties; level of prices; movement of capital; prohibitions or restrictions on importation and exportation; quotas and other barriers to trade. The United States had something to say with respect to tariffs. It was also agreed that the silver problem should be added to the Agenda. During the Economic Conference it had become apparent that although they represented one-quarter of the world's population, no adequate conclusion could be reached which would enable them to arrive at a method of dealing with the rise in commodity values, with the question of sound money, with the problem of inflation and that of exchange. These matters could not be dealt with even by the representatives of one-quarter of the world's population. It was their intention to deal with the matter in the light of the knowledge to be gained from the Conference which was to meet in London. There was one thing that could be said about the Government with respect to its monetary policy: they stood for sound money. They did not propose to find themselves in the position in which Australia found herself.

There was no suggestion that the House should in any sense limit its inquiry into the whole theory of banking and credit; there was no matter in which the Government was more vitally interested. It had been suggested that because they had adopted this course they were dependent upon the United States. But railway and other contracts had been made in New York, and these with their interest were payable in gold. They could not pay them with inflated pieces of paper. Gold, or its equivalent, must be found or they would default. There had been no matter of greater concern to the Administration than the responsibility for the maintenance of the integrity of their financial structure and the credit of the Dominion as a whole.

Advantage of depreciated currency.

Mr. R. Gardiner (Leader of the United Farmers' Party) pointed out that the big problem, so far as their railways were concerned, was over-capitalisation. There was little hope held out in the Speech of any measures that would really improve the economic condition of the country and place within the reach of the people the food, clothing and shelter to which they were entitled. Australian money was depreciated and that was one of the reasons why the Australian farmer was getting a larger price in actual money for wheat than they were getting in Canada. On top of that the Australian Government was paying a bonus of 4½d. per bushel. Australia and the Argentine were the only two large wheat-exporting countries to increase their acreage during the last year. In each country that increase amounted to over one million acres, which showed that the depreciated currencies of those countries had acted very much in favour of the wheat-growers. Every country was in the same position as Canada, for every other country was fully industrialised. Where was there any possibility of new industries being developed in any country of sufficient volume to take care of the surplus earnings of the people? That was the problem they were faced with.

On 11th October,

Mr. J. S. Woodsworth (Labour, *Winnipeg N.C., Man.*) asked why they should settle the question of tariffs before they got the light that was likely to be thrown on them by the World Conference. If the Prime Minister had paid any attention to the Reports of the League of Nations he might have learned that high tariffs were absolutely suicidal.

Mr. W. Irvine (United Farmers', *Wetaskiwin, Alta.*) regarded the nationalisation of credit as the first essential step in the construction of a new social order. Under its profit philosophy, capitalism must develop in each country a surplus of goods which it could not sell at home and for which it must seek a foreign market. Capitalism was responsible for an artificial internationalism. Regardless of international interdependence the Government must, out of the abundance of their national resources, find a way to give every Canadian food, clothing and shelter and the right to work for these things.

Monetary policy.

Sound money was something which Canada had never had and which no nation had on a gold basis. The sound money system of the world had collapsed, and could no longer be regarded as sound. Could it be regarded as sound when it had failed to perform the true function of money, namely, the distribution of goods? Canada was hanging by her finger-tips to the gold basis, which left them in a worse condition than if they were completely off it. The best way to get gold was to go off the gold basis. As soon as they got off the gold basis people outside the country could buy goods cheaper in Canada than anywhere else, and therefore they bought more of them. The result was that they could afford to ask for gold in return for the balance of trade. The results of the Economic Conference had affected trade favourably. But the difference in exchange would more than wipe out any advantage in a trade arrangement with Great Britain.

Mr. E. J. Young (Liberal, *Weyburn, Sask.*) asked what kind of money would make it possible to exchange goods if the Governments of the world stood over people and said: "We will not let you exchange in any case." The trouble was not with their money; it was with the Governments of the world which said to the people: "You shall not exchange the product of your labour for the product of the labour of some other person." Gold represented the most accurate measure they could get of the amount of labour required to produce a given quantity of it. The law of supply and demand determined the price of gold, as of anything else. The amount of gold in the world had not varied greatly, but during the War certain nations placed other nations in debt, and after the War the creditor nations said: "We will not take goods; we want gold." Following that there was a scramble for gold throughout the world. Creditor nations took the gold, hoarded it and removed it from the market, with the result that there was an artificial scarcity of that commodity. The result was that the price of gold went up and the price of everything else down. It was the tariff that made it possible for the creditor nations to corner all the gold in the world. They raised tariffs and shut out the goods. Remove the tariffs of the world and gold would resume its normal position, and prices their normal level. The root cause of their troubles lay in the fact that the tariffs of the world had put up gold in a place where it could not be used. His hon. Friends spoke of inflating the currency. How would they get the new money into circulation? Would they use it to bonus the farmer for his wheat? That would not put purchasing power in the hands of the unemployed. Would they use it to create public works, all of which would saddle them with an immense maintenance cost later on?

On 13th October,

Mr. A. MacInnis (**Labour**, *Vancouver S.*, *B.C.*) said that the channels of trade were restricted by high tariffs, but even that would not be so bad if they could purchase the things which were being produced in their own individual countries. As far as Great Britain and the other parts of the Empire were concerned, in each country there was an abundance of goods but the purchasing power of the people did not enable them to buy. The only solution which their business people seemed to be able to offer was a further contraction of the purchasing power of the people. If they could not purchase the goods produced in Canada how could they buy the goods produced somewhere else? He had heard no suggestion either from the Conference or anyone connected with it that there was to be an endeavour to raise the purchasing power either of the industrial workers or the primary producers of the various countries. If they were going to increase their trade between the various parts of the Empire, then they would have to decrease their trade with other parts of the world. If they decreased their trade with other parts of the world, they, being under the same necessity as Canada to find a market for their surplus commodities, would be driven to make trade agreements among themselves.

Mr. G. G. Coote (**United Farmers'**, *Macleod*, *Alta.*) declared that the reason why the Canadian was not getting as much as the Australian farmer, though they both sold largely in Great Britain, was because the British pound was worth in Australia over $6, while it was worth in Canadian currency about $3.80. Two years ago Australia abandoned the gold standard and allowed her currency to depreciate in foreign countries, thus raising commodity prices within her own borders. Canada, on the other hand, had attempted to cling to the gold standard. The result had been to drive commodity prices to lower and lower levels, and they doubted whether the bottom had been reached, if they continued to adhere to that policy. Because of her exchange situation Australia had practically disposed of last year's crop and had increased the acreage sown. Canada, on the other hand, entered the present crop year with a carry-over of over 130,000,000 bushels. How could the Canadian farmer be expected to capture the British market when the pound was worth only $3.80 to the Canadian farmer while it was worth from $5 to $6 to their competitors in Denmark, Sweden, New Zealand, the Argentine and Australia? They would be told that their interest payments in the United States were so great that they could not afford to have any further depreciation of their dollar, but Australia had met all her interest obligations in London although her pound had been depreciated 30 per cent. in Great Britain.

Sub-Amendment.

Mr. Coote concluded by moving a sub-Amendment to add the following words to the Address-in-Reply:—

And urges that the Dominion control of currency and credit should be so exercised as to provide and maintain sufficient purchasing power to:

(A) raise the price of agricultural products and other primary commodities to an equitable level in relation to the cost of production and the settlement of outstanding liabilities, public and private;

(B) increase consumption, thereby stimulating industry and providing employment for our people;

And that the issue of this currency and credit should be based upon the natural wealth and productive capacity of this country, not, as at the present time, upon one single commodity, gold, and that its volume should be determined by the goods and services to be dealt with, and the legitimate requirements of the people;

This House is further of opinion that this step should be taken in the immediate future, pending other fundamental changes, and as an integral part of a system of planned economy, which is becoming generally recognised as essential, in order that the natural wealth and productive energy of this country may be utilised to provide a satisfactory standard of living for all our people.

Hon. C. Marcil (**Liberal**, *Bonaventure*, *Que.*) expected that the new Agreements would permit from $75,000,000 to $100,000,000 worth of goods to come in from England free of duty, and this would necessitate their finding revenue somewhere else. They were trying to displace trade with the United States by trade with England. But their natural market was the United States. Whatever trade they might have with England and the other parts of the Empire, it would never offset the trade which they should have with the United States.

On 14th October,

Mr. L. E. Parent (**Liberal**, *Terrebonne*, *Que.*) pointed out that the Treaty with France had been denounced in 1931. It had been in force since 1923, and the result of their trading had been to the advantage of Canada. In 1931 they had sold to France $18,000,000 worth of goods and purchased from France $13,500,000. He presumed that the Treaty had not been renewed in view of the Economic Conference. But the present situation was that they had no longer a market for their goods.

Conversion loans.

Mr. H. Mitchell (**Labour**, *Hamilton E.*, *Ont.*) declared that the Agreements reached at the Economic Conference merely diverted trade from avenues that had been built up, and it was absolutely impossible to pass judgment on them until the attitude of the other nations in regard to them had been learned. They were in for a period of international starvation. They should follow the example of the British Government, which had recently put through a conversion loan. This problem had also been met in other Dominions. A conversion loan had been carried through in Australia, in which all but 3 per cent. of the holders of Government bonds had participated, reducing the interest rates by something over 22 per cent. on the entire internal debt of the country. A similar policy had been pursued in New Zealand. Such a policy could be pursued in Canada with complete safety.

Hon. C. Stewart (**Liberal**, *Edmonton W., Alta.*) stated that owing to the imposition of excessive tariffs that kept the spread between primary and secondary industries so great, foreign markets where they had formerly sold their produce were now closed to them, so that they could neither sell their wheat nor their cattle.

Mr. A. L. Beaubien (**Progressive**, *Provencher, Man.*) said that the Government, not satisfied with putting a tariff wall around Canada and ruining their own country, were trying to ruin the whole Empire by encircling it completely with a tariff wall. What did the preference on wheat give to the farmer? When Great Britain could not consume their wheat, what would the other non-Empire countries do if they put this wall around the Empire? They would simply impose high tariffs against their wheat, to the disadvantage of the Canadian farmer.

[The Debate had not concluded at the time of going to press.]

IMPERIAL ECONOMIC CONFERENCE.

(Motion for approval of Agreements.)

On 12th October, in the House of Commons, the Prime Minister presented for approval Trade Agreements made at the Imperial Economic Conference between Canada and the United Kingdom, South Africa, the Irish Free State and Southern Rhodesia, and moved the following Resolution :—

That it is expedient that Parliament do approve of the Trade Agreement entered into at Ottawa on 20th August, 1932, between representatives of His Majesty's Government in Canada and of His Majesty's Government in the United Kingdom, and that this House do approve of the same, subject to the legislation required in order to give effect to the fiscal changes consequent thereto.

The Prime Minister (**Rt. Hon. R. B. Bennett**) said that these Agreements marked the first step in a definite scheme of closer Empire economic association. They conformed to the general plan proposed by the Government at the Economic Conference in London two years ago, reaffirmed at the opening of the Ottawa Conference, and adopted in a very practical way by Agreements which were the outcome of its deliberations.

"At the Economic Conference held in London in October, 1930," stated the Prime Minister, "I submitted, on behalf of the Government of Canada, a plan for closer economic association, predicated upon the general adoption of preferential tariffs. At that time the Empire as a whole was not ready to adopt that plan.

"At the Economic Conference recently held in this city, I resubmitted in principle my earlier proposal by offering to the United Kingdom: (1) an extension of the list of articles admitted free into Canada from Empire markets; (2) retention of the existing preferences in favour of Great Britain; and (3) increased preferences in respect of a selected list of articles in which Great Britain was especially equipped to supply the Canadian market without injuring efficient Canadian enterprise; and, in exchange, I asked: (1) for the retention of existing preferences; and (2) their effective extension to those other natural and processed products of which the United Kingdom is an importer. My proposal involved the adoption of measures to safeguard the operation of the Agreement from the unfair competition of countries whose controlled standards of living, State-controlled labour and State-controlled dumping, dictated by high State policies, conflicted in theory and in practice with the free institutions of the British Empire.

"As at London in 1930, so at the Conference at Ottawa, I explained that the desire of this Government was to secure a greater Empire market for its natural products. And here I said that while in the past Canada's manufactured products have enjoyed a measure of protection in the home market, our natural products have enjoyed little or no tariff advantage over their foreign competitors in Empire markets. I made it clear that in our opinion the ideal application of the principle of protection involved an equalisation of benefits thereunder as between manufactured and natural products, and said that it was the desire of this Government to effect that equalisation and to find a way for our exporters into Empire markets by giving the exporters from those markets a way into ours.

"In brief, I proposed that we should secure tariff preferences in Empire markets for our natural products, as well as wider markets for our manufactured products, by granting in the home market concessions to Empire manufacturers. In other words, we desired to secure wider Empire markets for our producers of natural and manufactured products, having regard to the relative importance to them of export trade. . . I do not wish to create the impression that as a result of this Conference we are putting into operation a plan that will secure at the outset the greatest possible development of the Empire's trading potentialities. When we remember that the British Empire . . has within its boundaries one-quarter of the human family, representing every shade of economic diversity, it would have been folly to expect that we should have secured at the outset the maximum benefits in preferential trade of which the Empire is capable. What I do mean to say, however, is that after almost half a century . . of vain endeavour, the countries of the British Empire have at last come together in agreement, based upon the principle of reciprocal and mutually advantageous tariff preferences, and have, moreover, . . prepared the way not only for the practical working out of existing Agreements, but for their augmentation at such times as our common interest may suggest. . . While, naturally, each Delegation did its best for its own country, we all realised that no agreement could be lasting or beneficial which was one-sided, and we tried, while advancing our own position, to be constantly mindful of the position of other parties to the negotiations.

"In the result, we have, I claim, Agreements which are fair, and because of their fairness, I believe, will be enduring. It is in our interest that they should be enduring, for in my view advantages under these Agreements are not secured through drying up world channels of trade. On the contrary, the more profitable shall be our inter-Empire trade, the greater the volume of commodities which shall pass from one country to the other, the more certain it is that Canada as well as the other Dominions will be the better able to reach out into other markets and there secure the further advantages required to put this country into that position in the world which it is the aim of the Government to secure."

Concessions to Great Britain.

The Agreement with the United Kingdom was naturally the Agreement of primary importance. The Resolution to be introduced embodied a Schedule comprising 262 tariff item which had been amended in rates or wording, or both. Of these, some 37 were existing items in which the Amendments were purely technical. On 223 the British preference was materially increased. Although by far the greater number of concessions concerned, for the present at least, only the United Kingdom, the preferences afforded to the Mother Country were extended, without reservation, to the various Dominions

and Colonies. The items on which the Empire trading margin was widened might be classified as follows :—

Items in which the result is secured by :—

(A)	Reduction of the British preferential rate only ...	81
(B)	Increase in the intermediate or general rate, or both	89
(C)	Reduction in the British preferential rate, accompanied by increases in the intermediate or general rate, or both	49
(D)	Reduction in all rates	2
(E)	Increase in all rates	1
(F)	Reduction in British preferential and intermediate rates	1
		223

In some cases one new item—such as, for instance, that covering chemicals and drugs of a kind not produced in Canada—embraced within its few words a field of trade and commerce that was almost illimitable, and that would grow in scope with the development of science and industry. From various large group divisions of their tariff sets of key items had been selected for Empire treatment. The items amended were very largely those earmarked by various of the Delegates as those in which they were especially interested, and therefore might fairly be described as meeting the desires of those other portions of the Empire which came to Ottawa in search of wider avenues of trade.

Iron and Steel. The basic forms of these had been the subject of unofficial conversations at Montreal, just prior to the Conference, between the producers of the United Kingdom and Canada ; and the legislation now proposed would crystallise the spirit of those negotiations which had been conducted in a spirit of co-operation and good-will. There was a very material widening of the preference on primary forms of great commercial importance. Duties under the British preference were removed on certain items. Automobiles, motor trucks and motor cycles were made free of duty under the British preferential tariff.

Textiles. As far as the British preferential tariff was concerned, the specific duties on cotton goods were reduced by one-third, the sole exception being that covering cotton velveteens, on which the specific duty was removed and the *ad valorem* duty reduced. A wide preference was provided on mercerised cotton yarns, with free entry under the British preferential tariff. The specific duties on woollen goods were reduced by one-quarter, with a few exceptions. All linen fabric and articles made therefrom of the finer grades, such as were not made in Canada, were made free of all duty under the British preferential tariff, as also certain jute fabrics.

Leather. Leather Schedules were revised with increased preference on important lines.

Chemicals. No changes were more complete or more vital than those pertaining to chemicals and drugs. The Schedule had been revised from end to end with one objective always in view: the shifting from foreign to Empire channels of the growing business in these indispensables. The immediate diversion would be great; the potential, incalculable.

Glass. The British preference had been widened on every item of the flat glass Schedule.

Vegetable oils. In 1932 Canada imported close upon $7,000,000, of which more than $5,000,000 came from foreign sources. Duties had been imposed under the intermediate and general tariffs in the hope that the preferences would divert at least a part of this enormous trade into Empire channels.

Miscellaneous. Other commodity groups on which the British preference was materially increased included: Cigarettes and manufactured tobaccos, canned pineapples, perfumes and toilette accessories, books and advertising matter, gums and lacs, soap, glues and gelatines, china and porcelain table wear, metal wire, aluminium and products, linen thread, gutta-percha and balata, rubber boots and shoes, fertilisers, manufactures of fur, parts for motor trucks, certain crude oils, not natural.

Under the Agreement, Canada had in addition declared that it would give the United Kingdom producers full opportunity of reasonable competition on the basis of relative costs of economic and efficient production, provided that in the application of such principle, special consideration should be given to industries not fully established. Pursuant to that undertaking, the Government had increased the preferences in the manner indicated and had agreed to cause the Tariff Board to review, at the request of the Government of the United Kingdom, any item in their tariff which it was claimed was out of keeping with the principle adopted.

The general rule governing United Kingdom concessions to Canada was that they had free entry, being on an equality basis with United Kingdom producers except as to freight charges. The general rule governing their concessions to the United Kingdom was that they maintained a tariff, though a preferential one, against British products. They had lowered their tariffs in respect of those articles in which they were equipped to supply their market and had made substantial concessions by additions to the free list, while the United Kingdom, having the greater advantage of years, production and markets, was prepared to meet them on a free entry basis. It was not to be expected that the industrial structure of Canada could permit of free entry from such a highly developed State as Great Britain. But it was their purpose to adjust their preferential tariffs so as to place United Kingdom producers on that basis of fair competition with theirs that had been afforded by continued free entry into British markets.

They had therefore provided that their Tariff Board should act as a judicial as well as a fact-finding body in so far as their functions in interpreting the Agreement were concerned. Upon representation of the British Government the duty would devolve upon their Tariff Board to make a survey of the relevant facts touching production, labour costs and the like in the industries affected in order that Parliament should have the facts to enable it to see that the Government was carrying out in spirit and in letter their undertaking given to the United Kingdom.

Concessions to Canada: manufactures.

Canada had secured concessions in the United Kingdom for both its manufactured and natural products. For its manufactured products they had secured free entry except in respect of a very limited list of goods, and the advantage of current tariffs against foreign countries. That meant that whereas in the Canadian market the United Kingdom manufacturer must still compete with the Canadian manufacturer protected in respect of the great majority of their products, in the United Kingdom market the Canadian manufacturer might compete on equal terms with the British and would enjoy alike with him whatever protection was given the United Kingdom producer against foreign countries. When the Canadian was assured not only of fair competition with the British producer in the home market, having regard to the relative cost of production, but furthermore was assured of free competition in the United Kingdom market with the United Kingdom manufacturer, behind a tariff wall by which both profited without distinction, the consumption of Canadian products must be increased. The cost of production must, therefore, decrease and the cost to the consumer be proportionately lessened. In other words, when there was open to the Canadian manufacturer not only the home but the United Kingdom market, Canadian industry must profit. By an adjustment in their tariffs they had secured preferences in the United Kingdom market which promised great advantage to Canadian industry.

On 15th November, the preferences which they had enjoyed in the British market would have lapsed unless some action had been taken. With only a few exceptions that preference applied to all the goods exported from a British Dominion to the United Kingdom, and its magnitude could be understood. By Article 1, the free entry provided for in their favour by the Import Duties Act until 15th November had been guaranteed to them during the currency of the Agreement. The range of Canadian goods accorded tariff preference in the United Kingdom, in consequence of Article 1, was practically unlimited. The general rate imposed against foreign goods by the Import Duties Act was 10 per cent. *ad valorem*, but by means of power taken in the Act, this rate had been increased on many commodities to 15 and up to 33½ per cent. *ad valorem*. These preferences had already had a stimulating effect. The direct effect already on the trade of Canada had been to increase very largely the volume of their exports to the United Kingdom in the commodities indicated. Although the total imports of the United Kingdom during the first six months of the year had decreased by £58,000,000, as compared with the same period in 1931, the imports from Empire countries showed a net increase of nearly £4,000,000. While Canada's contribution rose from £13,200,000 to £17,000,000, the imports from the United States had dropped from £51,500,000 to £43,250,000. Complete trade figures for the year would reveal a still more substantial diversion of United Kingdom trade from foreign to Empire countries.

Canada, more than any other part of the Empire, would benefit by the preference in respect of manufactured goods. Canada was the only part of the Empire with factories equipped to manufacture for export to the United Kingdom many of the articles heretofore supplied by foreign countries. The possibilities of increased activities in Canadian factories and transportation routes with corresponding decrease in unemployment, as a result of these preferences, were unlimited. There was the additional advantage of transferring to Canada the industries formerly carried on in those other countries which now had the advantage of United Kingdom trade. By Article 8 of the Agreement* Canada was assured of the benefit of the ever-growing preferences which were being adopted in the Colonial Empire. This Article also stipulated that the United Kingdom would seek to enlarge the range of preferences in the Colonies on the list of articles of special importance to Canada.

Natural products.

For many of their natural products they had secured preferences which would give them a substantial place in the markets of the United Kingdom. These preferences practically covered the whole range of their natural products. "Had it been practical to do so," declared the Prime Minister, "this Government would naturally have desired to have even wider preferences extended to our whole list. It would be unprofitable to expect, however, that preferences can be made effective without making trade advantages reciprocal. Those who would seek to obtain advantages in Empire markets for our products, without giving corresponding advantages to Empire countries in ours, are seeking to imperil the effective operation of the whole Empire tariff plan and to destroy utterly the basis of mutual advantage, upon which alone these Agreements can be made to operate more effectively."

* *Vide* p. 848.

The Prime Minister proceeded to enumerate the preferences secured for their natural products.

Timber. By Article 1 they were ensured continued free entry, and by Article 3 a minimum margin of 10 per cent. was guaranteed in respect of timber of all kinds imported into the United Kingdom in substantial quantities from Canada in so far as it was now dutiable. Under the Import Duties Act their advantage over the United States in competing in the United Kingdom market was already evident by the exports of the first half of the year.

Fish products. Free entry with 10 per cent. preference was secured on fresh sea fish, canned salmon and other fish, while Newfoundland had been given 1s. 4d. per gallon on cod liver oil and 1½d. per pound on chilled and frozen salmon. The Newfoundland salmon preference, which Canada would also enjoy, would be of distinct benefit.

Minerals. Canada was rich in mineral resources and had a surplus available for export of at least 28 products. The United Kingdom was a potential market for all mineral products of which they had a surplus for export, excepting lignite coal. The most important metals for export were copper, lead, zinc, nickel and cobalt. The Agreement provided special preferences for three principal metals: copper, lead and zinc.

Copper. Until recently their surplus production of copper was sold almost entirely in the United States. The recent United States, tariff of 4 cents per pound had closed that market. Their preference of 2d. per pound assured Canadian producers access to the third largest market in the world for unwrought products.

Lead. Allowing for home production capacity, the United Kingdom offered a market to the Empire for nearly 290,000 short tons of piglead. In recent years about one-third of the imports into the United Kingdom had been of foreign origin, nearly all from the United States; about two-thirds were of Empire origin, Australia contributing at least a half of this and Canada contributing about 15 per cent. of the total.

Zinc. About 56 per cent. of the imports of zinc into the United Kingdom came from non-British countries, chiefly Germany, Belgium and the United States, and the balance from British countries, Canada supplying two-thirds, and Australia slightly more than, and Rhodesia less than, half the remainder. The retention of the British preference of 10 per cent. would assure Empire countries of a market capable of absorbing a very large proportion of the surplus production.

Agricultural products. Bacon and ham. One of the matters that had constantly engaged the attention of the Government had been the providing of a market for bacon and ham. In Great Britain the domestic producer had had his difficulties against foreign competition, and now it was provided that whatever benefits were obtained by the domestic producer in Great Britain should also be part and parcel of the rights of the Canadian producer, and by the arrangement under consideration they would have a quota of 2,500,000 cwts. per annum. This was of vital importance to the swine industry.

Cattle. The United Kingdom would be invited to amend the Importation of Animals Act of 1922 so as to provide for the admission to interior markets of all Canadian cattle shipped to Great Britain irrespective of conditions and sex, subject to regulations similar to those which applied to the movements to interior markets of Irish cattle of the same classes. While Canada's surplus in cattle production was at the lowest level in twenty years, an outlet was required of upwards of 200,000 cattle. The Hawley-Smoot tariff of 1930 practically closed the United States' market. It was therefore of utmost importance to Canadian producers to have unrestricted access to the only alternative export outlet. When the Agreement became effective Canadian cattle would be in a position to compete on their merits in the interior markets of Great Britain and would be relieved of some of the overhead costs which had in the past made the trade a precarious one.

Creamery Butter. Canada was guaranteed free entry for three years certain as against 15s. per cwt. general tariff and a preference margin of 15s. per cwt. during the life of the Agreement. This preference should greatly assist them to sell in the British market. It was reported that butter production in Denmark was now about 10 per cent. less than a year ago. That was largely due to the effect of the Import Duty Act.

Tobacco. Canada's potential production of Bright flue-cured tobacco for five years might be estimated at 50 per cent. increase.

Fruit. Apples and pears would enter the United Kingdom free, whereas if sent from a foreign country they paid 4s. 6d. per hundred pounds. The proposed tariff on fruit of non-Empire origin was expected materially to reduce the quantity of fruit imported into the United Kingdom from the United States, which was Canada's chief competitor. Already a small increase in shipments of canned pears to Great Britain might be noted.

Ketchup. With free entry Canada should now materially extend her sales in competition with Italy and Spain.

Potatoes. A preference of 10 per cent. with free entry would mean that in some years when production in the United Kingdom was low and Canadian production high, free access would be of special importance.

Eggs. Article 8 of the Agreement has special significance to the egg and poultry trade with Bermuda. Canada could now supply all Bermuda's requirements in eggs. The greater part had been imported from the United States.

Honey. Canada now had, by reason of free entry through the Import Duties Act, a preference of 10 per cent. and through the United Kingdom, Australian and New Zealand Agreements she would have a preference of 7s. per cwt.

Barley. It was essential that Canada should widen her market for this product. The 10 per cent. preference would assist in improving Canada's competitive position in the United Kingdom market.

Oats. Under the prevailing preference, the continuance of which was secured by the Agreement, the export of oats to the United Kingdom had increased substantially during the five months period ending in August, 1932, as compared with the same period in 1931.

Flour and wheat.

Finding wheat and wheat flour markets was the great problem facing their wheat-growers to-day. In flour they had secured free entry as against a minimum general British tariff of 10 per cent. Their flour industry had suffered a serious decline due to tariff walls erected against them by foreign countries. This gave the preference a special relative value which was already reacting to the benefit of their wheat producers. Their secured place in the British flour market meant that British domestic millers could only compete with the Canadian flour mills if they used Canadian wheat standards. In 1931, the total import of wheat flour into the United Kingdom was 6,141,192 barrels, of which 3,712,824 came from British and 2,428,368 from foreign countries, Canada being the chief Empire supplier with 2,225,490 barrels, and the United States the chief foreign supplier with 1,187,190 barrels. The preference should deflect to Empire countries a large part of the flour trade of the United Kingdom. Up to the present Australia had had the chief advantage of the deflection of trade from the United States.

On wheat they had secured a preference of 2s. a quarter. Article 4 of the Agreement made the continuance of this preference, as well as that in respect to copper, zinc and lead, conditional upon Empire producers being willing to offer them at first sale in the United Kingdom at prices not exceeding world prices and in quantities sufficient to supply the requirements of United Kingdom consumers. He had never represented to the wheat-growers that the effect of a preference would be to set up in their favour a price differential in world markets and at the expense of the British consumer. What he did maintain was that it was vital to find a secured market in the United Kingdom which was by far the greatest wheat-consuming country in the world. The preference would substantially increase the purchase of Canadian wheat by British importers. When the greatest of all markets was secured the problem of finding markets in other countries for the balance of their exportable surplus was proportionately lessened. The Agreement had been made on the express condition

> that, if either Government is satisfied that any preferences hereby granted in respect of any particular class of commodities are likely to be frustrated in whole or in part by reason of the creation or maintenance directly or indirectly of prices for such class of commodities through State action on the part of any foreign country, that Government hereby declares that it will exercise the powers which it now has, or will hereafter take, to prohibit the entry from such foreign country directly or indirectly of such commodities into its country for such item as may be necessary to make effective and to maintain the preferences hereby granted by it.

It had been said that this provision to secure the Agreement against unfair foreign competition was ineffective. His nswer was that the provision went to the very root of the Agreement. Without definite protection against unfair competition from abroad, the advantages under the Agreement would be seriously impaired. It remained with the United Kingdom to provide the means by which this provision would be made operative.

Agreements with South Africa, Irish Free State and Southern Rhodesia.

A Trade Agreement had also been concluded at the Conference with the Union of South Africa, which for the first time placed their commercial relations on a treaty basis. South Africa had been receiving the benefits of their British preferential tariff since 1904. Up to 1925 the Union had granted preferences to Canada on a whole range of goods for which there were preferential rebates to Empire countries. In 1925 the Union adopted the principle of granting restricted and exclusive preferences to other countries in return for reciprocal concessions. Accordingly the Agreement dealt with the principal commodities which each Dominion could sell to the other and was more limited in scope than the Agreements with Australia and New Zealand. It had, however, secured a considerable extension of the list of commodities on which preferences had been hitherto extended to Canada. Special consideration had been given to corn from South Africa and motor cars from Canada.

This placed the trade relations between the two Dominions on a treaty basis. The Irish Free State on becoming a separate Customs area in 1923 had adopted the tariff of the United Kingdom with the then existing preferences on Empire goods. The tariff had since been considerably modified, but the principle of preferential rates had been maintained. Canada, however, was not assured of their continued application so long as commercial relations were not regulated by an agreement. The Agreement secured for all goods the produce or manufacture of Canada imported into the Free State the benefits of the lowest rates of duty accorded to similar goods the produce of any country. In return goods the produce of the Free State imported into Canada would be accorded the same tariff treatment as similar goods imported from the United Kingdom. It was expected that this would be of material assistance in increasing the exports of certain foodstuffs and manufactured goods to the Free State.

The Agreement with Southern Rhodesia provided for the exchange of preferential treatment on selected lists of commodities. In addition, other goods not enumerated would continue to enjoy the benefits of existing and future British preferences.

Discussions with British India and Australia.

The presence of the Indian Delegation at the Conference enabled conversations to be initiated with respect to the desirability of a trade agreement between the two countries, and served to provide an opportunity of examining the openings for mutual trade. It was hoped that after the Indian Delegation had had the opportunity of reporting to its Government, direct negotiations might be entered into for the conclusion of an agreement which would secure Canada preferences on the principal Canadian products for which India offered a market.

Discussions took place with the representatives of Australia on the question of implementing the Trade Agreement of 1931. The possibility was explored of each country extending further tariff concessions to the other. The Australian Delegation was reporting the result, after which it was hoped that further negotiations would be conducted.

Negotiations with New Zealand.

The extension was discussed of the Trade Agreement with New Zealand, concluded on 23rd April, 1932, for one year.* A general exchange of views took place which should materially assist the consideration by both Governments of the modification and extension of the existing Agreement. It was hoped that further negotiations would lead to the conclusion of another agreement which would serve to regulate the trade relations between the two countries for a long period and bring to Canadian exporters valuable preferences on the New Zealand market.

Colonies and Protectorates.

Article 19 of the Agreement with the United Kingdom was as follows :—

His Majesty's Government in Canada undertake to accord to those non-self-governing Colonies, Protectorates and the Mandated Territories to which the benefits of the British preferential rates are at present accorded and also to Zanzibar the preferences on the commodities and at the rates shown in Schedule F and also any preferences for the time being accorded to the United Kingdom. Provided that His Majesty's Government in Canada shall not be bound to continue to accord any preferences to any Colony or Protectorate which, not being precluded by international obligations from according preferences, either (1) accords to Canada no preferences or (2) accords to some other part of the Empire (in the case of Northern Rhodesia excepting the Union of South Africa, Southern Rhodesia and the territories of the South African High Commission) preferences not accorded to Canada.

The House would have at an early date further details of the concessions thereunder granted.

* *Vide* under "New Zealand," p. 995.

Length of Agreements.

The practice of preceding Governments had been to initiate trade agreements for a maximum period of 12 years, and for periods of four years or less. The present Agreement would be in existence for 5 years, and thereafter would be subject to 6 months' notice of termination. Not less than 5 years would be required fully to demonstrate the value of the undertakings. If stability was desired any less period would be too short to try an experiment so great. The Agreements with Italy and Belgium were for a period of 4 years, and thereafter indefinitely.

"Every country," concluded the Prime Minister, "had of necessity to bear in mind its own requirements, the conditions of its own people, the means by which they could best be helped, and strive by fair means to incorporate them in an agreement. That they have done so, and that after weeks of anxious deliberation they were able to meet together in agreement, is the lasting proof that good faith and unselfishness and a common adherence to a fixed principle can triumph over obstacles which to him with little faith seemed before the Conference to be insuperable. . . I do believe that we and the generations to follow us will look back upon that Conference as the beginning of a new and greater Empire, bound together by common allegiance to the Crown, by ties of kinship and friendship and by a common interest which our individual welfare bids us to strive to maintain."

The following items consist of summaries of certain proceedings of the Third Session (prorogued on 26th May) and have been held over from the last issue of the JOURNAL.

ADMIRALTY AMENDMENT ACT.

(Dominion Parliament and Statute of Westminster: action regarding Admiralty rules.)

This Act, which was assented to on 4th April, 1932, provides that Exchequer Court rules in relation to Admiralty matters are made valid after approval by the Governor-in-Council in Canada.

The Act repeals Section 23 of the Admiralty Act providing that any rules or orders of court made by the Exchequer Court, in the exercise of the jurisdiction conferred by the Colonial Courts of Admiralty Act, 1890, shall be submitted to His Majesty for approval, and provides that the President of the Exchequer Court may make general rules and orders for regulating the practice and procedure in causes falling within the

Admiralty jurisdiction of the Court either at first instance or on appeal. Rules and orders so made shall not become effective until approved by the Governor-in-Council.

IN THE HOUSE OF COMMONS.

On 17th February,

The Minister of Justice (Hon. H. Guthrie), moving the introduction of the Bill, stated that it was to establish the rules in regard to the Admiralty Act in Canada. Since the passage of the Act at Westminster by the Imperial Parliament it had become possible to pass this Measure. The rules were being framed by the judges of the Exchequer Court and were to be subjected to the approval of the Governor-in-Council.

On 19th February, on the Motion for the Second Reading,

Hon. E. Lapointe (Liberal, ***Quebec E., Que.*****)** said that this was the first time that Parliament had acted under the new Westminster Act. They were taking advantage of it in assuming the power of managing their own affairs in Admiralty Courts.

On 26th February, the Bill was read a third time and passed.

IN THE SENATE.

On 8th March, on the Motion for the Second Reading,

Senator the Rt. Hon. A. Meighen (Leader of the Senate) explained that under the present law the Exchequer Court submitted its rules to the Governor-in-Council, and when approved they became law. But when it was acting in the execution of its duties in the Admiralty Division, its rules had to be submitted to His Majesty's Government in England after being approved by the Governor-in-Council in Canada. It was now held that because of the Statute of Westminster they no longer had to submit their Exchequer Court rules to the British Government.

Senator the Hon. J. A. Casgrain (*Que.*) understood that the passing of the Bill would prevent differences in Admiralty matters throughout the Empire.

Senator the Hon. H. S. Belcourt (*Ont.*) thought that this was the very reverse of what the Bill proposed.

At the conclusion of the discussion the Bill was read a third time and passed.

UNFAIR COMPETITION ACT.

This Act, which was assented to on 13th May, is designed to carry into effect Canada's undertakings in regard to the Convention of the Union of Paris, finally revised at The Hague in 1925, and ratified, on behalf of Canada, in 1928. It also removes some of the difficulties to which the existing legislation on trade marks and design gives rise in the domestic sphere.

The Act defines, *inter alia*, "Convention" as meaning the Convention of the Union of Paris made on 20th March, 1883, as revised at Brussels on 14th December, 1900, at Washington on 2nd June, 1914, and at The Hague on 6th November, 1925, and any amendments to such Convention hereafter made and adhered to by His Majesty on behalf of Canada (*Sect.* 2).

It provides that no person shall knowingly adopt for use in Canada in connection with any wares any trade mark or any distinguishing guise which (A) is already in use in Canada by any other person and which is registered pursuant to the provisions of the Act as a trade mark for the same or similar wares; (B) is already in use by any other person in any country of the Union other than Canada and known in Canada in association with such wares by reason either of the distribution of the wares in Canada or of their advertisement therein in any printed publication circulated in the ordinary course among potential dealers in or users of such wares in Canada; or (C) is similar to any trade mark in use and known (*Sect.* 3).

The person who, in association with wares, first uses or makes known in Canada a trade mark or distinguishing guise capable of constituting a trade mark, shall be entitled to its exclusive use in Canada, provided it is recorded in the register under the *Trade Mark and Design Act* at the date of the coming into force of this Act, or that he makes application for its registration within six months of the date on which this Act comes into force, or of the date of his first use thereof in Canada or on which it was first known in Canada (*Sect.* 4). The distribution or advertisement of wrongly trade-marked wares and the knowing adoption of a trade name known in Canada are forbidden (*Sects.* 5 and 7).

It is further provided that no person shall, in the course of his business (A) Make any false statement tending to discredit the wares of a competitor; (B) Direct public attention to his wares in such a way that it might be reasonably apprehended that his course of conduct was likely to create confusion in Canada between his wares and those of a competitor; (C) Adopt any other business practice contrary to honest industrial and commercial usage (*Sect.* 11).

A trade mark the use of which is intended to indicate that the wares in association with which it is used are of a defined standard, or have been produced under defined working conditions, by a defined class of persons or in a defined area, may be adopted for use only by a person who is not engaged in the manufacture, sale, leasing or hiring of such wares (*Sect.* 12). If any symbol has by ordinary and *bona fide* commercial usage become recognised in Canada as designating the kind, quality, quantity, destination, value, place of origin or date of production of any wares, no person shall adopt it for use as a trade mark for similar wares or in such a way as to be likely to mislead (*Sect.* 13). No person shall be entitled to adopt in connection with his business as a trade mark or otherwise any symbol consisting of, or likely to be mistaken for, *inter alia*, the arms and crests of the Royal Family or the Governor-General, the national flag, the arms or crest of Canada or any Province or municipal corporation, any national flag, arms or emblem used as such by any foreign State, the emblem of the Red Cross Society or of any legalised fraternal society, any symbol used by any public authority as an official mark on similar wares, the portrait or signature of any person who is living or who has died within 30 years. Nothing shall prevent the use as a trade mark, or otherwise in connection with business, of any such symbol with the approval of His Majesty (*Sect.* 14).

Sections 16-21 deal with legal proceedings, and *Sections* 22-25 with register of trade marks. *Sections* 26-29 deal with registrable trade marks. *Section* 23 (d) provides that a word or group of words, which the applicant or his predecessor in title, without being guilty of any unfair act of competition, had already caused to be registered as a trade mark in the country of origin of such registration, shall, although otherwise unregistrable by reason of its form, sound or meaning, be registrable under this Act, provided (i) that its use as a trade mark is not prohibited by this Act; (ii) that it is not calculated to deceive nor otherwise contrary to some law directly concerned with the maintenance of public order; (iii) that it is not in conflict with any mark already registered for similar wares; (iv) that having regard to all the circumstances, including the length of time its use has continued, it cannot wholly be said to be without distinctive character; (v) that it does not include the personal or trade name of any person domiciled or carrying on business in Canada. For the purpose of this Section, the expression "country of origin" means the country of the Union other than Canada in which the applicant for such registration had at the date of the application a real and substantial industrial or commercial establishment, or if he had not such establishment in any country of the Union, means the country of the Union in which he was domiciled, or if he had neither establishment or domicile in any country of the Union, means the country of the Union of which he was a national.

The remaining provisions of the Act deal with other questions pertaining to registration and jurisdiction.

IN THE HOUSE OF COMMONS.

On 8th February, on the Motion for the Second Reading, **The Secretary of State (Hon. C. H. Cahan)** stated that an International Convention for the protection of industrial property had been signed at Paris in 1883. This Convention was revised at Brussels in 1900 and at Washington in 1911. On 1st September Canada adhered and became a member of the Union for the Protection of Industrial Property. A fourth Assembly was held at The Hague in 1925, at which Canada was represented, and certain important amendments were proposed. Ratification on behalf of Canada was deposited at The Hague on 1st May, 1928, from which date the Convention became binding on Canada. This was one of those Conventions coming within the Resolution adopted by the House of Commons on 21st June, 1926, to the effect that before His Majesty's Canadian Ministers should advise ratification of any treaty affecting Canada, the approval of the Canadian Parliament should be obtained. But this Convention had not been laid upon the Table of the House. In the meantime representations had been made with regard to carrying out its terms which largely affected trade marks. It necessitated many amendments to the existing Trade Marks and Designs Act.

On 12th February the Bill was read a second time and referred to a Special Committee.

On 2nd May, in Committee on the Bill as revised by the Special Committee,

The Secretary of State further explained that the original Trade Mark and Design Act of Canada was enacted in 1869, and had remained without material change. By the British North America Act Canada was authorised to legislate for the regulation of trade and commerce and could legislate to give effect to treaties made with the Empire to which Canada was a party. Article 10 (B) of this Convention provided that the contracting parties were bound to ensure to persons entitled to the benefits of the Union effective protection against unfair competition. It also provided certain obligations on the part of Canada with regard to respecting the trade marks of foreign countries and a reciprocal obligation on the part of some twenty nations to respect Canadian trade marks. After this Bill became law, trade marks registered in Canada would apply to all the country and to Canadian products abroad.

After a short discussion the Bill was read a third time and passed.

IN THE SENATE.

On 10th May, on the Motion for the Second Reading,

Senator the Rt. Hon. A. Meighen (*Ont.*) stated that the constitutionality of their Trade Mark and Design Act of 1869 had been called in question. The matter had not been pressed in the Courts, but the authorities had had very grave doubts whether there was not such an invasion of civil rights as was beyond the power of the Canadian Parliament. That feature of constitutionality would be cleared up if this Bill passed, as it did not include elements which might possibly becloud its constitutional status. All attempts to interfere with property rights in reference to trade marks, except so far as they were necessary for external and general trade and commerce, had been eliminated from the Measure.

The Bill was passed by the Senate on 13th May.

INTERNATIONAL CONVENTIONS.

During the Session Parliament approved International Conventions dealing with (A) The Condition of the Wounded and Sick in the Field, amending the Geneva Convention of 1864 in accordance with the experience gained in the War; (B) Treatment of Prisoners of War, similarly modifying the principles laid down by the Second Convention of The Hague Conference of 1899; and (C) Arms and Ammunition, which was drawn up at Geneva in 1925.

Canada became a party to the first two Conventions on 29th January, 1930. In accordance with the action of Great Britain and Australia, it was proposed to make ratification of the last Convention, which was signed by Canada on 22nd September, 1925, contingent upon ratification by all the producing countries.

GOLD EXPORT ACT.

This Act, which was assented to on 13th May, prohibits the export of gold except under certain conditions. Authority in this respect was previously exercised by Order-in-Council under the Unemployment and Farm Relief Act.

The Act provides that the Governor-in-Council may prohibit, from time to time and for any period, the export of gold, whether in the form of coin or bullion, except in such cases as may be deemed desirable by the Minister of Finance and under licences issued by him; provided that no such licence shall be issued to other than a Canadian chartered bank.

RELIEF ACT.

(Relief of unemployment: advances to Provinces; Public works and direct relief; Legislation by Order-in-Council.)

This Act, which was assented to on 13th May, provides for the relief of unemployment.

The Act refers to the prolonged world-wide economic depression, and provides that whereas the Provinces require assistance in carrying out necessary relief measures and to meet financial conditions as they arise; and whereas it is in the national interest that Parliament should supplement the relief measures of the Provinces and grant them financial assistance in such manner as the Governor-in-Council may deem expedient; and whereas it is necessary to make special provisions to deal with the situation in the National Parks and drought-stricken areas of Saskatchewan; and whereas the powers necessary to ensure the unhampered prosecution of such relief measures and the maintenance of the credit of the Dominion and the Provinces should be vested in the Governor-in-Council; the latter may (A) Enter into agreements with any of the Provinces respecting relief measures therein; (B) Grant financial assistance to any Province by way of loan, guarantee or otherwise; (C) Take all such measures as in his discretion may be deemed necessary to protect the credit and financial position of the Dominion or any Province ; (D) Loan money to or guarantee the payment of money by any public body, corporation or undertaking (*Sect.* 2).

The Governor-in-Council may also (A) Provide for special relief works and undertakings in the National Parks of Canada, and for the continuance during such period as may be necessary of the relief measures heretofore undertaken and now being carried on at the cost of Canada in the drought-stricken areas of Saskatchewan by the Relief Commission; (B) Assist in defraying the cost and sale of the sale and distribution of the products of field, farm, forest, sea, river and mine; (C) Take all such measures as may be deemed necessary for carrying out the provisions of the Act (*Sect.* 3). The Governor-in-Council may pay out of the Consolidated Revenue Fund such moneys as may be necessary for all or any of the purposes of the Act (*Sect.* 4). Orders and regulations under the Act must be laid before Parliament (*Sect.* 7).

The Act expires on 31st March, 1933 (*Sect.* 9).

DEBATE IN HOUSE OF COMMONS.

On 28th April, on the Motion to consider the Resolution,

Rt. Hon. W. L. Mackenzie King (Leader of the Opposition) complained that it still contained the objectionable feature of allowing the Governor-in-Council at his discretion to take moneys from the Consolidated Revenue Fund for purposes that were stated only in a general way. The supreme obligation of the House was to maintain unrestricted control over the destination of all grants, and it was essential that grants of public money should be made for specific purposes, and the amounts required named. The Administration was asking for another blank cheque.

Advances to Provinces.

The Prime Minister (Rt. Hon. R. B. Bennett) was emphatic that no good purpose could be served by stating an amount in any Bill of this character. It was desirable that the credit of the Dominion should be sustained by protecting the credit of the Provinces. The financial burdens of most of the Provincial Legislatures had become intolerable; for instance, they had in some parts of the country two income taxes, Provincial and Federal. They were now asking power to advance money by loans or guarantees, and it was not limited to purely unemployment relief. The question of assisting to defray the cost of the sale and distribution of the products of field, farm, sea, river and mine had been in last year's legislation. It might or might not be technically regarded as relief provision. He had not so regarded it. Primarily it was intended to enable them to deal with financial difficulties that might be experienced with the pools in obtaining from the banks adequate credit if they had the large crop they expected. In the United States it had been necessary to create a credit corporation for the purpose of meeting a situation which had not reached anything like the same proportions in Canada. If conditions which now existed should work in a way which was conceivable, a very great strain would be placed on their whole financial structure, and they only sought from the House authority to meet that emergent condition.

Mr. J. S. Woodsworth (Labour, ***Winnipeg N.C., Man.*****)** said that some of the representatives of Provincial Governments had given indications that there was to be a radical change in the whole method of relief and that public works were to be given up, with direct relief to be adopted as a principle. If that were so it seemed a very serious matter. It would be disastrous if they were to give up the idea of anything in the nature of unemployment insurance and settle upon the worst type of dole.

The Minister of Labour (Hon. W. A. Gordon) stated that the first legislation had become effective in 1930, and the total amount spent to date through the agency of the Federal Government, the Provincial Governments and Municipalities was $150,000,000. The total amount contributed by the Federal Government was $48,000,000. Employment had been given to 741,465 different individuals for varying periods of time. The basis of contribution had been that the Dominion Government paid one-third of the municipal expenditures, the Provinces also paying one-third. In connection with unorganised districts where the Provinces had to bear the full load the Dominion Government paid 50 per cent. The Dominion's contribution to direct relief amounted to $12,000,000. In those areas that had suffered a three-year successive crop failure, the Dominion Government had disbursed 100 per cent. of the relief.

Public works and direct relief.

Under the agreements with the Provinces they had approved their suggestions with respect to supplying work through the building of necessary public buildings to the extent of anticipating future needs for some years to come. It had become apparent that many municipalities and Provinces were very likely to imperil their financial stability by reason of the works outlined. The Provinces had proposed that wherever possible they should set up camps where work could be done and where food and other necessities would be given.

On 3rd May,

Mr. J. L. Brown (Liberal, ***Lisgar, Man.*****)** thought they were rapidly approaching a time when to a very much greater extent they would be required to give direct relief.

Mr. G. G. Coote (United Farmers', ***Macleod, Alta.*****)** complained that the action of the Government was practically confined to adopting the dole system. Unemployment was a disease which must result either from over-production or under-consumption. If the former, they should endeavour to divide up the work and shorten the hours of labour. But he thought their troubles resulted from under-consumption. They should devote themselves to a solution rather than adopt palliatives. The old law of supply and demand could not operate to-day. There was potential demand, but it could not become effective because the people had not the money. They needed a new money system. The want of a proper standard of purchasing power was the chief cause of the survival of the monstrous fallacy that there could be too much produced of anything. The Government should take steps to increase the amount of money in circulation, to raise commodity price levels and make it possible to put their people to work and put purchasing power in their hands. He suggested the advisability of providing a housing scheme.

Mr. E. J. Young (**Liberal**, *Weyburn*, *Sask.*) could not support the policy of creating great public works for the purpose of giving employment. Take, for instance, the suggestion of a trans-Canada highway. Once it was finished. after the depression had lifted they would find themselves saddled in perpetuity with the expense of maintaining it. They could not afford any such undertaking.

After further discussion the Motion was agreed to, and the Bill was read the first time on 4th May.

Legislation by Order-in-Council.

On 9th May, on the Motion for the Second Reading,

Mr. Mackenzie King stated that this was the fourth Measure introduced by the Administration with respect to unemployment relief. These Measures had one characteristic in common : each had departed more widely than the previous one from the observance of the right of Parliament in the matter of legislation and in turning over those powers to the Governor-in-Council. The first Measure named the large sum of $20,000,000 for the purposes of unemployment and was appropriated in very general terms. The next Measure went a step further by according to the Governor-in-Council the power to legislate in respect of peace, order and good government. But there was a new feature in this Measure ; the powers which were given to the Governor-in-Council—and they were very extensive, going beyond the relief of unemployment —might be exercised notwithstanding the existence of any Statute. It related to matters affecting the credit of Canada, even going to the length of giving the Governor-in-Council power to give financial assistance and guarantees to corporations. They recognised the necessity of Federal relief and they had

been prepared to accept the Government's word as to the amount that might be necessary. But they insisted that the Government should give some statement to Parliament as to the amount necessary and to designate the objects on which it was to be expended. The British Parliament, having no written Constitution, might enact any Measure provided it could get approval from the majority. But that was not equally true of their Parliament, which had not the power constitutionally to go beyond the British North America Act with respect to anything in which its powers were clearly defined therein. In the Act there was a distinct division between the legislative, executive and judicial powers and between the powers of the Government with respect to Federal and Provincial matters. The relief of unemployment would be all the more effective if it were carried out in a constitutional way.

This Measure was one which substitued a dole for any constructive policy of work. He had asked whether the Government was giving up entirely the providing of work out of relief moneys, and the Minister of Labour's reply had been that in so far as there was a programme existing of works to be completed, the Government would continue to contribute towards its completion, but apart from that the intention was that the money should be used for relief only. Not only had the Government failed to implement its promises, but by its policies of trade restriction, making trade in some commodities well-nigh impossible, it had made even more difficult the efforts of the great proportion of the unemployed to find work.

The Prime Minister declared that never before had a greater crisis confronted the people. In face of these circumstances they should be in a position to do at least what they could to save the credit of Canada and of the Provinces. The Chancellor of the Exchequer in England had set aside several hundred million dollars for the purpose of protecting exchange. The United States were acting in another way. Some countries were repudiating their obligations entirely. Parliament was now being asked to confer on the Governor-in-Council the power to carry out its will, and that was all. When they thought it undesirable to mention the sum available for relief they said that by such an act they would be instituting competition, in which each Province would be seeking to get what it conceived to be its due. They consented in the interests of economy to a continuity of the exercise of that discretion by the Executive as being in the best interests of Canada. The complaint had been made that no policy had been formulated in connection with unemployment, but unemployment insurance, with unemployment as it was, would mean that the

State would pay the insurance, because no one would have the money to pay the premiums. Heretofore they had been able to construct public works, but the Provinces said: "We have anticipated the future beyond our financial ability, and therefore we are not prepared to pledge our credit for further sums."

After further discussion the Motion was passed and the Bill read a third time. The House then went into Committee.

The Prime Minister said it was desirable to avoid the creation of an organisation for the purpose of doing what the Finance Corporation was doing in the United States, relieving institutions of their difficulties in connection with frozen assets.

On 12th May, on the Motion for the Third Reading,

Mr. Mackenzie King declared that the Government had thrown overboard completely whatever intention it might have had to provide work as a means of ending unemployment. The present Measure substituted contributions to the Provinces for the purpose of administering doles to meet the demand for immediate relief. It was a confession of complete failure to cope with this all-important question and to offer the country anything in the nature of a constructive policy.

At the conclusion of the debate the Bill was read a third time and passed.

MARRIAGE AND DIVORCE AMENDMENT ACT.

This Act, which was assented to on 4th April, makes it legal for a man to marry the daughter of a brother of his deceased wife and for a woman to marry the son of a sister of her deceased husband.

DEBATE IN HOUSE OF COMMONS.

On 25th February,

Mr. A. U. G. Bury (Conservative, *Edmonton E., Alta.*), moving the Second Reading of the Bill, explained that the marriage law as it stood provided that a man might marry his deceased wife's sister or the daughter of a sister of his deceased wife, but not the daughter of a brother of his deceased wife. A woman could now marry a brother of her deceased husband or the son of a brother of her deceased husband, but not the son of a sister of her deceased husband.

On 26th February,

Hon. J. C. Elliott (Liberal, *Middlesex W., Ont.*) stated that in the English Deceased Brother's Widow's Marriage Act, passed in 1921, there was no mention of the permission now given to the marriage of the nephew or niece of the brother or sister. They were going entirely too far.

Mr. Bury thought that the law of England so far as the man was concerned went much further than did the proposed amendment and included the provisions contained in the Bill. As to the extension of the marriage law of England in relation to a woman, he was not prepared to say that the law went any further than this proposal.

The Bill was read a third time and passed on 26th February.

IN THE SENATE.

On 9th March,

Senator the Rt. Hon. A. Meighen (*Ont.*) stated that unless the Bill was passed the prohibitions which took root in an Act of Henry VIII would remain. The Colonial Laws Validity Act prevented Canada as she then existed from modifying the law relating to marriage. Up to Confederation the prohibitions existed by virtue of the British law running back to the time of Henry VIII. But in 1882 Canada had repealed, both as to past and future marriages, all laws prohibiting marriage between a man and the sister of his deceased wife. The Act contained certain provisions as to rights of property in existing cases. In 1890 the Canadian Parliament repealed in the same way all laws prohibiting marriage between a man and the daughter of his deceased wife's sister when no law relating to consanguinity was violated. Under a Marriage Act of 1906 the following provision appeared:—

A marriage is not invalid merely because the woman is the sister of a deceased wife of the man, or a daughter of a sister of a deceased wife of the man.

In 1923 Parliament had provided as follows:—

A marriage is not invalid merely because the man is a brother of a deceased husband of the woman, or is a son of such brother.

They had gone on to remove the restrictions piece by piece, and the present Bill provided for the removal of still another of the restrictions.

AUSTRALIA.

Commonwealth.

The following summary deals with further proceedings of the First Session (Third Period) of the Thirteenth Parliament which was adjourned on 24th May, 1932, and re-assembled on 31st August, and is in continuation of the summary given in the last issue of the JOURNAL.

IMPERIAL ECONOMIC CONFERENCE.

(The Agreements at Ottawa; Meat Concessions to Great Britain; Monetary policy; Russian dumping.)

On 31st August, in the House of Representatives, the Prime Minister made a statement regarding the Ottawa Conference.

DEBATE IN HOUSE OF REPRESENTATIVES.

The Prime Minister (Rt. Hon. J. A. Lyons) said the Conference had successfully arranged a series of Agreements which definitely assured a substantial measure of Imperial economic co-operation in the future. The basis of the Agreements was so wide and so well conceived that upon them the Empire could be developed as an economic unit, while at the same time no part of it need sacrifice legitimate aspirations for the maintenance and development, within its own borders, of all local industries for which there were sound economic prospects.

The Agreement with Great Britain.

The Prime Minister, dealing with the various articles in the Agreement with Great Britain, said that by Article 1 the British Government undertook that continuance of free entry would be allowed to all Australian goods now enjoying it under the British Import Duties Act. This applied to 53 items of production. The only reservations were in respect of eggs, poultry, butter and cheese. These products were to receive an even more favourable margin of preference. By Articles 2 and 3, the British Government undertook to give certain specified goods definite margins of preference over similar foreign goods. Article 4 guaranteed the maintenance of at least the 10 per cent. duty upon foreign goods of a class that would compete with the more important Australian products which were assured of free entry under Article 1. Article 5 contained

a provision that the preferences accorded to wheat, copper, lead and zinc were conditional upon these commodities being offered for sale in the United Kingdom at prices not exceeding the world price. This secured Empire producers an assured market, and even without the power of raising prices, was a benefit much valued.

Meat Agreement.

The Meat Agreement would probably prove the most far-reaching and valuable of all the Ottawa achievements. The Agreement definitely aimed to raise the Empire prices to a level that would be payable to efficient producers in both the United Kingdom and the Dominions. To accomplish this, the British Government undertook to restrict the import of all classes of foreign meat. If such a price level was attained, the benefit to producers would far exceed any advantage they could have derived from a preferential duty. The fact that the restriction was to include chilled beef made it particularly effective.

The Prime Minister added that, apart from the Meat Agreement, the six articles might be summarised as conferring upon the dairy group substantial assistance to butter and cheese, and a substantial margin of preference which offered the prospect of enlarged trade in tinned milk and dried milk. In the fruit group, apples, pears, canned fruits and sultanas and raisins had all received substantial further preferences. Eggs had an increased Preference; so also had honey. The existing Preference was doubled upon the lighter strengths of wine. In addition, 53 other items were secured in the continuance of the benefit under the Import Duties Act, while the special preference that had been previously enjoyed by sugar remained.

Concessions to Great Britain.

Dealing with the other side of the Agreement, the Prime Minister said that Article 8 dealt with the margins of preference which would be maintained, or extended, with the object of diverting to Britain foreign trade in articles which the Mother Country could supply. Existing margins of Preference were to be maintained, and those which fell short of an agreed formula* were to be increased to the margin which was provided. In Article 9, the Australian Government undertook that protection by tariff should be afforded only to those industries which could reasonably be assured of success. In Article 10,

* This formula is set out in Schedule F, Part I. of the Agreement (*vide* p. 49 of Summary of Proceedings at the Conference, Cmd. 4174). *Vide* also this issue of the JOURNAL under "United Kingdom," pp. 852-3.

the Australian Government further undertook that protective duties shall not exceed such a level as would give United Kingdom producers full opportunity for reasonable competition. In Article 11, the Australian Government undertook that a review should be made by the Australian Tariff Board of the existing protective duties, in accordance with the principles laid down in Article 10, and that, after receipt of the Board's recommendation, the Commonwealth Parliament should be invited to vary the tariff on goods of United Kingdom origin wherever necessary to give effect to these principles.

No new protective duties.

Article 12 provided that no new protective duties should be imposed, and no existing duty be increased on United Kingdom goods to an amount in excess of the recommendation of the Tariff Tribunal. Article 13 secured to United Kingdom producers rights of audience before the Tariff Board. In Article 14 the Australian Government undertook, so far as goods of United Kingdom origin were concerned, to repeal as soon as practicable the prohibitions which had been imposed during the last two years, to remove the surcharges, and, when Australian finances would allow, to reduce, or remove, the primage duty.

Benefit to British trade.

The Prime Minister went on to say that it was not possible at present to estimate what would be the benefit to British trade in Australia, as the result of those undertakings. In any case, the Australian market was limited by their purchasing power, and that could be substantially increased only by improved prices for their (Australian) exports. Either by the concession of a duty or by definite act directed to raising the price of Empire products, the Agreement would make possible a greater volume of two-way trade, to which Australia's concessions would contribute materially.

Value of British Preference.

In 1930-31, the total value of exports of Australian merchandise was £87,103,241, of which £39,317,759 was exported to the United Kingdom. At that time goods to the value of £3,840,751 received some useful preference in the British market. Had the preference now agreed to been then in force the total value of the goods receiving assistance would have been about £26,000,000, or 65 per cent. of Australia's exports to the Mother Country.

Raising price levels.

In conclusion, the Prime Minister said that as in many cases export parity to the United Kingdom fixed the value

of the total crop, any increase obtained for the proportion exported to Britain would be reflected in a better return to the producer for his whole output. Any such improvement would tend to correct the wide disparity in prices of primary and manufactured products which had destroyed the rural purchasing power until it had become the chief cause of unemployment. No one would suggest that the Ottawa Agreements alone could, in a short time, bring about results to wipe out this disparity or cure the depression, but they were a definite and practical step on the upward track. They led them forward by the road to better trade, which was the way to general recovery.

Opposition's view.

Rt. Hon. J. H. Scullin (Leader of the Opposition) said that without going into what had been gained for Australia, their gains would fall far short of what Australia had been giving to Great Britain during the last 25 years. They might have received twice over all that had been granted in the way of preference to their primary products without giving away any of their rights under Australia's protective policy and still have left Great Britain their debtor.

He was anxious regarding the price they might be called upon to pay for the concessions received. A formula had been agreed upon, by which tariff changes were to be effected, and it was to govern the operations of the Tariff Board. He could not help feeling concerned that an Agreement should have been entered into which would limit the freedom of Parliament to legislate on tariff matters. Any agreement that tied the hands of a Parliament with respect to its power to legislate on tariff matters was fraught with danger. An Agreement had been signed providing that there should be no increase whatever in any existing duties, and that no new duties should be imposed against Great Britain, no matter what might be the need of Australia to protect its industries, unless recommended by the Tariff Board. There was only one authority which should finally determine tariff matters, and that was Parliament. At the present time they were hampered in dealing with the tariff under the present Government, and he was afraid that under the Ottawa Agreement, they might be hampered in Parliaments that would be led by future Governments.

Monetary policy.

The really important problem—monetary reform—that confronted the British Commonwealth of Nations had not been effectively dealt with. The matter had been left where it stood, on the ground that at a forthcoming international conference the subject would be considered. He agreed that the Ottawa Conference could not have dealt with the matter so fully as could a world conference. Without waiting for an international conference, there was wide scope within the British Commonwealth of Nations for the making of agreements on the subject of monetary reform and price levels, and thus a lead could be given to an international conference.

Effective preference.

Dr. the Rt. Hon. Earle Page (Leader of the Country Party) said he hoped that the Commonwealth Government would realise the necessity for making effective the preferences arranged with Great Britain by reducing the Australian tariff. He had no fear that damage would be done to Australian industries by reducing some of the present duties. He regarded it a wise policy to declare that no duties should be increased above the rates recommended by the Tariff Board.

The Ottawa Conference had presented a rare opportunity for Australia to gain material advantages in return for placing its own industries on a sound basis. Despite what Mr. Scullin had said, he believed that the people of Great Britain were prepared to go much further in the direction of reciprocal trade, and to give greater advantages to the Dominions. He hoped that Australia had not failed to take advantage of the opportunities presented at Ottawa by refusing to make those reciprocal concessions which would stimulate their industries, enable them to absorb more people, and build up the prosperity of their country. He trusted that the Conference would prove merely the beginning, and that the exchange of concessions would be found to be so satisfactory to all parts of the Empire that there would be an ever-increasing demand for a lowering of trade barriers, and a narrower delimitation of those industries in each that must have complete protection.

Russian dumping.

Hon. J. Beasley (Leader of the State Labour Party) said the fact was undeniable that Russia had overshadowed the Conference. The British Government dared not agree to prevent the dumping in Great Britain of the products which the Soviet Republics could supply. Returned soldiers and others might suffer all the disabilities of life on the land and the uncertainties of wheat-growing, but the price they should receive for their products must be determined by British politicians who were prepared to buy Russian wheat, though tons of Australian grain was rotting at the railway sidings. There was a possibility of the Soviet Government letting a large contract for the supply of textile machinery, and the British Government and manufacturers were careful to do nothing that would prejudice their prospects in that market.

He did not share the concern of the Leader of the Opposition (Mr. Scullin) regarding the effect of the Ottawa decisions upon their industries. He was confident that before long the people would determine that that Parliament should rule according to the will of the people, and that its hands should not be tied by any Agreement made at Ottawa or any policy enunciated by the present Government.

THE BUDGET.

(Premiers' Plan; Debt conversion; Overseas trade; Unemployment; Exchange control; Ottawa Conference; Public Debt; Revenue and Expenditure.)

On 1st September, in the House of Representatives,

The Prime Minister and Treasurer (Rt. Hon. J. A. Lyons) brought forward the Budget for the year 1932-33. In his review of the position for the past year, he dealt with the application of the Premiers' Plan* for financial rehabilitation and detailed what had been done to retrieve the position: (1) Deficits for 1931-32 had been cut down from a contemplated £40,000,000 to £20,147,000, of which £13,570,000 represented the deficit of New South Wales; (2) the £556,000,000 (internal) Conversion Loan had been successfully carried through, with consequential interest savings of £6,500,000 per annum; (3) Bank and private interest rates had been materially reduced; (4) a distinct advance towards balancing Budgets had been effected; (5) costs of production had been reduced and the cost of living index figure had come down from 1866 in 1929 to 1477 in 1931; (6) the adverse trade balance (merchandise only) of £33,000,000 sterling in 1929-30 had been converted into a favourable balance of £31,000,000 sterling in 1931-32.

Conversion of Overseas Debt.

On 1st November a New South Wales loan of over £12,000,000 would fall due in London and had to be converted. The debt of the Commonwealth and the States in London amounted to £554,528,000. The annual interest totalled £26,301,000, to which had to be added £6,674,000 for exchange at existing rates. The greater portion of their loans had been contracted at the highest interest rates of 5 to 6½ per cent. Of these they had current optional conversion rights over £96,000,000. Much depended upon the terms upon which they could convert the November loan.† It was because of

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* *Vide* JOURNAL, Vol. XII., No. 4, p. 978.

† The N.S.W. £12,360,000 5¾ per cent. stock has since been successfully converted into Commonwealth stock carrying interest at 3¾ per cent., the price of the issue being 97½, and the term of the loan 5 years.

the great importance of this matter that the Government had arranged for the Minister without Portfolio (Mr. Bruce)* to go to London, so that he might utilise his wide experience and ability in handling financial matters at the point where he could do the most effective service for Australia.

Production and trade.

Over the past few years there had been a very heavy increase in primary production. The wool-clip for 1930-31 was 912,141,253 lb., and for 1931-32, 950,000,000 lb., compared with the record clip of 968,152,935 lb. in 1928-29. The wheat harvest for the past season had reached the very high figures of 189,500,000 bushels. A bounty of 4½d. per bushel on all wheat of last season's harvest which had been sold was granted by the Commonwealth Government. This had proved of considerable benefit to the grower. Many other primary industries had increased their production to a marked degree, with the result that the surpluses for export had reached high figures. The total value of exports, excluding bullion and specie, amounted to £95,190,452 (Australian currency) in 1931-32. The commodity balance of trade had been £30,691,000 (sterling) in favour of Australia. This had been brought about not only by the fall in imports but by the heavy volume of exports.

Trade with Canada.

Although Great Britain continued to be the principal country in which Australia found outlets for its exports of foodstuffs and raw materials, it was encouraging to find that an increasing demand existed in other countries, notably Canada and the East. At Ottawa the Australian Delegates had conferred with the Canadian Government regarding difficulties which had arisen in connection with the Trade Agreement. These would be dealt with by the Government as soon as the Delegation returned.

British Trade Commissioners.

The Department of Commerce was in close touch with the British Trade Commissioners and Commercial Counsellors in various Eastern centres. The action of the British Government in making these facilities available to the Commonwealth was much appreciated.

Exchange control.

The Prime Minister referred to the circumstances surrounding the exchange rate with Great Britain, and added that when

* The appointment of Mr. Bruce as Resident Minister in London was announced in a previous issue of the JOURNAL (*Vide* Vol. XIII., No. 2, p. 444). *Vide* also p. 980 of this issue.

the Premiers had met in April, the Federal Government, having considered the report of the economists, announced its acceptance of the recommendation submitted. In placing these recommendations before the Conference he had said, in reference to Exchange :—

> "The Government agrees with the Committee's Report that the exchange rate should be controlled by the Commonwealth Bank . . in the words of the Committee's Report, ' free from both the fact and the fear of political control.' "

The Government, he added, still considered that any other policy would involve political control of the Bank with all its consequences.

Floating debt.

The floating debt had assumed huge proportions, being £82,670,000 at 30th June, 1932, of which the Commonwealth share was £16,730,000 and the States' share £65,940,000. The short-term debt in London totalled £37,325,000, whilst the total in Australia was £45,345,000.

Unemployment.

Fortunately, it had been possible to make some practical contribution to the solution of the problem. In April the Government had decided, in conjunction with Queensland, South Australia, Western Australia and Tasmania, to raise £3,000,000 for winter relief; £600,000 was devoted by the Commonwealth to help the unemployed in New South Wales, and the Commonwealth Bank had agreed to find an additional £600,000 to assist the relief of unemployment in that State. The elections had delayed the completion of plans in Victoria. It was determined to spend the money as far as possible on reproductive works. A plan was now being evolved designed to employ the taxation raised (by the State) for unemployment relief and which was devoted to paying the "dole," for the purpose of creating useful employment on works which would be reproductive and self-supporting.

Taxation.

During the last two years, Parliament had imposed the following special taxes which it would be necessary to continue to collect this year: Primage of 10 per cent. on imports, £3,550,000; Special Tax of 10 per cent. on income from property £4,000,000; Sales Tax, £8,250,000; Percentage additions to normal Income Tax, £800,000. In addition, extra duties of Customs and Excise had been imposed by the previous Parliament. It was proposed to reduce many of the Customs duties in conformity with recommendations of the Tariff Board. All this special taxation should be removed as early as practicable, but it could only be done when circumstances made it possible.

Ottawa Conference.

The Prime Minister then referred to the Ottawa Conference, and said that the benefits secured for Australia as a result of the Ottawa Treaty were substantial and far-reaching. The Agreement covered 65 per cent. of their total exports to the United Kingdom, and should result in their producers getting substantial benefit by raising the level of export prices. It was difficult to forecast with any certainty what would be the net effect on revenue arising from Tariff alterations made in pursuance of the Ottawa Agreement. They could be reasonably certain that they would bring about a reduction of revenue with consequent relief to the taxpayer. To some extent the increased preferences to Britain would result in increased importation of British goods to the exclusion of foreign goods.

Tariff and trade restrictions.

The Government had inaugurated an extensive revision of the tariff based on the recommendations of the Tariff Board. At an early stage in the Session the Government had introduced proposals to reduce duties in 73 instances. A further Schedule was being tabled,* providing further reductions in duties. The restrictions imposed by their predecessors for the purpose of assisting in the rectification of the adverse balance of trade had been largely curtailed. The importation of 78 items had been prohibited. The Government had repealed the prohibition in 54 cases and was now taking action for their total removal.

The Prime Minister added that when the Minister for Trade and Customs (Mr. Gullett) returned from Ottawa a complete Tariff Schedule would be tabled at the same time as the Ottawa Treaty was submitted for ratification.

Public Debt.

The Public Debt of the Commonwealth itself on 30th June, 1931, was £388,718,545. On 30th June, 1932, the Debt was £398,884,730, an increase of £10,166,185. The aggregate Public Debt of the Commonwealth and States at 30th June, 1931, amounted to £1,156,034,917. At 30th June, 1932, the Debt amounted to £1,187,827,868, an increase of £31,792,951.

Debt redemption.

The total amount made available last year for the redemption of Australian Debts was £7,201,381, whilst the total to be provided in 1932-33 was estimated at £7,275,000.

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* *Vide* p. 975.

Hoover Moratorium.

For 1931-32 and 1932-33 the British Government had generously agreed to suspend repayment of principal moneys amounting to £1,628,000 sterling a year under the Funding Arrangements Act. As the result of the Hoover Moratorium, further relief to the extent of £3,090,000 sterling had been obtained last year. Including exchange at current rates, the total relief was approximately £5,900,000 per annum. A final settlement of the Reparation and War Debts problem was still to be accomplished, but it was hoped that Australia would be relieved of the necessity of meeting any payments this year. No provision therefore was being made in the Budget.

Revenue and Expenditure, 1931-32.

When the Budget was brought down last year it had been estimated that there would be a deficit of £5,176,300. With the subsequent relief under the Hoover Moratorium, the estimated deficit had been reduced to £1,148,300. The actual transactions for the year (Revenue £71,532,000, Expenditure £70,218,000) had resulted in a surplus of £1,314,000.

On the revenue side, Income Tax collections were £3,661,000 above the estimate. Other increases were Land Tax, £357,000; profits from Note Issue, £706,000, due to higher earnings of London investments and benefit of exchange rate in transferring profits to Australia; and Coinage revenue, £91,000, due to unexpected demands for silver coinage. These were partly off-set by decreases in Customs and Excise, £194,000; Sales Tax, £75,000; Entertainments Tax, £47,000; Post Office, £159,000; Railways, £43,000.

On the expenditure side, Invalid and Old Age Pensions cost £11,126,000, or £276,000 above the estimate. War Pensions cost £7,349,000, or £489,000 above the estimate. Other increases were: Miscellaneous Services £329,000, due almost wholly to charges for exchange and interest; Grants to States for Federal Aid Roads, £412,000; contributions to States Sinking Fund, £83,000. Unemployment Relief also had cost £250,000 for which no provision had been made in the Budget.

Estimates, 1932-33.

Estimated revenue for 1932-33 was £65,986,000, made up as follows: Total Taxation, £49,090,000; Miscellaneous, £3,900,000; Business Undertakings, £12,796,000; Territories, £200,000; Total, £65,986,000. The estimate for Customs and Excise Revenue (£27,600,000) was £806,000 less than the actual receipts last year. The estimate for Income Tax (£10,000,000) was £3,482,000 less than last year. The estimated revenue from Sales Tax (£8,250,000) was £175,000 less than last year. The original estimate had been greater than ast year, but the Government had decided to exempt a number f items from the tax. The reductions of tariff, the removal of urcharges and prohibitions, and the exemptions from Primage and Sales Tax would bring an instalment of relief from the high osts which pressed upon the export industries. No new axation was proposed.

Expenditure, 1932-33.

All estimates had been subjected to thorough scrutiny, and after careful pruning the estimated expenditure had been reduced to £68,767,000. With an estimated revenue of £65,786,000, this left a deficit of £2,781,000. The Government had set itself the task of bridging the gap of £2,781,000. In the first place it was proposed to carry forward last year's surplus of £1,314,000. In ordinary circumstances this would be applied towards wiping out part of the accumulated deficit, which stood at £17,216,000. After deducting the surplus the Government was still faced with a gap of £1,467,000. To bridge this gap the Government submitted the following proposals :—

	Estimated saving. £
(i.) Gold Bounty—Payment to be suspended as from 30th September, 1932	30,000
(ii.) Wine Export Bounty—Annual liability to be limited to £96,000	44,000
(iii.) Maternity Allowance—Payment to be limited to cases where total income does not exceed £208 a year	60,000
(iv.) Ministerial and Parliamentary Allowances—Further reduction in allowances of Members and Ministers	5,000
(v.) Public Service—Reduction of £8 per annum of salaries and wages on account of fall in cost of living	240,000
(vi.) Invalid and Old Age Pensions—Maximum pension to be reduced from 17s. 6d. to 15s. per week	1,100,000
Total	£1,479,000

Surplus.

These reductions would bring the expenditure down to £67,287,622, and leave a surplus of £12,000, which would be turned into a deficit of £4,900,000 if they had to resume payment of the interest on the British war debt this year.

Defence.

The provision for Defence (£2,995,000), omitting New Works, was £101,000 less than the actual expenditure last year. No actual diminution of the services was contemplated. The

reduced expenditure was mainly accounted for by reductions in salaries and wages owing to decrease in cost of living.

Air-mail service.

The Government had appointed a Committee to report fully on air communications, as well as the establishment of a service between Australia and the United Kingdom. On submission of the Report, the Government would decide the future policy to be adopted in this connection.

Gold Bounty.

In the opinion of the Government, the Bounty payments should not be renewed until the mint price of fine gold in Melbourne fell to £5 per ounce. When Parliament first agreed to the Bounty the mint price of gold was £4 11s. 6d. per fine ounce, or 6s. 7d. above par. Now the price was £7 6s. 11d. In these circumstances the continuation of the Bounty could not be justified.

Invalid and Old Age Pensions.

The Government regretted that it was necessary to propose a further reduction in Invalid and Old Age Pensions. Twenty years ago these services had cost £2,000,000 a year. Last year, even with the reduction effected (from £1 to 17s. 6d.) the cost had been £11,126,000. The country could not afford this increasing charge, and something must be done to see that the service was limited to those for whom it was really intended. The Government would endeavour to devise a contributory system of Old Age Pensions, but the problem was so complex, particularly in the present time of depression, that it was not prepared to give any definite undertaking as to the introduction of such a system.

The Prime Minister, in conclusion, said that the position of Australia had very materially improved over the last twelve months. All that was necessary now to enable them to reach the haven of complete recovery was an increase in world commodity prices. Having already achieved so much towards assisting their own economic rehabilitation, it would be foolish for them now to order their affairs in anticipation of an immediate change for the better in world affairs. Indeed, without serious risk to their future prospects, they could not do so. The supreme task before them was to maintain intact the improvements in their national organisation that had already been brought about.

TARIFF PROPOSALS.

(Customs duties and special duties.)

On 1st September, in the House of Representatives, the Acting Minister for Trade and Customs brought forward a series of Amendments to the Customs Tariff in regard to import duties and special duties.

IN THE HOUSE OF REPRESENTATIVES.

Tariff Board recommendations.

The Acting Minister for Trade and Customs (Hon. J. A. Perkins) said that the Resolution covering import duties provided for reductions in duty in respect of 23 classes of goods affecting 34 items and sub-items. The variations had been made on the recommendation of the Tariff Board in conformity with the policy of the Government of following in broad principle the recommendations of that body.

Reduction of duties.

An examination of the Memorandum supplied to Members would indicate that in many cases—such as woollen piece goods, apparel, churns, cheese presses, etc., cement-making and road-making machinery, motive power machinery, and sheet-glass—the duties had been brought down to the level of the duties in force under the Bruce-Page Government, while in other cases—matches, cotton, tweeds and knitted piece goods—the duties had been reduced below those imposed by the 1921-29 (Bruce-Page) Tariff.

Protection for efficient industries.

This, he added, definitely indicated that the present Government's tariff policy tended towards lower duties, but it must not be construed as indicating that the Government intended to depart from the policy of protection. In no case, in the Schedule just tabled, had the Government reduced duties below those recommended by the Tariff Board as being necessary for the protection of the particular industry. This Government believed in the protection of industries which could be economically established and efficiently carried on in this country, but favoured the minimum protection necessary for that purpose.

Special duties.

The Resolution dealing with Special duties* had the effect of removing those duties on 17 lines of goods. The previous Government had imposed special duties on 58 lines, and the present Government had previously removed this restriction on 22 lines. Based on the import figures for the year 1930-31, the value of the goods affected annually by the special duties in operation prior to the present Resolution was £2,237,183, while the value of the goods which would now be affected, based on the 1930-31 figures, was £1,176,410. The special duties had been retained on luxury goods and on goods imported principally from countries with which Australia had an adverse trade balance.

* *Vide* JOURNAL, Vol. XI., No. 3, p. 720; and Vol. XIII., No. 2, p. 445.

PRIMAGE DUTIES AND IMPORT PROHIBITIONS.

On 1st September, in the House of Representatives, the Acting Minister for Trade and Customs—by leave—made a statement regarding the intention of the Government to exempt additional classes of goods from primage duties* and to lift the prohibitions† against the importation of certain other goods.

IN THE HOUSE OF REPRESENTATIVES.

Primage duties.

The Acting Minister for Trade and Customs (Hon. J. A. Perkins) said that primage duties had been imposed originally by the previous Government purely for the purpose of obtaining revenue. The revenue from these duties had become very substantial, the total in 1930-31 being £3,657,426. The Government had on various occasions taken action to ease the burden of primage duties in certain directions. With a desire to grant further relief, a special Proclamation had been gazetted providing for the exemption from primage duty of many lines of goods.

Benefit to agriculture.

It would be noted that the agricultural, dairying, grazing and mining industries would benefit from these concessions. The Government would like still further to curtail the operation of the primage duties, but the revenue position precluded many more concessions until the financial situation improved.

Removal of prohibitions.

He had also to announce that action had been taken to revoke the proclamation prohibiting the importation of certain goods. The previous Government, as part of its policy for the rectification of the adverse trade balance, had prohibited the importation of many lines of goods, but the present Government did not favour such restriction of trade. In all, the importation of 78 lines of goods had been prohibited by the Scullin Government, and by previous action the present Government had removed the restriction in respect of 54 lines.

* *Vide* JOURNAL, Vol. XII., No. 1, p. 112; No. 4, p. 996; and Vol. XIII., No. 2, p. 445.

† *Vide* JOURNAL, Vol. XI., No. 3, p. 720; and Vol. XIII., No. 2, p. 445.

Mr. Perkins added that, consequent upon the gazettal of the necessary Proclamation that day, the remaining prohibitions had been lifted.

LAUSANNE CONFERENCE.

(Report of Australian Delegation.)

On 31st August, in the House of Representatives, the Attorney-General laid on the Table his Report of the Lausanne Conference.

IN THE HOUSE OF REPRESENTATIVES.

The Attorney-General (Hon. J. G. Latham), having referred to the events which led up to the Conference, said that, on behalf of Australia, he had supported the view that the wise course to take was to deal with the Reparations problem by getting rid of Reparations and, so far as possible, of associated War Debts. It had been agreed that annual Reparation payments should be abolished, and it was declared that the Powers at the Conference hoped that they would help to create a new order by the actual Agreement made. Mr. Latham quoted the actual Agreement, and added that the proceeds of the bonds when issued were to be placed to a special account. Originally, it had been announced that these moneys should be used for European reconstruction. He could see no reason why Australia should be excluded from the benefit of a reconstruction effort, and had said so. The actual terms now were that the proceeds should be placed to a special account, the allocation of which should be settled by a further agreement in due course.

World Economic Conference.

Satisfactory as it was, the Agreement made at Lausanne remained to be ratified, and the ratification depended upon what happened in relation to the War Debts owed by the creditor Powers. Up to the present, the United States of America had always contended that Reparations and War Debts were entirely separate problems. Senator Borah, who was at present Chairman of the Foreign Relations Committee, had made a statement that the U.S.A. should go to the World Economic Conference prepared to discuss not only reduction or cancellation of War Debts, but the review of the Versailles Treaty and the general settlement of post-War problems. That did not represent the present opinion of the Government of the U.S.A., so far as it had been declared. That Government required that War Debts and Reparations should be excluded

from the World Conference, and it remained to be seen whether it would abandon that attitude.

Political instability.

One of the difficulties which had been very apparent at all recent International Conferences was that which arose from political instability of some of the participating Governments. The position in Germany was very difficult. He referred to the difficulty of getting someone to speak with authority on behalf of the people. Regarding the United States, it might persist until the election of a new President. If, owing to any misfortune, the Agreement was not ratified, it would be necessary to reconsider the question at a further conference.

A step forward.

In spite of these difficulties, he submitted that a very real step forward was marked by the Lausanne Conference. When they remembered that only twelve months ago it would have been impossible even to contemplate the making of such an Agreement as had been arrived at, it would be realised that the Lausanne Conference marked a definite change in international relations, a change which was all for the better.

DEBATE IN THE SENATE.

On 31st August,

The Minister for Defence and Leader of the Senate (Senator the Rt. Hon. Sir George Pearce), in tabling the Report of the Conference, said he thought it would be agreed that the settlement arrived at was a very satisfactory one. Now that Germany was relieved she might be enabled to proceed with such an economic reconstruction as would tend to the stabilisation of Europe.

War Debts.

So far as Australia was concerned, the settlement was not all that they might wish for as a final solution of the whole problem of War Debts and Reparation payments, by means of an all-round cancellation of debts. A settlement of the Reparation problem having been found, its execution depended upon a satisfactory solution of the problem of War Debts. The Agreements would not come into operation until they were ratified, and they would not be ratified until the War Debts problem had been satisfactorily disposed of. Should the worst happen, and a satisfactory solution of the War Debts problem not be arrived at, a new situation would arise, the Agreements at Lausanne would be of no effect, and the whole question would have to be reconsidered.

TRADE WITH GERMANY.

(Most-favoured-nation treatment.)

On the 31st August, in the House of Representatives,

The Minister for Commerce (Hon. C. A. S. Hawker), in reply to a question, said that an application had been made to the German Government, through the High Commissioner for Australia, that Australia should be accorded "most-favoured-nation" treatment under the British-German Treaty of 1924, and this had been granted. All the goods imported into Germany from Australia, of which apples was the most important item, would now be admitted under the lowest tariff rate applicable to any foreign country. In the case of apples, the reduction of duty was from 15 marks for 100 kilos to 7 marks per 100 kilos.

HIGH COMMISSIONER ACT.

(Resident Minister in London.)

An Act to amend the High Commissioner Act, 1909, was assented to on 20th September, 1932. Its object is to empower the Governor-General to authorise any Minister to exercise the powers and to perform the duties of High Commissioner in London.

The operation of the Act is limited to two years.

DEBATE IN HOUSE OF REPRESENTATIVES.

On 14th September,

The Prime Minister (Rt. Hon. J. A. Lyons), in moving the Second Reading of the Bill, said it was not the intention of the Government to fill at present the vacancy brought about by the retirement of Sir Granville Ryrie (High Commissioner). The Minister without Portfolio (Mr. Bruce) arrived in London simultaneously with the ending of Sir Granville Ryrie's term of office, and it was intended that Mr. Bruce should remain in London for some time as Resident Minister.* In that capacity he would carry out most important work concerning Australian finance. His first task would be to make arrangements for the conversion of the New South Wales loan which fell due in November. In addition he would perform the duties ordinarily carried out by the High Commissioner.

Limited term.

It was intended that the operation of the proposed new section should be limited to two years. If the arrangement

* *Vide* JOURNAL, Vol. XIII., No. 2, p. 444.

ras discontinued at any time during the next two years, the lovernment would probably appoint a High Commissioner. hould experience prove that the Commonwealth would enefit by having a Resident Minister in London to perform hese duties, it would be necessary, after two years, again to mend the High Commissioner Act.

A new policy.

Rt. Hon. J. H. Scullin (Leader of the Opposition) said there was no doubt that the appointment marked the beginning of a new policy. If the present Government was in office when the period provided in the Bill expired, the Prime Minister would be able to find the same excuses for keeping the Resident Minister in London for a further term. The presence of a Minister in London at the present time to consult with financial institutions was very important, and he did not believe that this work could be done so effectively by an officer as by a Minister. He maintained, however, that once the negotiations had been completed by a responsible Minister, the officer they now had in London as financial adviser could carry out the detailed work as capably as any Minister.

Position of High Commissioner.

The High Commissioner was the representative of the nation, and if the nation could afford so costly a representative at the present to maintain their prestige, well and good. In these times, he did not think Australia could afford such a position. When the present time expired they should do in the case of the High Commissionership what they had done in the case of the office of the Australian Commissioner-General in the United States of America. The position became vacant, and they (the Labour Govt.) had not filled it, but had allowed the permanent secretary to carry on, with the result that nothing had been lost, and no interests had been injured.

Resident Minister's position.

What, Mr. Scullin asked, would be the position of the Resident Minister in London? Would he take instructions from the Cabinet? He would occupy a unique position if he did that. Would he act on his own initiative, or would he be part of the Cabinet, and keep in constant touch with Ministers in Australia by means of cablegrams and letters? A Resident Minister in London could not maintain satisfactory communication with the Government for a lengthy period by means of telegrams or letters.

Appointment opposed.

Mr. Scullin went on to say that a Government could give definite instructions to an official, but it would be impossible to give instructions to a Minister. If their representative were instructed, he would cease to be a Minister, and would become a mere official. His contention was that Mr. Bruce, having completed the Special Mission, should return to Australia. To make him a permanent Resident Minister in London would be to disfranchise his constituents. Seeing that this Bill authorised the appointment of a Resident Minister, and placed the imprimatur of Parliament upon such a procedure, the Opposition intended to oppose the Measure.

Efficient representation.

The Attorney-General (Hon. J. G. Latham) said it was most important to have efficient representation of Australia in London, representation of a character such that their representative might stand alongside the representatives of other countries. To have an official as the representative of a Dominion or a foreign country was particularly unfortunate in many respects. It necessarily resulted in the impression that the country so represented was of second-rate importance and unable to obtain anyone of distinction to represent it abroad.

Advantages of appointment.

The Bill was not brought forward to introduce a new principle. He had never accepted it as a general principle that Australia could be most effectively represented by a Resident Minister. Amongst the advantages of having a Resident Minister would be that he would have an authority abroad that no other appointee could have. He would be able to speak directly for his Government, and in all negotiations would achieve more in a shorter space of time than would any official. He would be in closer contact with his Government. When it was known that the representative of a Dominion had full authority to act for the Government of that country, much more could be achieved than when discussions with a High Commissioner or other official were known to be merely provisional. On the other hand, a system of representation in London by a Resident Minister could not be adopted as a general principle because often it would be impossible for a Minister to be absent for a considerable length of time from Parliament and from his constituency. Therefore, the innovation now proposed might be regarded as only an experiment to meet special circumstances. In the highly-important financial negotiations that must be conducted during the next few months, it was of the utmost importance that the man who spoke on behalf of Australia should be vested with the maximum of authority.

Mr. Latham added that the operation of the Bill was limited to two years, and the Minister would exercise the functions mentioned in the Bill only during the pleasure of the Governor-General. The object of that provision was to put it beyond doubt that any appointment under this legislation would not be even remotely binding on any subsequent Administration.

Country Party's support.

Dr. the Rt. Hon. Earle Page (Leader of the Country Party) said that one reason why he had always advocated the appointment of a Resident Minister in London was the need for widening the circle of men in Parliament who had definite and intimate knowledge of conditions and governing authorities on the other side of the world. He had always hoped that the constant return to the Commonwealth Parliament of men who had served for a year or so as Resident Minister abroad would gradually build up from all Parties committees of members qualified to advise Governments in regard to external affairs, thus creating a definite interest in Imperial and foreign policy.

It was a mistake to limit this appointment to two years. In eighteen months' or two years' time special circumstances might arise, which, being beyond the control of a High Commissioner, would warrant the sending overseas of a capable Minister.

PERFORMING RIGHTS.

(Appointment of Royal Commission.)

On 31st August, in the House of Representatives, the Attorney-General announced the appointment of a Royal Commission to inquire into the question of performing rights and made a statement on the subject.

IN THE HOUSE OF REPRESENTATIVES.

Advent of broadcasting.

The Attorney-General (Hon. J. G. Latham) said that the gramophone and wireless had changed the whole outlook from the composer's point of view, and also from the point of view of those who either perform or enjoy the performance of music. There might be a gramophone performance in public, either directly or by means of wireless broadcasting. The composer or his assignee had the sole right to authorise this method of performing his work in public. Composers had sought to obtain payment for gramophone records played in public, whether by means of wireless broadcasting or otherwise, and for all performances by broadcasting stations; and they had sought to enforce, in a more active manner, the rights which the law had conferred upon them in respect of performances in public. In some cases, difficulties had arisen as to whether a performance was given for profit or not.

Performing Right Association.

The question was also raised whether the Performing Right Association really owned or controlled the performing rights in all the music for the performance of which it charged. It was said by or on behalf of the composers and the Performing Right Association that they were entitled to charge a fee for the use of their property. Attention was called to the Imperial and international aspects, and they were warned that they should be very careful in interfering with or limiting the rights of owners of copyright in Australia.

Registration of copyright.

A suggestion had been made that all copyright should be registered. The Performing Right Association claimed to control at least 2,000,000 pieces of music, the registration fees on which would constitute a welcome windfall to the Treasury. He was afraid that this proposal would involve a heavy charge on composers all over the world, and a substantial increase in the fees charged for licences to perform music. The Parliament of New Zealand had passed in 1928 an Act* which provided that from listeners' fees, 7½ per cent. should be deducted and placed to the credit of a trust fund for the purpose of remunerating composers. Persons claiming performing rights had to apply to the Minister for payment. This legislation remained in operation for two years, and altogether £6,000 had been paid into the fund, and the whole amount had been paid out to the Performing Right Association, there being no other claimants. The Act was then allowed to lapse. In Canada, in 1931, legislation† had been enacted which provided that unregistered assignments of copyright should be void as against subsequent assignments made for value without notice, and that any association carrying on the business of acquiring copyrights of musical works and licensing the performance of them should first file with the Minister lists of all works in which copyright was claimed. A statement of the fees charged had to be filed in a public office, and if the Minister considered the fee excessive, he might prescribe an amount which would be the only lawful fee recoverable. He had endeavoured to obtain from Canada reports of the operation of that measure, but the information he had received showed a division of opinion.

* Copyright (Temporary) Amendment Act, 1928 (No. 47).
† Copyright Amendment Act, 1931 (Chapter 8).

States.

New South Wales.

CONSTITUTION AMENDMENT (LEGISLATIVE COUNCIL) BILL.

(Reform of the Legislative Council; Proposed elective system to replace nominee system; Labour Party and abolition of the Council; etc.)

This Bill, which was introduced in the Legislative Council on 13th September, 1932, has for its purpose the reformation of the Legislative Council by the substitution of an elective instead of a nominee system of appointment. The Bill was still in the Second Reading stage at the date of the last "*Hansard*" to hand.

The provisions were explained by the Minister in his speech on the Second Reading.

DEBATE IN LEGISLATIVE COUNCIL.

The Attorney-General (Hon. H. E. Manning) said that the Bill was in many respects similar with the Bill presented in 1929.* The Bill altered the constitution of the Council. Being a Bill which was covered by the provisions of Section 7A of the Constitution Act, it would not become law unless presented to the people for acceptance on a referendum.

Elective system.

The Bill proposed that the present nominee system should be replaced by an elective system, and that Members should be chosen by both Houses of Parliament. The next feature of importance was that the period of service would be 12 years. Another feature was that elections would be conducted upon the basis of proportional representation; and still another feature related to the provisions which had been adopted to ensure the settlement of deadlocks.

"Swamping" the Council.

There was no feature in their present Constitution which was such a blemish as that which, in order to ensure legislative effect being given to the will of the Legislative Assembly, required the Council to be swamped by the appointment of a large number of new Members. During the last ten years the nominee system had resulted in a lop-sided Legislature, the Council now consisting of 125 Members as against 90 Members in the Assembly. It was not a system which enabled deadlocks to be satisfactorily dealt with.

Number of Members.

The Government had adopted 60 for the number of Members, because it would provide an effective debating Chamber. It had the further advantage of being two-thirds of the numerical strength of the Legislative Assembly. This was a sort of convention accepted by those who had considered the bi-cameral system.

* *Vide* JOURNAL, Vol. XI., No. 1, p. 107; also Vol. XII., No. 2, p. 397.

Method of election.

It was proposed that the first election should be conducted in four parts. At the first election there should be elected a batch of Members whose period of tenure should be 12 years; at the second, those elected should have a period of service of 9 years; at the third, 6 years; and at the fourth, 3 years. They were to be replaced, when new elections took place, by Members whose tenure of office would be 12 years. The result would be a system of rotary retirements, and a certain continuity in policy in the House, whilst at the same time, at each election there was an infusion of new blood which would represent any definite change in the feelings of the community. The method of election was to be on the basis of Proportional Representation.

Deadlocks.

In regard to deadlocks, provision had been made for securing to the Legislative Assembly its undoubted right to control Appropriation Bills for annual services. In all other respects, it was provided that where a deadlock occurred between the Chambers, ample opportunity should be given them to reconcile their differences. Finally, if that was impossible, provision was made for the submission of the matter in dispute to a referendum.

Before a Bill was sent to a referendum the Government would have to take the responsibility of passing it in the Council. He submitted that there could be no greater inducement to the Government of the day to settle a matter amicably between the two Chambers than to be faced with the responsibility of having to send it to a referendum if a conference failed.

Labour Party and abolition of the Council.

Hon. J. M. Concannon (Leader of the Opposition) said the Bill was designed to perpetuate the Council. The Labour Party stood for absolute and complete annihilation of the Council under any circumstances. The people were to have the opportunity of determining one of two questions: "Are you in favour of the principles enunciated in this Measure; or are you opposed to them?" If the Minister stressed so much the overriding authority of a referendum, why was he not prepared to trust the people and to give them the fullest opportunity of deciding what they wanted,—not yea or nay to a specific question but yea or nay to what they considered should be the ultimate fate of the Council? This Government believed it had a mandate from the people. He asked the Government to honour that mandate and give the people an opportunity of determining once and for all the vexed question of Legislative Council abolition or reform.

Summarising his reasons why the Bill should be rejected, Mr. Concannon said it sought to perpetuate the existence of a superfluous second Chamber. In view of the elective character of the Legislative Assembly, there was no reason for the retention of the Council. Secondly, the Bill did not provide for a complete expression of the will of the people. The electors were to be asked to say "Yes" or "No" to the question of whether they approved of the Measure which was based upon the Report of the Bryce Commission—which was drawn up to suit the requirements of a population of forty millions instead of six-and-a-quarter millions.

His further reasons for his opposition to the Bill were that it involved unnecessary expenditure and provided for only an incomplete representation in both Houses of minorities. He had no doubt that under the scheme the Election would be conducted strictly upon Party lines. Thus, there would be a Council consisting of 20 Labour and 40 non-Labour Members.

Another objection was that because of the operation of the system embodied in the Bill and the present personnel of both Houses, the will of the people would never be respected, even if the Labour Party were returned to power at the next Election. Unless they assumed that from now onwards Labour would win each Election by overwhelming majorities, it had not the faintest chance of ever securing a majority in this House.

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

Victoria.

THE BUDGET.

(Revenue and Expenditure; Reduced deficit; Extension of taxation field; Tax payments by instalments; Railways; etc.)

On 14th September, 1932, in the Legislative Council,

The Premier and Treasurer (Hon. Sir Stanley Argyle), in introducing the Budget for 1932-33, said that the Government had assumed office on 20th May, and had immediately examined the financial position with a view to determining what action was necessary to keep the deficit of the State for the year 1931-32 within the amount of £1,610,000 allowed to Victoria under the Premiers' Plan.*

The result was as follows:—

REVENUE AND EXPENDITURE, 1931-32.

	£
Total Expenditure	24,014,025
Total Revenue, excluding special funds	22,405,703
Total Deficit	£1,608,322

The special revenue funds referred to included £1,650,492 from Unemployment Relief Taxation, and £50,109 from the Totalisator. The first-mentioned amount was appropriated to Unemployment Relief Fund, and the £50,109 to Hospitals and Charities Fund.

Revenue and Expenditure, 1932-33.

At the Premiers' Conference in June agreement was reached fixing £9,000,000 as the maximum amount to be provided for Commonwealth and States' revenue deficits in 1932-33. The amount not to be exceeded by Victoria was fixed at £900,000.

Expenditure reduced.

Allowing for reductions in expenditure totalling £1,701,000, it was estimated that the total expenditure would be £22,313,000, whilst revenue

* *Vide* JOURNAL, Vol. XII., No. 4, p. 978.

on the present basis was estimated to yield £20,872,000, leaving a deficit at this stage of £1,441,000.

Reduced deficit.

The proposals for reducing the deficit to within the required amount (£900,000) fell within three classes. Firstly: Provision for recouping consolidated revenue for the whole or portion of the cost of free or partly free services (law and police services and secondary education); total amount of the recoups £153,000. Secondly: Provision for increasing the efficiency of the revenue collection system (*a*) by the introduction of the system of payment of income tax by instalments, £100,000; (*b*) by tightening up existing legislation in respect of stamp duty on receipts, £37,500. Thirdly: (*a*) by broadening the basis of income taxation £232,000; (*b*) by increasing the rate of stamp duty on betting tickets for wagers of £3 and over, £30,000; (*c*) by increasing the rate of stamp duty on cheques, £37,500. The total benefit from these sources under all three classes would amount to £590,000, thus reducing the anticipated deficit from £1,441,000 to £851,000. This represented the difference between a total estimated revenue of £21,462,000, and a total estimated expenditure of £22,313,000.

Extension of taxation field.

Of a total number of 470,000 persons earning income, only 110,000 contributed to revenue by income tax. The Government proposed to widen the existing field of taxpayers by introducing an emergency tax which would be calculated on the same taxable income as that adopted for calculation of unemployment relief tax, with a minimum of £100. The rates of tax would start at 6s. in the £100 up to £1,000 of income, then by slight increases rising to 12s. 6d. per £100 for all incomes over £2,500.

Income tax by instalments.

Facilities would be provided at all post offices for the purchase of tax stamps, and these stamps would be accepted at their face value in payment of both income tax and unemployment relief tax. Employers would be required to deduct fixed regular amounts from every salary and wage paid in excess of £1. At the time of paying the salary or wage the employer would deliver to the employee adhesive stamps to the value of the amount deducted, and the responsibility of keeping the stamps would rest with the employee.

Reduced unemployment tax.

It was proposed to make a reduction of 10 per cent. on the existing rates for unemployment relief tax. This could be regarded as an offset to the emergency income tax.

Railways.

The estimated result of working the Railways for the year ending 30th June, 1933, was as follows:—

Revenue		£9,138,700
Expenditure—		
Working Expenses	£6,205,473	
Interest and Exchange...	£3,616,000	
		£9,821,473
Deficit		£682,773

The amount provided for working expenses was £196,313 less than last year, and the provision for interest and exchange was £484,324 less. This was offset to the extent of £368,545 by a decline in the estimated revenue.

A better outlook.

The Premier, in conclusion, said that the estimated accumulated deficit to 30th June, 1933—£6,200,000—would shortly involve annual interest and sinking fund charges of at least £496,000. The practical necessity for balancing was thus evident. The symptoms of recovery were most welcome, but they must not be used as an excuse to defer action for living within their means. There were grounds for an optimistic outlook. Prices of primary products had fallen to an unnaturally low level. Now there were strong hopes of a return to moderate prices which would afford the producer a fair return for his labour. Confidence in Governments had been restored by the knowledge that they were concentrating on the work of administration and avoiding fantastic schemes. Evidence of this was afforded by the gratifying increase in the values of their stocks, both in London and Australia.

Queensland.

GOVERNOR'S SPEECH.

(Budget deficit; Unemployment relief; Sugar preference; Controlled marketing; etc.)

The First Session of the Twenty-sixth Parliament was opened on 16th August, 1932. The following are summarised extracts from the Speech of the Governor (Sir Leslie Wilson):—

BUDGET DEFICIT.

Expenditure from revenue during the year exceeded receipts by £2,075,180. The adverse exchange rate materially affected Government finance, the charge on this account for the financial year being over £1,000,000 compared with less than £20,000 in normal years.

UNEMPLOYMENT RELIEF.

Arrangements had been made for a proportion of the Queensland Renewal Loan to provide useful work for men under normal conditions. Legislation would be introduced to constitute a Bureau of Industry to which would be entrusted the preparation of plans of work for the relief of unemployment.

SUGAR PREFERENCE.

Hopes were entertained that, as a result of the Ottawa Conference, the preference allowed on Empire sugar by the British Government would be placed on a permanent basis.

CONTROLLED MARKETING.

The system of controlled marketing continued to function satisfactorily, and there was ample evidence that the majority of primary producers favoured the continuance of the method.

ADVANCE TO SETTLERS.

It was proposed to make liberal provision for advances to settlers, which would aid in increasing production.

LOANS FOR BUILDING.

It was proposed to make available not less than £150,000 in order to stimulate employment in the building and allied trades by granting loans on approved propositions.

LOCAL GOVERNMENT FRANCHISE.

The last Parliament had abolished adult franchise in Local Government elections and had adopted the occupier franchise. It had been decided to introduce legislation to provide that the system of adult franchise should be reverted to.

NEW LEGISLATION.

The following measures, amongst others, would be introduced :—Mortgagors and Debtors Relief Bill ; Bureau of Industry Bill ; Arbitration Bill ; State Transport Bill ; Development of Unproductive Lands Bill.

DEBATE IN LEGISLATIVE ASSEMBLY.

On 17th August,

Hon. A. E. Moore (Leader of the Opposition) said that one of the main factors of getting people into work and bringing about expansion of industry was to create confidence and security among the people who wanted to carry on industry so that they would know exactly where they were. It might be quite popular to say that one was going to bring in legislation providing for a moratorium and for a reduction of interest. It might be all right where a man was in difficulties to have a private contract broken if only one side agreed to it ; but it was a serious matter to the man who wanted to borrow money in the future. The proposals contained in the Governor's Speech amounted to interference with contracts ; for instance, the proposed Mortgagors and Debtors Relief Bill ; the Contract of Sale and Hire Purchase Agreement Bill, etc. These contained threats, because those threats had been voiced by hon. Members opposite during the Election campaign. Surely in the present circumstances it was necessary to encourage people with savings to extend their industry and to provide employment ?

It was perfectly certain that the only way they could succeed in getting out of their difficulties was by asking private employers to extend their operations. Governments in the past had only provided employment for about 20 per cent. of the people. The present policy of the Government seemed to be to borrow as much as they could, tax as much as they could, and give as much Government employment as they could.

The Government was elected on a definite policy not to accept the policy outlined in the Premiers' Plan.* The Premier had not yet stated what policy he would adopt was going to be carried out.

In connection with a suggestion to return to the 44-hour week, Mr. Moore said it was all very well to talk about machinery necessitating a 44-hour week ; but it was not a question of machinery in regard, for instance, to the police and railway services, but a question of the people having to pay for the extra cost of the four hours' reduction for employees per week. He thought that it would mean the closing of some of their industries. It was going to mean an extra burden on the sugar industry, mining and many other primary industries, because the 44-hour week would entail an increase in fares and freights.

On 18th August,

The Premier (Hon. W. Forgan Smith), referring to the Government's attitude towards the Premiers' Plan, said that from the Conference that had recently been held had emerged a scheme of national rehabilitation which was in striking contrast to the negative inaction which had been

* *Vide* JOURNAL, Vol. XII., No. 4, p. 978.

the trend of public policy under the Moore Government. At the Premiers' Conference the first Resolution had been submitted by the Prime Minister (Mr. Lyons). It read :—

> That this Conference affirms its adherence to the Premiers' Plan, and undertakes to meet interest obligations and to continue progressively to reduce Budget deficits.

To that he (Mr. Smith) had moved the following Amendment :—

> That this Conference of Premiers affirms its determination to meet all interest obligations, to continue progressively to reduce Budget deficits, and to conduct public policy with a view to reviving industry so as to restore normal employment to those of our citizens who have neither work nor wages.

Hon. Members would note the essential difference between the Amendment and the Motion, which was the difference between deflation and sustenance. Everyone must realise that necessary economies were essential ; but any policy of national economy must ultimately fail if it had not as part of its essence the giving of an opportunity to people to earn their livelihood under normal and decent conditions. That was the new note that had been definitely struck at the Conference. The final Resolution that had been carried by the Conference read :—

> That this Conference affirms its adherence to the principles of the Premiers' Plan of 1931, and undertakes to meet interest obligations, to continue progressively to reduce Budget deficits, and to conduct a public policy with a view to reviving industry, so as to restore normal employment to those of our citizens who have neither work nor wages.

The Premier called attention to the significance of the year " 1931 " in the amended Resolution. That had been placed there deliberately to exclude any decisions arrived at at the April Conference. It had been proposed at that Conference :—

> That the State Parliaments take the necessary action to empower Arbitration Courts and Wages Boards to fix wages in accordance with economic conditions.

The proposal was that all wage-fixing authorities should complete the reduction of real wages by reducing them 10 per cent. below the level of 1928, where that had not been done. As an indication of the changed conditions following on the recent Conference, not only had the menace of that general wages cut throughout Australia been averted, at least for the present, but a new and healthier outlook was evident amongst the community generally.

South Australia.

GOVERNOR'S SPEECH.

(Premiers' Plan ; Reduced deficit ; Farmers' relief ; Unemployment ; Closer settlement ; Reduction of Members.)

The Third Session of the Twenty-seventh Parliament was opened on 7th July, 1932. The following are summarised extracts from the opening Speech of the Governor (Sir Alexander Hore-Ruthven) :—

THE PREMIERS' PLAN.

Every endeavour had been made to manage the affairs of the State in accordance with the principles of the Premiers' Plan.* Strict adherence to those

* *Vide* JOURNAL, Vol. XII., No. 4, p. 978.

principles had resulted in a marked improvement in the financial position of the Government.

REDUCED DEFICIT.
The Budget for 1931-32 had provided for a deficit of £1,489,507. The reductions in expenditure had exceeded anticipations by £125,000, while revenue receipts had been about £290,000 greater than was estimated. The result had been that the deficit for 1931-32 was approximately £1,074,000.

FARMERS' RELIEF.
The Farmers' Relief Act, 1931, to enable farmers to sow and harvest their crops during the season 1931-32, had been of great benefit. In all, 3,469 farmers had received assistance in the way of advances of money and supply of goods on credit to the value of £550,000, of which £163,000 had been found by merchants and trading banks, and £392,000 by the State Bank.

INCOME TAX BY INSTALMENTS.
The collection of income tax by instalments had proved very successful. It was intended to continue the system in operation.

UNEMPLOYMENT.
Lack of funds had prevented the Government from carrying out any general scheme of relief works, but many unemployed single men had been put to work clearing land for afforestation and water conservation. The number of people in receipt of public relief had declined from 33,053 on 30th June, 1931, to 23,409 on 31st May, 1932, and the cost of relief per week had declined from £16,757 to £11,928.

CLOSER SETTLEMENT.
A policy of closer settlement was necessary in order to absorb unemployed, and a Bill would be submitted.

RAILWAYS.
Although the financial position of the railways had improved, the Government viewed with anxiety the losses which were being incurred, and were considering measures for securing further improvements.

REDUCTION OF MEMBERS.
A Bill for a reduction of the number of Members of the Legislature would be introduced.

Western Australia.

GOVERNOR'S SPEECH.

(Finance; Production and trade; Exchange rate; Unemployment.)

The Second Session of the Fourteenth Parliament was opened on 11th August, 1932. The following are summarised extracts from the Speech of the Lieutenant-Governor (Sir John Northmore):—

FINANCE; PREMIERS' PLAN.
The Revenue for the year ended 30th June, 1932, was £8,035,316, and the Expenditure £9,593,212, leaving a deficit of £1,557,896.

To meet the grave financial crisis which existed, expenditure had been greatly reduced during the year in accordance with the Premiers' Plan * The persistence of the world-wide depression made it imperative for the Premiers to decide unanimously that the Plan should be continued for the ensuing year.

PRODUCTION AND TRADE.
Notwithstanding low prices prevailing in the world's markets, quantity production had increased over the last year. Inter-State and overseas imports, which in 1929-30 amounted to £18,781,656, were reduced last year by almost eight

* *Vide* JOURNAL, Vol. XII., No. 4, p. 978.

million pounds; and this year (1931-32) the value of imports was still further reduced to £10,656,404. The overseas exports amounted to £37 per head, which was twice as much as that of the next highest State.

EXCHANGE RATES.
Exchange rates played an important part in maintaining exports; but during the year exchange was reduced from 30 per cent. to 25 per cent. Although the high rate involved the Government in a considerable liability connected with the payment of overseas interest, it was hoped that in view of its benefit to primary producers, there would be no further reduction in the rate until world prices improve.

UNEMPLOYMENT.
As a consequence of the depression, many of the population had suffered loss of employment. With the loan money arranged, it was anticipated that part-time work would be found for the majority of those in receipt of sustenance. This should result in considerable business activity and a revival of trade generally.

LEGISLATION.
Consideration would be given to Measures dealing with the re-enactment of emergency legislation, bulk handling, transport, control of lotteries, modification of imprisonment for debt, and elections.

DEBATE IN LEGISLATIVE ASSEMBLY.

On 23rd August,

Hon. P. Collier (Leader of the Opposition) said one of the main causes of the condition of affairs that confronted them was the weakness of their monetary system and control of currency. Australia during the past three or four years had indulged in inflation to the extent of some £84,000,000 by what was known as floating debts. Yet this bogey was held up that their people must continue to suffer because it would be altogether wrong to indulge in anything in the way of the releasing of credit.

Federal encroachment.

He desired to refer to the action of the Federal Government in overriding State legislation, and particularly the Financial Emergency (State Legislation) Bill.† The Federal Measure overrode an Act carried through the New South Wales Parliament by Mr. Lang for the taxation of mortgages. If the Federal Parliament could override a tax on mortgages, it could do the same with regard to any other tax passed by a State Parliament. They had reached this stage, that merely because of a desire to suppress what was considered an undesirable State Government, the Commonwealth advanced further along the road of unification—and by improper means—than during the 30 years of its existence. If unification was the only road out, he would take it; but let it be straightforward, and approved by a majority of the people and by a majority of the States. If it was accepted that the Federal Parliament might do all these things which it had done recently and do them within the limits of the Federal Constitution, then until that Constitution had been altered he would have no more of Federation.

Overseas interest rates.

Mr. Collier said he was sorry that the Premiers at their last meeting in Melbourne had not insisted on something being done to secure relief from interest payments overseas. They had borrowed money at 5½ and 6 per cent. It was an impossible burden, and bondholders in the

* *Vide* JOURNAL, Vol. XIII., No. 3, p. 692.

Old Country should be made to realise what the position was. The question was entirely in the hands of the people of Great Britain. They (Australia) could not legislate except to repudiate, and they were not going to do that.

The Premier (Hon. Sir James Mitchell) said he agreed with Mr. Collier that London interest represented a terrific burden. Mr. Bruce was going to London* and he hoped that they would secure relief in respect of interest rates. The conversion of the British loan, and the satisfactory prices of Australian stocks, might help considerably.

Overriding legislation.

He agreed that the overriding legislation should not have been passed by the Federal Parliament. The second Act, dealing with taxation, was not as bad as the first,† which was to enable them to collect money owing by Mr. Lang without the ordinary processes of law. That was very bad law. The attitude the Federal Government had taken up—not the present Government, but successive Governments almost since the first days of Federation—would bring them into unification or separation. There could be no doubt about that.

The Ottawa Conference.

He was glad Ottawa had achieved something. Their representation there had been very satisfactory. There ought to be and would be fair trade within the Empire. They could not have free trade, of course, but they could have fair trade, and they could get the difference in the cost of production between British costs and their own costs by way of the tariff. They were making consumers pay a price they could not afford in order that goods might be manufactured in Australia. It was not necessary to have a tariff anything like as high as the present one, plus exchange and other disadvantages against the imported article. He believed that prosperity would come more quickly because of their having adopted an Empire trade policy. They wanted an Empire financial policy also.

* *Vide* p. 980.

† *Vide* JOURNAL, Vol. XIII., No. 3, p. 689—Financial Agreements Enforcement Act.

NEW ZEALAND.

The Second Session of the Twenty-fourth Parliament commenced on 22nd September, 1932.

The following summary deals with some of the later proceedings of the First Session of the Twenty-fourth Parliament, which began on 23rd February, 1932, and ended on 10th May, and is in continuance of the summary which appeared in the last number of the JOURNAL.

TRADE AGREEMENT (NEW ZEALAND AND CANADA) RATIFICATION ACT.

(Loss of Canadian market for New Zealand butter; Canadian content in motor vehicles; Short-term Agreement; Effect on imports from United Kingdom; Need for new markets.)

This Act was assented to on 10th May, 1932. It ratifies the Agreement for Customs reciprocity between Canada and New Zealand, details of which were given in the last issue of the JOURNAL.*

DEBATE IN HOUSE OF REPRESENTATIVES.

On 27th April,

The Minister of Customs (Hon. W. Downie Stewart), in moving the Second Reading of the Resolution of the Committee of Ways and Means ratifying the Agreement for Customs reciprocity between Canada and New Zealand, made a statement regarding the Agreement.

He said the objects the Government had in mind in completing the Agreement were:—

(1) To terminate before the meeting of the Imperial Economic Conference the unfortunate position which had arisen between Canada and New Zealand.

(2) To obtain as favourable tariff treatment as possible for New Zealand products in Canada.

(3) To encourage Empire trade by a transfer of the markets which foreign countries had recently found in New Zealand and by enabling Canada to regain it.

(4) To encourage certain secondary industries in New Zealand and trade with the United Kingdom by imposition of higher duties on certain Canadian goods—regarding which the competition was most severe—than on United Kingdom goods.

With respect to (1), if the two Dominions had been unable to settle their tariff problems how could it have been expected

* *Vide* JOURNAL, Vol. XIII., No. 3, p. 670.

that the various units of the Empire meeting in Conference could have solved the difficulties that must arise when the meeting at Ottawa took place?

In regard to (2), he did not expect that any arrangement which might be made with their sister Dominion would enable the trade to be balanced. New Zealand was practically dependent for its exports upon its primary products, whereas Canada had developed very extensive markets abroad for secondary as well as primary products. Provision was made in the Agreement for lower rates of duty on important lines of New Zealand products than those charged under the British Preferential Tariff of Canada, and in many lines the rates were lower than those charged on the goods of any other British country.

Butter.

Before he left New Zealand many of those interested in the dairy industry informed him that they would be satisfied if the same rate were fixed for New Zealand as for Australian butter. That rate had been arranged—*viz.*, 5 cents per pound, in lieu of the British Preferential Tariff of 8 cents. The increase of the United States tariff on milk and cream and the fact that the slump in wheat prices induced many wheat-farmers to turn to production of butter were the two chief factors which had made Canada, for the time being, self supporting in the matter of butter. In the near future the United States tariff on milk and cream might be reduced. If this happened and if the wheat market revived, a further opportunity would probably be afforded for export trade to Canada.

Other lines upon which the rates were lower than the British Preferential Tariff, but the same as on similar Australian products, were fresh beef, veal, lamb and mutton. One concession which should be valuable to New Zealand was that they secured a preference on wool, hides, skins and pelts. Hitherto these had been free into Canada from all countries. The Canadian Government had now decided to impose the following rates under the Intermediate and General Tariffs:—

RATE OF DUTY.

	Intermediate Tariff.	*General Tariff.*
Wool	10 cents per pound.	15 cents per pound.
Hides, skins and pelts	10 per cent.	15 per cent.

New Zealand wool, hides and skins were to remain free of duty into Canada, and, so far as he was aware, similar products from other parts of the Empire would obtain similar treatment. On most items they had secured the same rates as Australia enjoyed under her trade agreement with Canada and on a substantial number of items of special interest to New Zealand, lower rates.

Encouragement of Empire trade.

One of the results of placing Canadian goods on the General Tariff had been that lines previously imported from that Dominion were being ordered from foreign countries. It was hoped that one result of the Agreement would be that orders for such goods would be again placed within the British Empire. Another step taken to increase Empire trade had been to grant a preference on Canadian timber of 2s. per hundred superficial feet.

Secondary industries; Trade with the United Kingdom.

The dual purpose of encouraging certain New Zealand industries and assisting trade with the United Kingdom was achieved by imposing on certain Canadian products higher duties than on the competing goods from the United Kingdom, and in the case of motor vehicles by insisting that before they could obtain the benefits of the British Preferential Tariff, they must contain 75 per cent. of Canadian material and/or labour and in other respects comply with the regulations applying to the British Preferential Tariff. When motor vehicles did not comply with these conditions but contained over 50 per cent. and less than 75 per cent. of Canadian material and/or labour the duty would be increased by 10 per cent. The requirement of a 75 per cent. Canadian content gave effect to the wishes of the motor car manufacturers in the United Kingdom and the extra duty of 10 per cent. on vehicles having a lower Canadian content than 75 per cent. would assist the United Kingdom manufacturers in maintaining their trade with New Zealand.

Duration of Agreement.

In view of the approaching Imperial Conference at Ottawa both Governments had decided that the Agreement was to remain in force only for one year, it being understood that the whole subject would be reconsidered in the light of the decisions to be reached there.

Members might ask why Canadian goods had not been replaced wholly upon the British Preferential Tariff, seeing that New Zealand goods had always been entitled to British preference in Canada. With the exception of certain duties on Australian goods, for which there were special reasons, it had hitherto been the settled tariff policy of New Zealand to accord the same rate of preference to the whole Empire. In the tariff alterations made recently in the United Kingdom the same course had been followed. The chief reason for the departure had been that before a similar policy was pursued by New Zealand with respect to Canada it was considered that the whole position should be fully discussed at Ottawa with representatives from the United Kingdom and Canada, and, if necessary, from other parts of the Empire.

Mr. J. McCombs (**Labour**, *Lyttelton*) congratulated the Minister on having removed some of the misunderstandings which unfortunately occurred with a sister Dominion, but said he would have congratulated him very much more had he brought down an Amendment to the Customs Act that went in the direction of giving protection to promising young industries in New Zealand that wanted immediate assistance.

Mr. H. T. Armstrong (**Labour**, *Christchurch, E.*) said that it was well know that they might just as well import motor cars from the United States of America as from Canada. They were all manufactured by one and the same organisation, and what applied to motor cars applied to many other articles imported from Canada.

Mr. H. G. Dickie (**Reform**, *Patea*) feared that the 5 cents duty would not lead to much New Zealand butter going to Canada. While Australia had the "Patterson" scheme in operation she would be able to export butter to Canada at a more favourable rate. Several Opposition Members had referred to the timber trade. Sawn dressed timber from Canada carried a duty of 19s. 6d. per 100 feet, and if that duty, plus freight, was not sufficient protection for the timber industry he would like to know what it considered enough. It was owing to the high cost of material that their building industry was in such poor shape to-day.

On 3rd May, in moving the Second Reading of the Ratification Bill,

The Minister of Customs said the difficulty of making an agreement between New Zealand and Canada was much greater than the difficulty of making one between Australia and Canada, because Australia had certain items of production which were very much required in Canada—notably dried fruits and wines. The difficulty so far as New Zealand was concerned was to find items which Canada required on any large scale. Notwithstanding Australia's much larger population, the total trade between Canada and New Zealand had for many years been greater than that between Australia and Canada. The balance had always been against New Zealand, as could be seen from the following figures.

Year.	*Exports to Canada from New Zealand.*	*Imports from Canada to New Zealand*
	£	£
1928	2,469,150	3,258,828
1929	3,353,975	4,792,820
1930	2,539,212	3,802,925
1931	256,890	1,224,569

Need of new markets.

Notwithstanding the importance of their growing manufactures, overseas trade was their very lifeblood as a nation. That was why the possibilities of opening up trade with other countries or other parts of the Empire was of enormous importance.

Mr. H. E. Holland (**Leader of the Opposition**) could not see that New Zealand would either gain or lose to any appreciable extent as a result of the arrangement made. Butter production was quite as natural an industry to Canada as to New Zealand. He did not see how the Minister could hope to get back what was only a passing phase of international trade.

"Definite trade arrangements."

Continuing, Mr. Holland asked whether the question of a definite arrangement with Canada was discussed at Honolulu —a definite understanding as to the quantity of their exportable goods Canada would take and the importable goods New Zealand would take from them. They should get rid of the idea of concluding a more or less haphazard arrangement based on tariffs. New Zealand had been a heavy loser in its trade relationships with Canada. Naturally, there was an anxiety on the part of every section of the country to maintain trading relations with countries within the British Commonwealth of Nations, and he had always contended that their first effort to make definite arrangements should be with Great Britain, because she was far and away their best customer for their primary products. But they should be in a position to say to Canada, or any other country: "We are willing to trade with you, but it must be on a reciprocal basis and with an approach to equality in the arrangements that are made."

The Minister of Public Works (**Rt. Hon. J. G. Coates**): "How would the hon. Gentleman get over that with Great Britain?"

Mr. Holland: "I think the fact of our national debt evens things up very considerably as regards Great Britain. There may be a difficulty of detail with the Mother Country, but so long as we owe money to Great Britain she will take our goods. The interest on our debt can only be paid in goods."

The Prime Minister (**Rt. Hon. G. W. Forbes**) thought his colleague was to be congratulated on having made the best arrangement possible. It had not been possible to give a guarantee that the arrangement would give anything like the market for their butter that they had for two or three years, because other treaties had affected the position and Canada had switched over to dairying. To-day in Canada butter was selling for less than in New Zealand; but conditions changed, and there might in future be opportunities for them to sell a certain quantity of their butter, but they could not count on any large quantity being sold there. But there were other commodities to be considered. New Zealand ought now to have an opportunity of doing a greater volume of business with Canada in wool. The Canadian Minister of Trade and Commerce had said that he thought the outlook for an increased trade in that direction was very hopeful. A Government could make arrangements with regard to tariffs and secure the most favourable treatment possible for exports from the country, but it must rely on the initiative and enterprise of the business people of the country to make the best use of the arrangements. With energy and proper exploitation of the market, their business with Canada ought to be increased considerably. If New Zealand was not able to do such business as would bring the trade balance within more reasonable bounds, the whole question would have to be reviewed. No country could go on indefinitely carrying an adverse trade balance, and the sound practice was to buy where they sold.

Bulk purchases.

The Leader of the Opposition had raised the question of some special arrangements being made other than by tariffs, and had indicated the possible advantages of an arrangement whereby they could have an interchange of products by bulk purchases. That was advocated at the last Imperial Conference, but when it came to the question of making satisfactory arrrangements in that respect, although the system appeared quite workable in theory, it was found that in practice it would be quite unworkable. While in theory there might be schemes that would replace the present trading system, in practice they had yet to find an improvement on the present method of private trading.

Effect on British trade.

Mr. H. Atmore (Independent, *Nelson*) said it was quite obvious that a great country like Canada, with an expanding population and an unlimited supply of first-class land, would not be dependent upon New Zealand for any length of time for products from agricultural and pastoral pursuits. How far would the increased trade which Canada would do with New Zealand—principally in the motor business—affect Great Britain? It appeared to him that any increase in Canada's trade to New Zealand must be at the expense of Great Britain. That was something to guard against, because, notwithstanding the most cordial feelings towards Canada, they had a keener feeling in regard to the Old Country; apart from sentiment, it would pay them to consider Britain, because she was their best customer. Canada gained by the Treaty, and the Minister

was quite right in suggesting that, if they could help to divert trade from foreign nations to Canada they would be doing some good, and of course there would be some benefit from removing the strained feeling that had existed between New Zealand and Canada for the past eighteen months, but he returned to the question: "How far will increased facilities for Canadian trade interfere with the present British trade in this country?"

Effect of high preferences.

Mr. A. Harris (Reform, *Waitemata*) thought New Zealand should have trade representatives in countries outside the British Empire and so try to alter the policy of putting all their eggs into one basket. If they desired to sell their products to other countries, as well as to Britain and the Dominions, they must be prepared to buy from other countries. They should try to encourage trade between the various parts of the British Empire, but not altogether at the expense of the consumer in New Zealand. The tariff was constantly being revised and British preference was increasing each time, with the result that British goods were increased in price to the New Zealand consumer. The exporters were taking advantage of the preference given and increasing their prices. Whilst it was desirable that preference should be given to Great Britain, Canada, and other parts of the Commonwealth of British Nations, it was not a good thing that an abnormally high preference should be granted.

The Minister for Customs, replying to the debate, said he did not agree at all with the suggestion that the Treaty was justified more on sentimental grounds than on economic grounds. A number of New Zealand traders had written thanking the Government for the opportunity of opening up trade with Canada, and saying quite frankly that they had now their opportunity and it rested with them to take advantage of it.

The Leader of the Opposition had said that New Zealand was a heavy loser in its trade with Canada, and that to put it on a proper basis they ought to get equality in trade. The bald figures relating to the trade between one country and another were no real guide to the value of the trade itself. They might sell to England and Canada might buy from England, not directly buying their wool. In effect that was selling to Canada, though it did not appear so in the trade statistics.

An hon. Member had said he could not see much advantage in merely transferring trade from Great Britain or some Dominion to Canada. He quite agreed. The point was that a large number of items they formerly got from Canada were now being offered from Japan and other foreign countries, and New Zealand manufacturers were hard pressed to resist these offers.

The Bill was read a second and a third time on 3rd May.

PROPOSED TREATY WITH BELGIUM.

(Reason for non-ratification.)

On 10th May, in the House of Representatives,

The Minister for Customs (Hon. W. Downie Stewart) said he regretted to announce that difficulties had arisen in Belgium over the ratification of the Treaty of Commerce signed with that country on 10th December, 1931. The main reason for entering into the Treaty was that it was well known that the Belgian farmers were likely before long to press for substantial duties on imports of primary products from all countries. They recognised, therefore, that if they could arrange for entry of their products into Belgium at substantially lower duties than those likely to be ultimately decided on, they would enjoy a marked advantage over other competitors. Accordingly they negotiated with a view to fixing for a period of four years the duties on New Zealand butter, cheese and meat at lower rates than those which would certainly be imposed at an early date. They also had as another objective a substantial reduction in the duty on fresh apples and the maintenance for four years of the exemption from duty of wool, phormium tenax, tallow, skins and hides produced in the Dominion.

Concentration of exports on Great Britain.

There had been a tendency in recent years to view without concern the concentration of their export trade upon Great Britain. It must be obvious that there were limits to the consumptive or receptive capacity of the Old Country, and that all primary producing countries looked to England as a possible destination for their goods. According to the latest figures available, the percentages of total export trade in the principal primary products sent to the United Kingdom by the Dominions were as follow :—

	Per cent.
New Zealand	84·6
Canada	60·9
Australia	45·6
South Africa	46·4

The percentage of New Zealand exports shipped direct to continental Europe was only 3·2, whereas in the case of Australia it was 20·6 per cent. With the rising rates of tariffs all over the world, it would have been an advantage to New Zealand if at least the market of one country outside Great Britain could have been increased.

As showing how favourable the Treaty was for New Zealand primary producers, the Belgian Government had now advised that if the Treaty in its present form were placed before the Belgian Parliament for ratification it would be rejected, owing to strong opposition from the Belgian farmers. When the Treaty was signed the Belgian Government were confident that it would be ratified by their Parliament, but the economic crisis had so altered the position, by reducing the price of primary products there, that they (the Belgian Government) considered that it would be inadvisable to go on with the matter at present. In these circumstances nothing was to be gained by submitting the Treaty to the New Zealand Parliament at that Session, more particularly in view of the approaching Imperial Economic Conference at Ottawa, but he hoped that at a later date it might be possible to renew negotiations.

NATIONAL EXPENDITURE ADJUSTMENT ACT.

(Reduction of fixed charges; Rents; Interest; Pensions; Parliamentary and Public Service salaries; Recommendations of Committee of Economists; Budget deficit.)

The Bill for this Act was introduced in the House of Representatives on 8th April by Governor's Message. The Act, which was assented to on 10th May, consists of six Parts :—

Part I. provides for further reductions in salaries of Ministers of the Crown, Members of Parliament, and all Public Servants, including State Railway employees. These reductions range from 15 per cent. in the case of Ministers to 10 per cent. in the case of Members and 12½ per cent. in the case of Public Servants with salaries exceeding £720 per annum to 5 per cent. in the case of Public Servants with salaries not exceeding £225 per annum.

Reductions are also provided in respect of grants to Education Boards and Local Authorities, etc., by amounts equivalent to the reductions in salaries of their employees.

Provision is made for saving of superannuation rights of Public Servants.

Part II. provides for reductions in various pensions and allowances paid by the State, including Old Age, Widows', Miners' and South African War Pensions, and of certain War Pensions—particularly economic pensions to disabled soldiers.

It also reduces the amount of income allowed without disqualification in the case of applicants for family allowances and Old Age Pensions.

Part III. provides for a 20 per cent. reduction, for a period of three years, in respect of interest on mortgages, rents, dividends on cumulative preference shares of companies, and certain other fixed charges, in order to effect a reduction in such charges commensurate with reductions in salaries and wages made by the Finance Act, 1931, and Part I. of this Act.

Provision is made, however, that the Act shall not operate to reduce mortgage interest below 5 per cent. (6½ per cent. in the case of mortgages on chattels), nor ground rent below 5 per cent. on the unimproved value of the land (*Sects.* 36 and 37).

Right of application to the Court for relief on the ground of undue hardship is also provided for (*Sect.* 38).

The Supreme Court is empowered to authorise reductions of annuities, alimony or maintenance payments derived from proceeds of rent or interest (*Sect.* 42).

Part IV. provides for a stamp duty of 10 per cent. on receipts of interest from Government and Local Body Securities.

Part V. authorises the Governor-General to fix maximum rates of interest payable on deposits with savings banks, and building or investment societies ; and

Part VI. makes similar provisions in respect of deposits held by trading companies.

DEBATE IN HOUSE OF REPRESENTATIVES.

On 12th April,

The Prime Minister (Rt. Hon. G. W. Forbes), in moving the Second Reading of the Bill, said the mere fact that such a Bill had been brought forward indicated that the crisis in the country's affairs had become extremely serious. On no other grounds could the Government have taken such a step. The Bill aimed at a reduction of fixed charges—a most necessary reduction in face of the drop in the revenue of the country. Without such reduction they were faced with stagnation, crippled industry and unemployment. Reference to the Report of the economists* would show that it was essential to bring down Measures effecting readjustments which would ultimately bring about an improved state of affairs. The economists said : " A reduction of 20 per cent. in fixed money claims would make a substantial and equitable contribution towards bridging the gap between costs and selling-prices." They reported that the national income had fallen from approximately £150,000,000 per annum to between £90,000,000 and £100,000,000. It was obviously necessary that they should so adjust matters as to enable them to live within their

* In February, 1932, the Government appointed a Committee, consisting of four Professors of Economics and the Secretary to the Treasury, to examine the economic and budgetary position of the Dominion and report thereon to the Government. This Economic Committee issued a comprehensive Report on 24th February.

income. The Coalition Party went before the electors and asked for a free hand to put into operation any measures deemed necessary to ensure the financial stability of the country. The Labour Party told the electors that, if returned to office, they would restore the cuts, for which they said there had been no necessity. The people preferred the path of honour and returned the Government that proposed to call upon the taxpayer to make sacrifices. The Bill was absolutely necessary and represented the minimum of what was required.

Budget deficit.

In the current year they would have a deficit of £8,300,000 unless they faced the position. The Government's proposals provided for a reduction in expenditure by £4,100,000 and for £2,200,000 of additional taxation, leaving a gap of £2,000,000. With the heaviest taxation they could call upon the people to bear, they still had to leave the position with an unbalanced Budget. In such circumstances they would be sadly wanting in their duty did they not do their best to reduce expenditure.

Public Service salaries : fall in cost of living.

Last Session they imposed a reduction of 10 per cent. and since then the cost of living had fallen 11 points. In 1914 the total expenditure was £11,825,000, whereas to-day Public Service salaries and wages alone amounted to £11,315,000, while the total expenditure was £26,000,000, and the returns to the staple industry of the Dominion had gone down lower than in 1914. They were told that there was no need of any reduction at all ; but they would very soon be face to face with national bankruptcy if they did not tackle the situation. The Government was determined to maintain the solvency of the Dominion and its reputation as a prudent country prepared to meet its obligations.

The economists said in their Report :—

> " An objection frequently made to a reduction in wages is that it decreases the spending-power of the people and thus intensifies the depression. This argument may have some force during the period of readjustment, but it cannot be true in the long run. Indeed, it may be shown that it is a fallacy."

Pensions.

The matter of reducing pensions had given the Government a good deal of concern, but to-day the pensions were at least 10 per cent. more valuable than they were in 1929, when the country was flourishing. To-day the farmer could not pay more than he could pay in 1914. In that year the cost of pensions was £584,000, while to-day it was £3,220,000. No one wished to interfere with pensions, but unless something were done to keep the pensions bill within the means of the country, the whole thing was going to break down, necessitating far greater reductions than they were facing at present.

Reduction in rents, etc.; Salaries of Ministers and Members.

If the Government was not in a position to say: "We are dealing out even-handed justice to the people of the country," there would be reasonable ground for complaint, but every form of investment and fixed charge was being dealt with in the Bill. A reduction of 20 per cent. was being made in rents and in interest. The Bill applied to weekly tenancies. Every person renting a house would be entitled to a 20 per cent. reduction so long as it did not bring the rent below 7 per cent. on the capital value.

Mr. W. J. Jordan (Labour, *Manukau***)**: "Will the interest on the loans granted to soldiers under the Discharged Soldiers' Settlement Act be reduced?"

The Prime Minister: "No reduction will be made below 5 per cent, which is a reasonable rate of interest."

Continuing, the Prime Minister said he recognised that a reduction in the emolument payable to Members would place many in a difficult position. Because of the expense involved in the representation of large electorates the payment was very small indeed. However, it was felt that when the Government set out to make necessary reductions in the national expenditure, Members of Parliament would not be justified in asking for exemption.

Throughout the Bill an endeavour had been made to provide for any case in which there might be hardship being referred to the Court, if necessary. In addition to the reduction in interest and rents provided for in the Bill, there was the Mortgagors and Tenants Relief Act. Therefore, in the event of a man feeling that he was not able to pay even 5 per cent. in interest, he would have the right of appeal to the Court with a view to a reduction.

An emergency Measure only.

This was an emergency Measure to meet a state of emergency. They anticipated that their difficulties would be overcome in three years, and that they would then be sufficiently near normality to be able to discard this legislation, which admittedly would not be helpful in ordinary circumstances.

Mr. H. E. Holland (Leader of the Opposition) described the Bill as the most dangerous and reactionary Measure ever placed before the House. The Prime Minister had endeavoured to show that money had the same purchasing power to-day as in 1929. He challenged that. An immense proportion of the wage-workers were on short time; some of them on less than half time. It was not the rate of wages alone that counted, but the amount received as wages and the purchasing power of the money. Some of the world's greatest economists were against the principle embodied in the policy the Prime Minister had put forward and which reflected the viewpoint of the New Zealand economists. Mr. Reginald McKenna in 1923 said: "The immediate effect of reduced purchasing power is diminished trade and increased unemployment."

The Prime Minister: "Reginald McKenna never said we must spend more than we receive."

Mr. Holland, continuing, said that the Labour Party stood for industrial reconstruction and rehabilitation. They would mobilise the whole of the industrial forces of the country for production on a systematised plan. That was the line of demarcation between the Labour Party and the Government, which stood for despair and destruction. Before confidence, in the commercial sense, could be restored, purchasing power must first be restored. Instead of throwing the burden mainly on the shoulders of the wage-workers and working farmers, they should proceed by means of a steeply-graded income tax. That was more scientific, and it would give an opportunity of getting somewhere near to equality of sacrifice.

Salaries of Governor-General and Judges.

The cutting-down method was wrong and wholly unnecessary, but if they were compelled to cut down there should be no exemptions of the higher incomes. His Excellency's emoluments should not be included in the exemptions,* and the same treatment should be meted out to the Judges as to all other public servants. The Judges were exempted under the Constitution Act, but they had full power, under the Statute of Westminster, to alter the Constitution Act.

The graduated scale provided in Clause 7 of the Bill was farcical. There was a cut of 12½ per cent. on salaries above £720 per annum, 10 per cent. on salaries between £225 and £720, and 5 per cent. on salaries below £225. It was not what you took from the taxpayer or public servant that mattered, but what you left him. The lower-paid employees would this year get a 5 per cent. reduction in wages; added to that would be the 5 per cent. wage tax. If they added the 10 per cent. cut of last year, there had been a 20 per cent. reduction in wages within the past 12 months. The cost of living had not fallen 20 per cent., if fixed charges were considered.

Pensions.

The position of the old age pensioner was to be made far more difficult. The 17s. 6d. a week which they had been

* Lord Bledisloe has voluntarily relinquished 30 per cent. of his salary and allowances, such reductions not to bind his successor.

paying the old age pensioners was never an adequate pension for aged people. By the attack on widows' pensions intense hardship would be inflicted on a number of families where a widow was the head. A still worse attack was that on miner's phthisis pensioners. The reduction in interest on war bonds was to be 10 per cent., the reduction in certain of the War pensions was to be 17½ per cent., but the reduction in the economic pensions was to be 29 per cent.

Salaries of Members.

When the Bill became law, the men who had to devote the whole of their time to their constituencies, and who could not possibly follow any other occupation, would be unable to continue in Parliament. It was bad in principle to impose conditions the result of which would be that only rich men would be able to remain in Parliament. Instead of making reductions they should be making provision for grading the electorates and making electorate allowances that would bring the remuneration of Members on to a basis somewhat resembling equality. The honoraria of Members were amongst the lowest paid to Members of the Parliaments of the Dominions.

If the Bill became law the purchasing power of the people would be reduced by a number of millions of pounds per annum, and the sum total of the unemployed would grow apace. He dreaded the insurrectionary atmosphere which was being created by the Government's policy, both legislative and administrative. A most dangerous atmosphere was growing up and the Government was directly responsible for it.

The Minister of Agriculture (Hon. C. E. Macmillan) said the Bill might be likened to a shock-absorber—its intention was to distribute the shock evenly. In an effort to bring down wages the desire of the Government was to reduce the cost of commodities. It was a fallacy for Members of the Labour Party to say that a reduction in the national income was not hurtful, and at the same time to claim that the reduction in a man's income would bring about the awful disasters that they talked about.

Wage reductions and unemployment.

Mr. D. G. Sullivan (Labour, *Avon*) said the Labour Party opposed the Bill and similar legislation on national grounds—as embodying a policy which would unquestionably increase the unemployment problem. He remembered that the Prime Minister, last Session, when he brought in legislation reducing the wages and salaries of the public servants and the outside workers, said that these reductions would inevitably mean an improvement in business and enable employers to employ people at a profit. Almost the moment the legislation was passed there was an increase in the number of unemployed.

There was a definite connection between that increase and the reduced purchasing power of the people following upon the reduction in wages and salaries. In times of depression wages should be the last thing to be attacked. During the present depression the Government was bringing about wage-reductions while it was protecting capital to the utmost of its ability.

The Minister of Lands (Hon. E. A. Ransom) said that when they took into consideration that 94 per cent. of New Zealand's exportable products were primary products they realised how important it was that the interests of the primary producers be given first consideration. Since 1929 the national income had fallen by £40,000,000, and of that amount £28,000,000 was borne by the export producers. The 20 per cent. reduction in interest and rent would be of material help to a great many farmers, particularly those just on the border line of making their farms pay. Many mortgagees had been meeting the position generously, and where reductions had been granted they would be taken into consideration in connection with adjustments provided under the Bill. The Government recognised, and had provided in the Bill, that Crown tenants should have the same privileges as other tenants in the matter of applications for assistance.

When Civil Servants complained of a 10 per cent. reduction they should compare their situation with that of the farmers. The Leader of the Opposition stated that the position could best be met by the imposition of a steeply-graded income tax. If the amount to be collected under the wage tax were charged to income tax payers, the highest rate of income tax would reach 13s. 4d. in the pound. He would leave it to hon. Members to judge whether or not the taxpayer's income would be a vanishing quantity if the amount represented by wage cuts under the present Bill were also taken from the taxpayer by way of income tax.

The foreign money-lender.

Mr. H. T. Armstrong (Labour, *Christchurch, E.*) said the only people who were not to suffer a reduction were the foreign moneylenders. This Bill was to enable the Government to pay them 100 per cent. He was not advocating repudiation, and he was certainly not going to repudiate wages or old age pensions. If he had to choose between allowing the foreign moneylender to wait for his money or robbing the poor-box so that he could be paid, then he could wait.

The gold standard and inflation.

Mr. W. J. Polson (Independent, *Stratford*) agreed with the hon. Member for Bay of Islands, that the gold standard appeared to have failed. He believed there was an alternative and that a managed currency was possible and that this was one of the great problems for the Ottawa Conference. The British Empire had to face the problem that, either temporarily or permanently, it had got rid of the gold standard and the House was entitled to know the views on the subject of those they sent to Ottawa. New Zealand was, unfortunately, caught on the wheel: they were a small country and, while they might agree that a managed currency—an Empire currency—was a way out of their difficulties, they were not in a position to apply those remedies inside the country. Some of the Labour Members had said that the issue of additional money in New Zealand was necessary, not to increase production, but to enable everybody to get his fair share. In New Zealand under present conditions additional money would undoubtedly depreciate the value of their present money. Export parity controlled the local price of all their major products. Inflation led Germany into complete bankruptcy and inflicted hardship upon the poorer sections of the community, and inflation would have a similar effect in New Zealand. The Ottawa Conference alone could not devise a plan that would suit the conditions of the whole world. The whole world had to be convinced before they could produce a plan that would benefit humanity.

Abolition of State enterprises.

On 13th April,

Mr. H. M. Campbell (Reform, *Hawke's Bay*) said that a firm stand should be taken in regard to State and local-body enterprises. Though ostensibly introduced to provide cheap services, these all had the effect of putting a burden on the taxpayer in order to meet deficits. They were no advantage to anybody and they ought to wipe the whole lot out and get back to what made the country—private enterprise.

Hon. A. D. McLeod (Reform, *Wairarapa*) said he did not pretend to know very much about managed currency, and it would be well if hon. Members on the Labour benches were equally frank. World authorities appeared to be agreed on two points only—that the world's present currency and credit systems were not working to the best advantage of humanity and that any system of managed finance or credits must be managed entirely apart from political interference. In their small isolated corner of the world they held two records—they were the greatest international trading community *per capita* in the world, and they had the greatest international or overseas debt *per capita*. In face of these two facts it was hard to believe that they could carry on with a managed currency that did not co-ordinate with outside currencies.

Validity of contracts.

On 14th April,

Mr. A. J. Stallworthy (United Party, *Eden*) said that Part III. of the Bill, arbitrarily reducing interest and rates, constituted an attack upon industry and thrift, basic principles of society. Arbitrary State interference with private contracts was dangerous and would create serious anomalies. The Bill sought to make the law the great law-breaker, the great contract-breaker—an anomalous and utterly wrong procedure that could not be justified under any circumstances. The effect of the Bill would be to dry up investment funds.

Salaries of Members.

On 15th April,

Mr. W. A. Bodkin (United Party, *Central Otago*) said that when all deductions were made from the honorarium, the Parliamentarian was the poorest paid individual in the service of the State. It would be monstrous if, because he had to vote the money himself, a Member should not vote his own out-of-pocket expenses. It was nothing more. Surely the country was not going to lay it down that none but a rich man should represent a constituency in Parliament?

Mr. A. Harris (Reform, *Waitemata*) criticised three proposals as inimical to the best interests of the country: firstly, the reduction of the wages and salaries of the lower-paid public servants; secondly, the proposed reductions in pensions; and, thirdly, the repudiation of their national obligations proposed. Last year, coincident with the reduction in Public Service salaries, by a general Order of the Arbitration Court, wages were reduced by 10 per cent. throughout the country. He was not arguing the wisdom or otherwise of that reduction. His point was that last year the reductions were of a general nature and applied to all. This year the wage reduction was to be imposed on one class only. It was an attack on the most defenceless of the people, because State employees were not in a position to act as outsiders might act.

Repudiation of national obligations.

To the national repudiation proposals in the Bill he certainly objected. It was not sufficient to camouflage the reduction of interest on Government securities by calling it a stamp-duty tax. It was a straight-out reduction in the interest rates on Government securities that was proposed. If it were right to reduce the rate of interest to their internal bondholders it appeared equally right in the case of external bondholders. Why did not the Government do that? He did not know whether it was that Ministers feared that if they extended the same treatment to overseas bondholders they would not be able to get money from overseas again.

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Personally, he apprehended that would be the case in any circumstances. As sure as it became known that the State securities of New Zealand had been repudiated by the Government, the overseas bondholders would argue: "If they can do that to their own people, the next move will be that they will do it to us."

Mr. McLeod: "What is the alternative?"

Mr. Harris: "The alternative is a conversion loan on a voluntary basis, and that is what the Government ought to have done."

The Prime Minister, replying to the debate, said that objections to the reductions had been voiced by various Members, and sympathy for the soldiers and others had been expressed, but no man had a monopoly of such feelings. An hon. Member (Mr. J. A. Lee), commenting upon a remark that the Government had shown courage in what it was doing, had declared that if it was a matter of courage to cut down the pension of the limbless man or to cut down the old age pension, he did not possess that courage. But in facing the economies necessary in the Public Service and in relation to pensions, he (the Prime Minister) was honestly taking this step because he had not the courage to let these people down—so to handle the finances of the country that the old age pensions would be jeopardised and the pensions of limbless soldiers endangered. They were not interfering in any way with the War pension—only reducing the economic pension. Unless the Government watched very carefully the expenditure of the country they would experience a financial crash. When deputations from the Civil Service waited upon him objecting to the cut, he pointed out to them that notwithstanding the proposed cuts they would still have an unbalanced Budget, and he challenged anyone to say that the Government was not doing its utmost to ease the sacrifice.

The Bill was committed on 20th April, and reported with Amendments on 29th April.

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

Mr. Holland referred to the fact that in the course of the Bill's progress through the House approximately 50 divisions were taken. It was significant that most of the Clauses which reduced wages and pensions were driven through with the aid of the closure. Clause 7, reducing public servants' salaries, was only carried by 39 votes to 31. Under that Clause there was gross inequality of sacrifice. Bad as the wage reductions were, the pensions portion of the Bill was by far its worst part.

Interest on Bank loans; Rent reductions.

It was significant that the Government opposed both the Amendments proposed during the Committee stage with a view to giving the benefit of the interest reductions to borrowers from the Banks. The Government's replies to speakers from the Opposition and cross benches indicated clearly that it regarded the Banks as more powerful than either Cabinet or the Parliament of New Zealand.

The Prime Minister said that one would think, from the speeches of the Opposition, that the country was in an ordinary, normal condition and that there was no need whatever for any emergency legislation. It showed either ignorance of the condition of affairs in the country or a desire to place an incorrect interpretation before the people. The Government did not do these things for pleasure. It was only stern necessity that compelled them to take this course. They must do the right thing and pursue a policy of prudent finance in the interests of the people of the country.

The Bill was read a third time on 29th April by 45 votes to 28.

PUBLIC SAFETY CONSERVATION ACT.

("State of emergency"; Special constables; Right of free speech; Admissibility of evidence; Communist activities.)

This Act, which was put through all its stages on 19th April, was assented to on 20th April. The principal provisions are as follow:—

In the event of any action being taken or immediately threatened calculated, by interfering with the supply and distribution of food, water, fuel or light, or with the means of locomotion, to deprive the community of the essentials of life, or if the public safety is, or is likely to be, imperilled, the Governor-General may, by Proclamation approved in Executive Council, declare that a state of emergency exists (*Sect.* 2).

While such Proclamation is in force the Governor-General, by Order-in-Council, may make all such regulations as he thinks necessary for the conservation of public safety and order and for securing the essentials of life to the community (*Sect.* 3).

In any case of public emergency, whether arising from earthquake, fire, flood, public disorder or otherwise, in which, owing to the suddenness of the occurrence or any other cause, the provisions of the Act cannot be put into operation immediately, the senior officer of police in the locality shall assume responsibility for the issuing of all orders and instructions necessary in his opinion for the preservation of life, the protection of property and the maintenance of order (*Sect.* 4).

No action or claim whatsoever shall lie or be allowed against the Crown, or any Minister of the Crown or any officer or other person acting in the execution or intended execution of the Act or any regulations thereunder, save only in respect of reasonable compensation for any property taken on behalf of the Crown (*Sect.* 5).

DEBATE IN HOUSE OF REPRESENTATIVES.

On 19th April, in moving the Second Reading of the Bill, **The Prime Minister (Rt. Hon. G. W. Forbes)** said the Measure followed fairly closely the lines of the Imperial Emergency Powers Act of 1920. It was being introduced after an outbreak—the first one in New Zealand of such dimensions—during which it was shown that there was a weakness in the law, though the situation at Auckland had been handled by the police with a good deal of judgment and tact. Now that Auckland was in a state of order, they could proceed to the passing of legislation so that the police would be in a position, in the event of trouble arising, to deal with it immediately. Provision was made that, if regulations under the Measure were in force during the sitting of Parliament, they must be agreed to by vote of both Houses. All the provisions in the Bill applied only during the time the Proclamation of Emergency was in existence. He felt sure the Bill would appeal to all common-sense Members as a necessary provision to meet times of disorder.

Mr. W. E. Parry (Labour, *Auckland, C.*) said it was significant that the Government should find it necessary to introduce a Bill to make provision to take power to declare a state of emergency, especially in view of the Public Expenditure Act before the House, the provisions of which had incensed and created national resentment among the people of New Zealand. Without making a provocative speech, he desired to tell the Government that it must not think it cleared itself of all responsibility for what happened in Auckland by passing a Measure of this description. Instead of the appeals of the unemployed being listened to, the Government had ignored the representations made by the representatives of the people on their behalf. The unemployment situation had been growing from bad to worse. The outbreak was not a strike, and the use of a baton wielded by a crude and incapable organised body called special constables was not a solution. The Government was not batoning men back to their jobs, but to their homes, where they had empty cupboards and little or no clothing for the coming winter. If the Government denied to the people the right to assemble peaceably and discuss their grievances, it would force the discontent underground and when it ultimately exploded the result would be a hundredfold worse than anything that could result from the right of free speech. What mattered was not the Bill or the law, but how the Government dealt with the position.

Work or sustenance.

All that the people were asking was that the Government should put into operation a plan of reproductive work that would give all willing workers an opportunity to earn a wage compatible with a decent standard of living for themselves, their wives and families, failing which they asked that the Government should administer the law that was on the Statute Book, and that the House and the country intended should be administered, in relation to the payment of sustenance.* Had the Government not broken the law in that connection the trouble would never have occurred in Auckland. The Prime Minister said the Government stood for law and order. So did they on those benches. But the Government was the first to commit a breach of the law in refusing to pay sustenance embodied in the 1930 Unemployment Act. If the Government pursued its policy of forcing men, under the lash of starvation, to go into relief-work camps against their will, they would create nests of discontent from one end of the country to the other.

Mr. J. A. Lee (Labour, *Grey Lynn*) said the significant feature of the disturbance which occurred at Auckland was that there was absolutely no premeditation about it. That showed the extraordinary explosiveness of the public mind.

Mr. A. S. Richards (Labour, *Roskill*) stressed the danger in the Bill, in so far as it made provision for the sudden organisation of what were known as " special forces." The attitude of the special mounted forces in Auckland was, in the main, responsible for the disturbance which took place in Karangahape Road. The window-breaking in Auckland was not the result of the action of middle-aged or responsible people, but of irresponsible youth—youth which the Government failed to recognise in its provisions either for sustenance or for work.

Panic legislation; Rules of evidence.

Mr. H. C. R. Mason (Labour, *Auckland Suburbs*) said there were features of the Bill which showed signs of panic, in particular the provision that :—

> "In any prosecution for any such offence the Court may admit such evidence as it thinks fit, whether such evidence would be admissible in other proceedings or not."

The safety and liberty of the people would be better protected by those rules and laws which had stood the test of time than by anything that could be done under panic

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* The Unemployment Act, passed in 1930, provided for the payment of sustenance, but the policy of the Government has been to utilise the Unemployment Fund only for payment for work carried out on schemes approved by the Unemployment Board. Since April, 1932, however, payment of sustenance has been approved in certain cases where relief work could not be arranged.

legislation of this sort. Another somewhat alarming feature was the provision, which read :—

"No regulation under this Act shall be deemed invalid because it deals with any matter already provided for by any other Act in that behalf, or because of any repugnancy to any such Act.

That meant that, under the Bill, they were constituting absolute dictators, with no responsibility of any description and no limit whatever to the scope of their authority.

Mr. W. J. Polson (Independent, *Stratford*) said one would have imagined from the speeches of hon. Members who had spoken that the special constables caused the riot, whereas the riot brought about the necessity for the special constables. Speeches such as that delivered by the Chairman of the Labour Party that afternoon were a proof of the necessity for the Measure before the House.

Mr. A. J. Stallworthy (United Party, *Eden*) said it seemed to him that some members of the Labour Party spoke with two voices. In one sentence they condemned the riot and expressed sorrow for it and in the next they seemed to convey the impression that they were really excusing that method of protest against Government policy.

Mr. H. E. Holland (Leader of the Opposition) said he objected to the Bill as an emergency Measure. Its only effect could be to fan into flame every smouldering discontent. Where it was not panicky it was provocative. It purposed to give the Government power to rule by Order-in-Council. It appeared to him that the Government sensed the position which would result from the carrying into effect of its own legislation with regard to the reduction of wages and salaries and pensions and also with regard to its policy as it affected unemployment.

Political meetings.

Under the Clauses of the Bill the Prime Minister was taking power to suppress, by Order-in-Council, the political meetings of his Parliamentary opponents.

The Prime Minister : "Rubbish!"

The Minister of Public Works (Rt. Hon. J. G. Coates) quoted from the Resolutions passed by the Labour Conference in March, 1932, as follows :—

"That steps be taken to organise the unemployed, the industrial Civil Service organisations, and public opinion generally by way of demonstrations, to compel the Government to either alter its present policy of reducing living standards, or to resign."

Those who were prepared to take steps to organise demonstrations must be prepared to take their share of responsibility for the result of such demonstrations.

Responsibility of Communists.

Mr. R. A. Wright (Reform, *Wellington, S.*) said that if the policy of the Government was at the root of the trouble, as the Opposition suggested, one would have expected that the unemployed, being those affected by that policy, would be responsible for the rioting. But they had proof that they were not responsible. Who, then, was responsible? It was no exaggeration to say that in New Zealand there was a small body of people holding the most extreme views, and it was at those people that the Bill was aimed. According to their creed those people considered that the best way to rejuvenate society was to destroy everything.

Mr. G. C. Black (Independent, *Motueka*) concurred in provision being made as indicated by the title of the Bill, but pointed out various respects in which its provisions were not on all fours with those of the Imperial Emergency Powers Act. It was significant that the safeguards to protect the rights of the individual had been omitted. He urged the Government to follow the precedent created when the legislation was being considered at Westminster in October, 1920, and accept similar amendments to those agreed to by the British Government on that occasion.*

The Prime Minister said he had been considerably surprised at the amount of opposition to the Bill. One would have thought that, in view of the damage recently done by a lawless mob in Auckland, there would have been no two opinions about the necessity of strengthening the hands of the Government and those in control of affairs in the cities in obviating a repetition of such occurrences. It had been said, and he thought correctly, that the rioting in Auckland was not done by the unemployed, but by the lawless minority who were bent on destruction. Surely no Member of the Labour Party would claim that such people should be allowed freedom to commit crimes with impunity. What was being done by the Bill had been done in South Australia by a Labour Government, which recognised that it was its duty to protect its citizens, and it provided penalties double those contained in the Bill. The Government had exercised the powers now entrusted to it with judgment and discretion. Under the Bill it would act similarly.

The Second Reading of the Bill was carried by 46 votes to 21.

Freedom of speech : political meetings.

On the Motion for the Third Reading,

Mr. Holland said the Bill represented another consignment of petrol thrown on the flames. He wished to place on record the fact that, during the Committee stage of the Bill, the Prime

* *Vide* Journal, Vol. II., No. 1, pp. 53-59.

Minister made a definite statement to the effect that the Measure was not designed, and its Clauses would not be put into operation for the purpose of suppressing political meetings.

The Prime Minister replied that with regard to public meetings, the present practice, whereby the Mayor of a city had the control of public meetings or processions, was still in operation. As regards the criticism that the Bill was aimed at preventing political meetings, he pointed out that the Bill could only be applied when a state of emergency had been provided. He was with the Leader of the Opposition with regard to freedom of speech. That freedom should always be preserved, and he was not in favour of its curtailment.

The Bill was read a third time on 19th April.

INDUSTRIAL CONCILIATION AND ARBITRATION AMENDMENT ACT.

(Compulsory conciliation and optional arbitration; Piece-work; Removal of hampering restrictions on industry; Cancellation of Awards if Conciliation Council fails to agree.)

This Act was assented to on 27th April. Its principal provisions are as follow :—

If a settlement of an industrial dispute is arrived at in the course of an inquiry before a Council of Conciliation the terms of the settlement shall be filed as if it were an industrial agreement duly executed by all parties to the dispute, and shall thereafter operate as an industrial agreement (*Sect.* 5).

Objections to an agreement filed under the foregoing Section may be lodged with the Arbitration Court, which may grant total or partial exemptions therefrom (*Sect.* 6).

If a settlement is not arrived at by the Council of Conciliation, the dispute may only be referred to the Arbitration Court if a proposal to that effect is adopted by all (in some cases), or all but one, of the assessors on each side. If, within a stipulated time, the Council fails to arrive at a settlement, or to carry by the requisite majority a proposal that the dispute be referred to the Arbitration Court, every award or industrial agreement theretofore binding the parties to the dispute shall be deemed to be cancelled (*Sect.* 7).

Any party bound by an Award in force at the time of the passing of the Act may make application, after the Award has been in operation for six months, for review of the same (*Sect.* 9).

Provision for payment at piece rates may be included in any Award or industrial agreement made after the passing of the Act, and any employer may agree with a worker on a system of piece-work payment, notwithstanding that no provision for piece-work exists in the Award, provided that no worker shall thereby receive less than the minimum rate of wages provided in the Award (*Sect.* 11).

Provision for the appointment of Industrial Committees to promote harmonious working of the Award or agreement shall be made in every new Award, unless the Court decides otherwise (*Sect.* 12).

The Awards are not applicable to relief works under the Unemployment Act (*Sect.* 13).

UNEMPLOYMENT AMENDMENT ACT.

(Small farm settlements; Increase in wage tax; Abolition of subsidy from Consolidated Fund; Provisions for unemployed women; Sustenance.)

The Bill for this Act was introduced by Governor-General's Message on 23rd March.

The Act received assent on 30th April. It consists of two Parts. Part I. provides for the settlement of unemployed workers on areas of cultivable land, and Part II. consists of various Amendments to the Unemployment Act, 1930.* The most important of these Amendments are :—

The repeal of the provisions as to payment of a subsidy to the Unemployment Fund out of the Consolidated Fund (*Sect.* 7).

The increase in the rate of unemployment charge on salaries, wages and other income from one penny in every six shillings and eightpence to one penny in every one shilling and eightpence (*Sect.* 8).

The increase in liability to the unemployment charge in the case of women to cover all those with an income of over twenty pounds per annum from a source other than salary or wages (*Sect.* 11).

The authorisation of expenditure out of the Unemployment Fund for the purchase of food, clothing or other necessities for the benefit of unemployed men (including those employed on relief works) or their families or other dependents (*Sect.* 14).

DEBATE IN HOUSE OF REPRESENTATIVES.

On 5th April, on the Motion for Second Reading of the Bill,

The Minister in Charge of Unemployment (Rt. Hon. J. G. Coates) said the country was faced with the very definite difficulty of providing the money necessary to give employment to everybody. Indeed, it could not be done. The best the country could be expected to do was to find sufficient to keep body and soul together—to find food and raiment—in order that distress might be avoided as far as possible. If they were to avoid giving something for nothing, other than food in cases in which it was impossible to find work, they must find an avenue for the unemployed in industry. The industries into which the unemployed might move were finding it increasingly difficult to carry on. The Unemployment Board

* *Vide* JOURNAL, Vol. XII., No. 2, p. 423.

had considered many proposals for employing men other than on local-body work, but, with the exception of one or two industries, he could not say that much headway had been made. It was to the industries which have exportable surpluses that they must look for the absorption of the unemployed. The Minister of Lands had further proposals to make in connection with the settlement of Crown lands, and they believed they would be able to move out a number of families from the cities.

An hon. Member: "How many?"

The Minister in Charge of Unemployment: "Shall we say six hundred or seven hundred." The Crown lands now available were not of the best quality. Therefore, preparations running over about three years had to be made before the settlers would be in a position to help themselves. The settlers whom they sent out would be assisted. Though they would be mainly unemployed men they would be those whom they knew to be good hands.

Mr. F. Langstone (Labour, *Waimarino***)**: "Can the Minister explain how, when men on the best of land to-day cannot make a living, he expects men on the worst land to do so?"

The Minister in Charge of Unemployment said that though there was comparatively little Crown land left which, even with the expenditure of an immense amount of money, could be made sufficiently productive to carry families, there was ample room for the employment of labour on existing farms. Workers could be given useful employment there—better than anything that could be found in the cities. The Government intended to add three or four other means to those already employed for moving men out into the country. One was to provide smallholdings in localities where labour was required. It was proposed to provide areas of 5 or 10 acres, so as to distribute a number of married men throughout the country districts. The Unemployment Board would contribute towards the maintenance of these families where the man was unable to secure immediate work. A number of small settlers had given areas of about 10 acres for occupation by unemployed men, at a peppercorn rental, provided a house was erected on the property. The man was given a running option over an additional 40 or 50 acres of the property, in the meantime the established settler finding work for the man and providing him with a horse.

Mr. H. E. Holland (Leader of the Opposition): "What guarantee of permanency will an unemployed man have?"

The Minister in Charge of Unemployment: "He will have a lease for not less than 10 years, and, if the man proves satisfactory, the Crown will have the right to purchase from the settler an additional area." It would be necessary to provide huts, shacks or cottages. If the mortgagee wanted the land back he must pay for the improvements.

Unemployed women.

It had been stated that nothing had been done for the women. The Unemployment Board had rendered assistance to the funds already available to the women's organisations. The Young Women's Christian Association, the Girls' Friendly Society, the National Council of Women, and many other organisations, had been quietly but definitely working for the provision of relief for unemployed women and one organisation alone had placed 760 girls and women in positions.

Mr. Holland: "Since the Government is going to collect unemployment tax from the women, will it give the women definite benefits under the Act, in the same way that the alleged benefits are given to men?"

The Minister in Charge of Unemployment replied that it was entirely wrong to assume that the unemployment funds were not being used for the benefit of the women. To begin with, the women were contributing towards their sisters who were the wives and daughters of married men. In addition, the women's organisations throughout the country recommended to the Board and contributions were made on their recommendations.

Wage tax: land settlement and gold prospecting.

The Bill made provision for further funds being available in the form of increased wage tax, and the Government asked for authority to raise £500,000 for capital expenditure and generally to augment any land settlement scheme carried out by the Minister of Lands, who was working in the closest co-operation with the Unemployment Board.

No less than 5,000 men were engaged on prospecting work and they had proposals for increasing the number of men engaged in mining work. Any man who wished to go out prospecting was granted 15s. a week if he was single and £1 10s. if married.

Mr. W. E. Parry (Labour, *Auckland, C.***)** was convinced that there was sufficient Crown land available to enable the Government at once to map out a land-settlement scheme that would absorb, not merely a few hundreds, but thousands of unemployed people, at the same time giving them on reasonable terms a piece of land when broken in. But what did they find? They had the sorry spectacle of the Government on its knees appealing to landowners to give the use of 5-acre or 10-acre lots for a period of ten years. It was said that the Government's scheme would be of assistance to the farmers. The mortgagee was about the only man who would receive any substantial benefit, and he questioned the fairness of a policy under which the wage-earners were taxed 1s. in the pound to provide labour to enable farmers to keep good the security of the mortgagees, who really were the landowners in New Zealand. There was a great deal of land abandoned by returned soldiers on which many unemployed single men could settle and carve out a home for the future.

The Minister of Lands (Hon. E. A. Ransom): " That also is being done."

Mr. Parry asked, with regard to the Government's scheme, if a man found that he was not making a living on his holding, what would become of the improvements he had effected. There were large areas of Crown lands that could be broken in by the unemployed. If the men who broke in that land were told that they should have a section of it when it was broken in they would go about the work in a very different spirit. At the present time they were being forced by starvation to break in the land at 10s. a week for the benefit of others. No body of men could be expected to work well under such conditions.

Secondary industries and reduced spending power.

Mr. J. A. Lee (Labour, *Grey Lynn*) said that the Minister had based the whole of the Bill on the assumption that there were no future prospects of expansion on the part of their secondary industries, because, although their capacity to produce was far greater than their present capacity to consume, they had, as the Minister admitted, with their restricted purchasing power attained saturation point. What New Zealand lacked was not an addition to the volume of exportable goods, but a means of making up for the £20,000,000 of imports that they had been unable to purchase because of the fall of prices overseas for their exports. The national income, as far as the consumption of commodities was concerned, was less by £20,000,000 of overseas imports. If they took steps to redress that shortage within New Zealand there would be no unemployment situation at all. The Minister had said that the trouble about Labour's solutions was that they would not allow him to balance the Budget. In no year of their country's recent history had they ever balanced the Budget, and there was no intention of balancing it this year. They might produce a book-keeping surplus, but, obviously, if they borrowed £5,000,000 overseas they were not attempting to balance the Budget.

The Labour Party had fundamental solutions and fundamental suggestions to offer the Government—a complete reversal of its existing policy. They wished to raise the Minister's saturation point to a higher level and enable people to purchase more. How much worse off would New Zealand be actually if the unemployed army was set to work in the

field of secondary industry to produce the £20,000,000 worth of goods they had imported in the past and could not import now because of a decline in external prices ? The unemployment problem was one of maldistribution of the national income and the lack of consumer credit. The whole of their monetary system was based on legislation—money was created by the printing press. Money or credit could be made available in New Zealand to-morrow by placing the correct legislation on the Statute Book. Only a complete break with financial orthodoxy would solve the problem. Tinkering with the unemployment problem, as represented by the Bill, was going to throw New Zealand into a state of violence before they had gone very far.

Mr. A. S. Richards (Labour, *Roskill*) said there were in the Dominion 165 persons each owning from 20,000 to 55,000 acres. This land should be immediately taxed, even to extinction point, either to enable the Government to get land on which to place the unemployed or to find revenue with which to put the unoccupied land into production.

Mr. E. J. Howard (Labour, *Christchurch, S.*) said there was ample power under the land laws on the Statute Book to take land for any purpose, and therefore the Bill was no more than a collection of printed words put out in an endeavour to deceive people into the belief that they were doing something new for them.

On 6th April,

Mr. W. E. Barnard (Labour, *Napier*) said the Bill held out no prospects whatever for the skilled workers in the towns, who in many cases owned their own homes—with, of course, a mortgage attached—and could not well be asked to leave those homes and find their way to the shacks in the country which the Minister promised.

Hon. A. D. McLeod (Reform, *Wairarapa*) thought that, for the purpose aimed at—the temporary relief of unemployment—small farmlets would probably prove useful in certain localities, but the administration of the scheme would have to be carefully watched, to see that it did not grow into a small peasantry system, the settlers under which would be constantly looking to the State for assistance, even after good times returned.

Mr. H. E. Holland (Leader of the Opposition) said the Bill did not touch the fringe of the unemployment problem. While they had a real problem in the payment of their overseas liabilities because of the drop in prices there—a circumstance over which they had no control—they had absolute control over their internal circumstances. If they had an abundance of foodstuffs within New Zealand and an abundance of clothing and an ample housing supply, why was it that they had people who were homeless, who wanted food and could not get it? He remembered the self-righteous attitude taken up by the Government when it declared that there would be no sustenance without work. Was it not fair that there should be no work without payment for the work done? The Government said to the unemployed men, in effect: "You are at the mercy of the community and the conditions ruling at the moment: we can only give you two days' pay or three days' pay for five days' work, and you can take it or leave it." There was no greater act of repudiation and no more unjust proposal than that every unemployed man must work for two or three days each week for nothing. That was what the Government's proposal amounted to.

It was a fair thing for the women to demand that there should be no taxation of their earnings unless they were to receive a share of whatever benefits accrued from the collection of the tax.

The Minister had argued that they should place tradesmen, mechanics, and so on, on smallholdings of from 5 to 10 acres. The farmers were to make donations of livestock in order to help stock these miniature farms. What guarantee of permanency would there be for these settlers? What guarantees of even intermittent outside work would there be in the localities in which they were settled?

The working farmers' position in the overseas markets could only be improved by means of definite trade agreements with those countries with which they had trading relationships and with other countries with which they might make trading relationships in the future. Along with definite trade agreements they must have a planned system of production and a planned system of distribution.

On 7th April,

The Minister in Charge of Unemployment, replying to the debate, said they could safely leave the question of assistance to unemployed women with the women's organisations, social and otherwise, in the country. In spite of the depression continuing and becoming even more severe, there had been a reduction of approximately 7,000 registered unemployed as compared with last season.

With regard to the title to the land in the case of the proposed smallholdings, sub-clause 2 of Clause 3 provided for a title to be taken out, under which the Crown became dominant and the settler would have the right to occupy the land under that licence, and it could become his own. It was almost impossible to draw titles to meet all the varying conditions, and there must be elasticity to enable settlement to go ahead.

He had received most encouraging letters from many hundreds of the largest farmers, who were looking at the question from an entirely different point of view from that which obtained previously. They were placing at the Government's disposal hundreds of acres of land in districts in which the Government could not previously have obtained land. They were acting broadly on patriotic grounds, realising that the more people they could encourage to take up primary production the better.

The Bill was read a second and a third time on 7th April.

MORTGAGORS AND TENANTS RELIEF ACT.

This Act, which was assented to on 31st March, further extends the provisions of the two Acts dealing with Mortgagors Relief passed during 1931*, and also provides for the granting of relief to lessees in certain cases.

Some of the main provisions of the Act are as follows:—

A mortgagor may apply to the Court for relief, notwithstanding that the mortgagee may not have given notice of intention to exercise powers of sale, etc. (*Sect.* 2).

The special provisions as to relief of mortgagors which, under the 1931 Act, applied only in the case of farm lands are extended to all classes of mortgages (*Sect.* 3).

The Court may extend the term of a table mortgage by a period not exceeding two years, or may extend for a like period the due date for payment of instalments of interest and principal, and any mortgagee under a table mortgage (including the State Lending Departments) may agree, without recourse to the Court, to similar extension of the mortgage or postponement of payment of instalments (*Sect.* 4).

The Court is empowered to grant relief to lessees who may make application therefor by—

(A) A reduction of rent for a period not exceeding two years; or
(B) A remission of rent in arrears; or
(C) Both a reduction of rent and remission of arrears.

Where the annual rent does not exceed £210 the jurisdiction conferred on the Supreme Court by this Section may be exercised by a Magistrate (*Sect.* 6).

* *Vide* JOURNAL, Vol. XII., No. 4, p. 1032, and Vol. XIII., No. 2, p. 479.

UNION OF SOUTH AFRICA.

The following summary is in continuation of that given in the last issue of the JOURNAL, *and deals with further proceedings of the Fourth Session of the Sixth Parliament, which opened on 18th November*, 1931, *and was prorogued on 27th May*, 1932.

DEFENCE ACT (AMENDMENT) ACT AND DOMINION FORCES ACT.

(Legislation necessitated by the Statute of Westminster.)

This Act received assent on 30th May. It deals with the alteration of the Defence Act and makes provision with respect to other domestic matters in connection with defence, in order to meet the position created by the passing of the Statute of Westminster, 1931. The effect of this legislation was outlined by the Minister of Defence in his speech in the House of Assembly on the Motion for the Second Reading of the Bill.

DEBATE IN HOUSE OF ASSEMBLY.

On 20th May,

The Minister of Defence (Hon. F. H. P. Creswell), in moving the Second Reading, explained that the Bill was necessitated by the Statute of Westminster. British Statutes now had no application to the Dominions unless it was especially so enacted by the Dominions. Furthermore, their legislation was now to have extra-territorial application. Chapter I of the Bill rectified the position. The local authority for Union discipline was by virtue of Section 177 of the Army Act. In the definition clause 124, " Army Act " was defined as " Army Act of England and Ireland as amended from time to time." The discipline of the permanent part of their naval service at present depended on Section 23 (1).

The Army Act.

These two points were met in Clauses 3 and 5 of the Bill. Clause 5 provided for the deletion of the definition of the expression " Army Act." With the enactment of Clause 2, they would adopt the provisions of the Army Act of 1881, as amended from time to time. They took the Army Act as their basis and continued from that. In subsequent Clauses of the Bill they provided for the discipline and so on of their naval force.

There was one point that Members might call attention to, namely, that they spoke of the Army Act of 1881. That was due to the fact that since the days of William III. and the Bill of Rights, and so on, the Army Act was enacted and expired year by year, and a great accumulation of matter was collected apart from military law. In 1881 the military law part was separated from the other, and the Act by which that was done was known as the Army Act of 1881.

Discipline of Dominion Forces.

The second Chapter of the Bill had to do with the relations of their own forces to other Dominion forces who might be in their territory and the necessity of defining their position. He understood it was customary, if the forces of one State were in another for the time being, that the law applicable to them by their own code in matters of internal discipline and economy was that which was administered. There was a case which occurred in 1923 or 1924, a typical case, when an American warship was in an English harbour, and two sailors ashore had a quarrel, one stabbing the other. The assailant was apprehended, and he was at once handed over to the United States naval authorities to be dealt with. There was an outcry about it, but the Government stood firm, holding that this was customary law.

In Chapter II. it was desired that, as far as the States of the British Commonwealth were concerned, the position as regards the question of the discipline and the internal administration of the visiting forces should be defined. In conclusion, the Minister said the whole of the Bill was an endeavour to put in order the necessary consequences of the Declaration of 1926, carried into effect by the Statute of Westminster.

Gen. the Rt. Hon. J. C. Smuts (Leader of the Opposition) said he thought the Minister of Defence was right—that under the Statute of Westminster they would have to provide specifically for the military discipline of their forces. Under the old Defence Act of 1912 a very easy solution could be found, and was found, but the whole constitutional position had changed.

Dominion status for the United Kingdom.

Brig.-Gen. the Hon. J. J. Byron (South African Party, *East London, N., C.P.*) said in one respect this Bill was particularly interesting. For the first time, so far as he was aware, the United Kingdom of Great Britain and Northern Ireland had been granted Dominion status by Act of Parliament. If Members would look at Clause 6 (Chapter II., the definitions of the Bill) they would see that the word "Dominion" meant:

Any of the following States Members of the British Commonwealth of Nations, the United Kingdom of Great Britain and Northern Ireland, the Dominion of Canada, the Dominion of New Zealand, the Commonwealth of Australia, the Irish Free State and Newfoundland.

The Minister of Defence: "Have you any objection to the higher status?"

Gen. Byron said that he had no objection. He understood from the Minister of Defence that similar legislation had been granted, and had either been enacted by, or submitted to, the Parliaments of the other Dominions. The necessity of the Bill was based on the jealousy of democracy in not allowing uncontrolled power to the particular Government for the time being. It had been recognised for the past few hundred years that an army was capable of exercising great powers and, armed with lethal weapons, must be kept under strict discipline to see that those powers were properly exercised under civil authority; and that was what they were doing—to see that that power was not abused.

The Motion was put and agreed to, and the Bill was read a second time.

On Clause 10 (attachment of personnel and mutual powers of command),

Dr. N. J. van der Merwe (Nationalist, *Winburg, O.F.S.*) asked the Minister of Defence for further information as to why he intended to take these powers? "Is it," he said, "because he looks upon the British Commonwealth of Nations as a military unit, and any member can at any time call upon the services of any other member? I want him to explain the meaning of sub-clause (ii) of Clause (1)."*

The Minister of Defence: "It is a reciprocal arrangement with the other members of the British Commonwealth. If they send over anyone to us they come under our law."

Mr. W. B. Madeley (Labour, *Benoni, T.P.*): "Are we to understand from the Minister that there is a reciprocal arrangement between us and the other Dominions and the central Dominion, namely, Great Britain, under which our active citizen forces, for instance, could be placed at their disposal anywhere?"

The Minister of Defence: "It says 'any member'."

Mr. Madeley: "Yes, but any member means all the members, if you choose. This is really very important, and I would like to have something more definite. I should hate to think that we are by a side wind passing through the House a Measure giving authority for the Minister or anybody else to say that, without free will on their part, any or all the members of our Defence Force shall be placed at the disposal of any other constituent member of the Commonwealth for active purposes."

* This sub-Clause states that the Minister of Defence may, subject to anything to the contrary in the conditions applicable to his service, place any member of a Union force at the disposal of the service authorities of a Dominion for the purposes of being attached temporarily by those authorities to a Dominion force.

The Minister of Defence: "It is just a matter of attaching members to Dominion forces, corresponding as they attach their members to our forces. We are not going to send men holus-bolus to any other Dominion."

Gen. Byron: "I think I can explain the position. . . At present we have officers and non-commissioned officers from other Forces who act as instructors. I can visualise the time when other Dominions may ask us to lend them officers or men to act as instructors. I can imagine there are Dominions who would be glad of the services of some of our members, particularly of the Air Force. Obviously, 'a member' is a different thing from a Force or a unit or an organised body. This is simply to deal with individual members of the Force who may be attached and lent for instructional purposes. There is no sinister motive behind this that would involve the country in any military operations."

Mr. Madeley, referring to Clause 10 (3), relating to the powers of command exercised over a member of the Dominion Force:—

When a Dominion force and a Union force are serving together either alone or together with any force (A) any member of the Dominion force shall be treated and shall have over members of the Union force the like powers of command as if he were a member of the Union force of the relative rank.

said that foreshadowed a possible combination, but did not give executive power to the Minister to bring about such combination. Sub-Clause (4) meant that such a combination could exist by a mere Proclamation of the Governor-General, of course at the instance of the Minister himself. It left nothing to Parliament.

The Minister of Defence said it contemplated another Dominion attaching to their (Union) Forces members of their Forces for the purposes of the Service authorities of that Dominion. It might be for the purpose of learning something of the topography of the country.

Gen. Byron said he could not quite understand why an officer should be sent from England to serve with the Union Forces for the purpose of the Service authorities in England.

The Minister of Defence: "We are constantly sending over officers, for instance, to undergo a course with the Royal

Air Force, with the Artillery and so on. Take an officer sent here and attached to our Force to learn something about bilingualism—or it may be some other subject."

The Clause was put and agreed to. The Bill, as amended, was adopted and read a third time.

IN THE SENATE.

On 25th May, in the Senate, in Committee of the House, on Clause 2,

Senator the Hon. F. S. Malan moved to add the following new sub-clause at the end of sub-clause (4):—

Copies of all notices and Proclamations of adaptation and modification issued in terms of sub-sections (1) and (4) respectively, shall be laid upon the Table of both Houses of Parliament within one month after the commencement of each Session.

The Amendment was agreed to.

On 26th May, in the House of Assembly, the Senate's Amendment was considered and agreed to.

TAXATION PROPOSALS.

(Customs duties and surtax; Increase in tax on gold-mining profits; Surtax on fixed interest.)

On 22nd April, 1932, on the Motion of the Minister of Finance to go into Committee of Ways and Means, a debate took place on taxation proposals outlined in the Budget Statement on 23rd March.*

The chief of these proposals are as follow:—

Customs Duties and Surtax.

(1) Protective duties, subject to such rebates and remissions of duty as may be provided for in an Act to be passed during the present Session of Parliament, to be levied on articles imported into the Union as set forth in the Schedule. The articles in this Schedule include: footwear, ready-made clothing, sugar, cement, etc., etc.

(2) A 7½ per cent. surtax, in addition to duties otherwise leviable thereon, on the gold value of all imports in respect of goods predominantly, if not solely, used for agricultural purposes, allowing in the case of goods from the United Kingdom a deduction of the amount of drawback of Customs Duties allowed under the Import Duties Act, 1932, of the United Kingdom in respect of the export of those goods from the United Kingdom. These goods include such articles as harvesters, fertilisers, dairy utensils and machinery, farm tractors, water-boring drills, bone

* *Vide* Journal, Vol. XIII., No. 3, pp. 737-38.

and bone phosphate, wheat (in the grain or ground), bags, machinery and implements for agricultural purposes, etc., etc.

(3) Additional Revenue duties on:—

		s.	d.
Rice, in the grain	per 100 lb.	1	0
Fish, other than fry, ova and fresh, dried, cured or salted of S. African taking, caviare, lax, lobster and anchovies	per lb.	0	0¾
Fish-pastes	,, ,,	0	0¾
Tea (in packets or tins not exceeding 10 lb. each in weight)	per lb.	0	1½
Tea (in larger containers)	,, ,,	0	1½
Whiskey	per Imperial proof gallon	2	6

(No allowance for underproof in excess of 15 per cent.)

to 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.

This surtax is not to be levied (A) on goods produced or manufactured in Southern Rhodesia, Northern Rhodesia, Basutoland, Swaziland, Bechuanaland Protectorate and Mozambique, which, under an agreement between the Union and any such territory wherein such goods were produced, might be imported into the Union free of duty; (B) on goods produced or manufactured in the Union or re-manufactured without having been subjected to any process abroad.

Income Taxation.

Proposals under this head include:—

(1) An increase in the rate of tax upon gold-mining profits from 3s. in the £ to 4s. in the £.

(2) A special surtax on fixed interest limited, save in the case of interest received by life insurance companies, to taxable incomes exceeding £300, the amount of interest subject to surtax not to exceed the excess of the taxable income over £300. This surtax is to be levied on a graded scale increasing with the rate of interest charged subject to a minimum charge of 5 per cent. and a maximum charge of 10 per cent., *i.e.*, interest at 5 per cent. or under will bear a surtax of 5 per cent., interest charged at 6 per cent. will bear a surtax of 6 per cent., and so on up to 10 per cent.

(3) Provision for making all private companies liable to super-tax.

DEBATE IN HOUSE OF ASSEMBLY.

The Minister of Finance (Hon. N. C. Havenga) said these proposals had been discussed by him in his Budget Statement. As far as Customs proposals were concerned they fell into three categories: a general surtax of 7½ per cent., proposed for Revenue purposes; a few specific Revenue Duties, namely, on tea, rice and fish; and a number of protective duties, the two more important of these being in connection with cement and sugar.

These proposals sought to secure to these industries a local market, and they were both accompanied by undertakings to reduce the price.

Surtax on fixed interest.

Dealing with income tax, the Minister referred to the proposed increase of the rates upon the gold mining companies of from 3s. in the £ to 4s. in the £. This was expected to produce additional revenue to the amount of £380,000. The additional rate would not be applied to the allocation of moneys received from mining leases; the allocation of revenue from that head would remain at the existing 15 per cent. and, as before, 85 per cent. would continue to be allocated to Loan Account.

He did not think it necessary to discuss the equity of this tax under present conditions. As he had informed the House, it was necessary for them to raise additional revenue as a result of the decline in receipts from all taxed sources. This taxation was an emergency taxation; when normal conditions returned they might hope that it might be possible to review most of those proposals contained in the Budget. South Africa, with the rest of the world, had been forced to ask the people to undertake burdens to carry the country through the difficult periods through which the world was going, and he thought it was a sound principle to look for those increases to such interests as had not suffered in the general contraction of earnings and of receipts as other interests had. Not only had the price of gold remained stable, but the industry had undoubtedly benefited by the general fall of prices in other directions. The receipts of interest from investments had remained constant, and money to-day had a greater-purchasing power than previously.

It was proposed specifically to define "fixed interest" as interest derived from the following: first, stocks issued by the Government of the Union, including pre-Union issues, and by local authorities in the Union category; the holders of Union Government stocks overseas who were at present not paying income tax. This was a surtax and only levied on people who actually paid out. Similarly, interest on Treasury Bills would not be chargeable.

They defined fixed interest further as stocks of other Governments which were liable to Union income tax in the case of Union residents when the latter were exempted by the Government of issue because of their residence in the Union. For instance, Great Britain investors in Union Stock would be exempt from taxation on their (South African) Stocks, but would be taxed by their own Government; and similarly they, in South Africa, would tax their own nationals on the interest which they received from investments in other Government Stocks, though they were not paying the taxation of that other Government.

Yield from new taxation.

Regarding the yield to be derived from this taxation, the Minister of Finance gave the House certain figures derived from actual returns in the past. In 1930-31 the debenture interest which was disclosed in the income tax returns was £192,000; in 1929-30, £200,000; in 1928-29, £180,000; for interest the corresponding figures were £7,142,000, £6,583,000, and £6,297,000. The totals were £7,234,000, £6,783,000, and £6,437,000. These figues included interest on temporary loans and other forms of accommodation which, of course, did not fall within the levy of the surtax. In estimating the yield of the surtax, allowance had to be made for interest and other charges paid as well as for percentage which would not be collected in the financial year.

On 2nd May,

Hon. P. Duncan (South African Party, ***Yeoville, T.P.*****)** said the Minister of Finance was asking the House to impose on the country a burden of taxation which it could not bear,—which would be a burden in ordinary times of prosperity, and now was intolerable. If they remained on the gold standard they had all this deflation, cutting down expenses, reducing costs and wages, and reduced Government Services; in addition, they were faced with taxation which deprived them of what advantage they might have of being on the gold standard.

In regard to income tax, they were asked to put an additional 1s. on the dividends from mining companies. One could understand the Minister coming down on these people who held mining shares; they were about the only people who were getting any dividends from any industrial concern. But they must remember this was not a tax on mining. A certain class of investors was singled out and a tax put on to their shares, the effect being that they were going to bear the whole burden of the tax.

Mr. Duncan added that he thought people were not clear as to what was going to be the position in regard to investment trusts, trust companies which took money from the public and laid it out in the form of mortgage bonds. Then, speaking of Customs, he referred to those duties which were put on for the purpose of protecting industries; these, he said, were going to increase the cost of living. It was a burden that was not going to lead to another revival of trade and industry. It was going to be another nail in their coffin.

Mr. J. H. Munnik (Nationalist, ***Vredefort, O.F.S.*****)** said Mr. Duncan admitted that the only industry which was in a position to pay increased taxation was the gold mining one, yet he objected to the Government demanding any fresh taxation from it.

Mr. R. Stuttaford (**South African Party**, *Newlands, C.P.*) said there was one important question with regard to the Customs duties which must cause the Minister a great deal of worry and trouble, and that was how they were going to deal with those commodities produced in countries which had not the labour conditions that they had in South Africa, or the conditions prevailing in Great Britain and the other Dominions and in some countries in Europe. That would be his great difficulty in the current year, whether they were going to put on such a tariff as would prevent these goods from coming in.

Mr. Stuttaford said he had suggested some time ago a three-column tariff, but the Minister was overpowered with experts who ought to be able to advise him on these matters, and he would very much like to hear him say what he thought the policy of the country should be in that regard.

Taxing private companies.

Mr. Stuttaford also drew attention to the taxation proposals on private companies. The Minister of Finance led one to suppose he was going to tax a private company as a private individual, that was, the company would pay normal tax and super tax. When he came to the details of the proposals, Mr. Stuttaford said he thought that would have to be altered, because if they took two men who were running a private limited liability company, they could not take the company as one individual. It was of great value to the community to be able to use the methods of organisation of private limited liability companies, but if the Minister pursued the proposed method of taxation, it would mean that all those advantages were taken away. He suggested that the maximum taxation should be on the individuals as private individuals.

Mr. J. W. Roux (**Nationalist**, *Ceres, C.P.*) said many of them thought that the Minister ought to be congratulated on thinking out taxation proposals which would press especially on the people who could pay. They felt that the mining industry, although a necessary industry for the country, was praised a little too much; that while most of the owners of shares in the gold mines lived overseas which were there to exploit the country, and to reduce its permanent wealth, they could pay a little more taxation. The Minister of Finance could safely have made the tax higher and he would have been more popular if he had increased it from 3s. to 5s. in the £.

Mr. Stuttaford, he continued, was terribly concerned about the shareholders in and the promoters of private companies. But why did anyone establish a private company? It was established because a man wanted to conduct a business which might possibly be precarious, and he knew that if he had a private company he could liquidate without going insolvent himself. But the promoters of private companies might find that they could evade the taxes, and therefore there were more private companies than three or four years ago. Many of them in that House felt that the Minister could continue to rake in those people.

Referring to the complaint that imports into their country had decreased, he said he thought it was a good thing for the country to buy less than it sold, especially if of late years it had bought too much. But Members seemed to forget that the external trade of all countries had notably decreased. America, England, Germany and France from 1929 to 1931 lost almost 42 per cent. of their trade; that was not over a long series of years. Why, then, should not the external trade of South Africa also decrease?

Mr. Stuttaford: " We are economically independent."

Increasing confidence in the financial position.

Mr. Roux said they were, and they were going to remain so owing to the fact that the Minister of Finance intended that his Budget should balance. Notwithstanding the fact that the largest political Party but one in South Africa told the world that their own country was bankrupt, that they could not stop on the gold standard, that money was streaming out of the country, they remained on the gold standard; and, what was more, it was now gradually appearing that the people were commencing to get more confidence in the finances of their country.

Replying to the suggestion that they should quit gold, Mr. Roux said they could see for themselves what the position was in other countries that had done so. New Zealand had a deficit of £8,000,000. In Australia there was no benefit from quitting gold; and what were they doing with their unemployed in Rhodesia? Nor had it been of any benefit in England. Unemployment was no less in England than it was twelve months ago. Would Members tell him that there were less than 2,000,000 unemployed in England to-day, and that with a population of 45,000,000?

In Mr. Snowden's days they heard, when he introduced his Budget, what great patriots the English were—they simply fell over each other to pay their income tax. He now saw that the Budget speech of Mr. Neville Chamberlain had been received very coolly, and they heard that a Loan would have to be obtained of £150,000,000 to protect the gold of England.

On 3rd May,

Mr. P. V. Pocock (South African Party, *Pretoria Central, T.P.*) said he saw that the average rate of Duty and Customs taxation was some 30 per cent. The Minister would find it very hard to justify placing this burden on a very large number of the items. He should like to see any Government in Britain put a 30 per cent. tariff on "bread-and-butter" items.

Bank balances overseas.

The Minister of Finance: "They are well on the way." He referred to criticisms of the proposals and to the question of the overseas balances of their large commercial banks. It had been mentioned that the Reserve Bank had large balances in London last September, and he had been reproached that he had not induced the Treasury to prevent it; but, he added, he had never yet assumed the right of dictating a policy to the Reserve Bank which worked under an Act passed by that Parliament.

Regarding the balances at that time, he admitted that they always had to do with circumstances that there were not sufficient short-term investments in the country available to the banks to enable them to use those balances profitably. But besides this, it was at that time the recognised policy of every European country to keep at various strategic points of the financial world balances for the settlement of trade payments, and before the crisis the bulk of their overseas balances was from time to time used for trade payments. Another part was used for short-term investments, which were not available to the banks in South Africa.

It had been thrown at his head that he ought to have prevented their balances being on the other side when the crisis came, and he was told that the Government knew nothing of what was going on. That was not so; they knew, more or less, what the position was, but who amongst them could have thought the British Government and the Bank of England would have taken such a serious step? The then Governor of the Reserve Bank had told him during that month (September, 1931) that he had twice put the specific question to the Bank of England whether it was desirable for him to take steps in connection with the funds of the Reserve Bank, and each time he was reassured.

Recalling the happenings after 21st September, 1931, the Minister said South Africa determined to maintain the gold standard. A difficult banking position immediately arose. People made large applications for drafts. The Reserve Bank, like the other banks, was, at the start, very nervous about giving drafts; it wanted, of course, if possible, to preserve its balances abroad, and he took up the attitude that the business of the country must be carried on, and that even if losses were suffered those balances ought to be put at the disposal of the country. It was absolutely clear throughout the world to-day that the banks were a necessary part of their economic life; a banking system was just as necessary as the people who supplied their bread and meat; and the banks fulfilled such an important and necessary function in the State that the State simply insisted that in a time of crisis the banking business of the country must be done, even at the cost of the profits of the bank.

Discrimination regarding labour conditions.

Referring to the position regarding goods imported from countries that competed under labour conditions which not only killed their own industries in South Africa but constituted unfair competition against other countries without the same conditions, the Minister of Finance said that hitherto every country had hesitated to apply discrimination. Their own system was based on the principle that they did not discriminate against any other countries, except where they gave a preference to England and the other Dominions. If they were to do such a thing they would have to prohibit or otherwise oppose the importation of articles from certain countries, and this might cause serious international difficulties. The Board of Trade and Industries, however, would have to look into the matter because it affected the conditions of their own industries.

The Motion was agreed to and the House went into Committee on the Customs Duties proposals. These were finally agreed to on 4th May. The House considered and agreed to the income tax proposals on 4th May; and on 6th May Resolutions relating to the proposed taxes were adopted and a Committee appointed to bring up the necessary Bills.

CUSTOMS TARIFF (AMENDMENT) ACT.

This Bill to give effect to the Resolutions relating to Customs duties and surtax introduced by the Minister of Finance on 22nd April,* was read a first time in the House of Assembly on 10th May.

It passed the Second Reading, was considered in Committee and reported without amendment on 12th May, and was read a third time on 13th May. It passed the Third Reading in the Senate on 24th May. The Act received assent on 30th May.

INCOME TAX (AMENDMENT) ACT.

This Act embodies the Resolutions relating to income tax introduced by the Minister of Finance on 22nd April.†

* *Vide* pp. 1030-31.
† *Vide* p. 1031.

The Bill was introduced in the House of Assembly on 16th May. t was read a second time, considered in Committee and reported with ımendments on 20th May. The chief of these Amendments concerned 'lause 5 which sought to amend the Section of the principal Act provid-ıg for super-tax, from which companies have hitherto been exempt, in ·rder to include private companies. The definitions of the words ' private company" were set out in the Bill as: "any company wherein

(A) shares representing not less than 90 per cent. of the share capital are held or controlled by not more than five shareholders;

(B) shares representing not less than 51 per cent. of the share capital are held or controlled by one person; or

(C) not less than 75 per cent. of the working capital has been subscribed by one person.

Provided that the company shall not be deemed to be a private :ompany

(i.) if shares therein representing not less than 80 per cent. of the share capital are held or controlled by a public company."

In Committee **Mr. R. Stuttaford (South African Party,** *Newlands, C.P.*) noved to insert in (A) after the words "five shareholders":—

"Provided that where shares in a company are registered in the name of a partnership each partner shall be deemed to be a shareholder having a holding in the company in proportion to his interest in that partnership; or"

ınd to add in (i.) after "company":—

"(ii.) if it has distributed as dividends during the year of assessment a sum not less than seventy-five per centum of the amount upon which it would otherwise, but for the provisions of this paragraph, be assessed for super-tax in respect of such year of assessment."

These Amendments were considered and agreed to on 23rd May, ınd the Bill was finally passed on 26th May. The Act received assent on 30th May.

TOBACCO CONTROL ACT.

(Regulation of importation and manufacture of tobacco; Fixing an export quota percentage; etc.)

This Act provides for the regulation, in certain respects, of the trade in tobacco. It received Assent on 26th May.

The Act prohibits the importation of or the manufacture of tobacco save by the holder of a tobacco trader's licence, with certain exemptions, every tobacco trader being required to take out a separate licence in respect of each separate set of premises at which he carries on business (*Sect.* 2). The tobacco trader must display in a conspicuous place on his premises a sign indicating that he is licensed, and keep a daily record of his dealings in tobacco, the weight and class of the tobacco acquired by him, the name and address of every purchaser etc. (*Sects.* 4 and 5); and such books, as well as tobacco kept in stock are liable to be examined at all reasonable hours by any prescribed officer (*Sect.* 6). Monthly returns are to be prepared and furnished to such officials (*Sect.* 7).

Between 1st April and the last day of September in any year the Minister may, by notice in the "*Gazette,*" fix a tobacco export quota percentage in respect of every class of tobacco. The percentage may vary, and the Minister may exempt such quantity, not exceeding 20,000 lbs. in any one calendar year, of tobacco imported from overseas for the purpose of blending with tobacco produced in the Union in order to produce a characteristic flavour or aroma (*Sect.* 8).

The export of tobacco by tobacco traders shall be in proportion to the tobacco export quota percentage, provided that the liability to export imposed by this Section shall not attach to any tobacco trader (*a*) in respect of any tobacco imported by him from Southern Rhodesia under an export permit in terms of Article VI. of the Customs Agreement between the Governments of the Union and Southern Rhodesia, or of any other Customs Agreement entered into by these Governments; or (*b*) similarly from Northern Rhodesia in terms of Article VI. of the Customs Agreement between the Governments of the Union and Northern Rhodesia, etc.

A tobacco trader may relieve himself of the obligation to export any weight of any class of tobacco as specified above by entering into an agreement with a co-operative organisation to undertake the same. The Minister may at his discretion permit a tobacco grower to withdraw the tobacco in lieu of exporting it (*Sect.* 9).

The inspection of tobacco for export is provided for, and regulations are laid down concerning offences and penalties, licences, classification of tobacco, etc. The classes of tobacco to which the Act applies are: Turkish tobacco, flue-cured tobacco, and all other tobacco not included in the above categories (*Sects.* 10-14).

DEBATE IN HOUSE OF ASSEMBLY.

On 25th February,

The Minister of Agriculture (Gen. the Hon. J. C. G. Kemp), in moving the Second Reading, said the tobacco farmers had passed through a very difficult time. In 1921, 1922 and 1923 tobacco farming came practically to a stop; the prices were very low, while the neighbouring territories produced too much and entered their (S. African) markets. In 1930 they had felt that steps should be taken to get the farmers on their feet again, and the Department sent Mr. Lamont overseas to ascertain whether any markets could be found. He succeeded in finding a market for the major portion of their surplus tobacco.

Hitherto, the surplus tobacco had been carried by the Co-operative Societies. They felt that it was wrong that one section of the population should do everything to maintain the market and to work it up, as was done by these Societies, and the object of the Bill was to have the burden borne equally by all the tobacco farmers in South Africa—constituting a section of the population who should be treated very sympathetically. If steps were not taken to enable these people to maintain their markets by being able to export their surplus tobacco he feared that the markets in South Africa would collapse.

Surplus for the foreign market.

Where they could get an export market they had to continue taking the necessary steps to secure it; but in view of the fact that the foreign markets were weak on account of the existing crisis, they had to get everyone to co-operate so that they would be able to get the surplus on to the foreign markets.

A large portion of the country, the Minister of Agriculture continued, had joined up with the Co-operative movement, which was called compulsory co-operation; but a large proportion was still outside it. It was unfair that the Co-operative Societies should have to export their tobacco while people who had remained outside them could avail themselves of the benefit of co-operation without taking part. It was for that reason that it was necessary to have the Bill passed. It would enable tobacco farmers to build up a market and make a living.

Agreement with Rhodesia.

In view of the fact that they had an Agreement with Rhodesia under which Rhodesia was entitled to import 2,500,000 lbs., the Bill would not apply to those 2,500,000 lbs. so long as the Agreement was in existence. All tobacco, however, coming into South Africa above that quota would come under the Bill.

Last year, the Minister of Agriculture said, he did not fix the mealie quota arbitrarily; he fixed the $33\frac{1}{2}$ per cent. after he had consulted those concerned. The same could be done with regard to tobacco. Respecting the provision that the law would apply to certain districts which grew tobacco, it was argued that this would be unfair and that the law should apply to the whole country. If it was the opinion of the House that it should be made applicable to the whole country instead of it being left to the Minister to add districts or take off districts, then he, personally, had not the slightest objection to that. He considered it perfectly right that they should not exclude any parts. He saw the day coming when they again would be faced with a big over-production of tobacco, and when their people would again be placed in a most precarious position unless their internal market was maintained in a stable position.

Mr. R. A. Hockly (South African Party, *Fort Beaufort, C.P.*) said he took it that the direction of control suggested was a regulation of the industry so that they could have an export quota. If it was impossible to dictate and regulate the production, it was certainly useless to try to dictate and regulate markets for the products which they had to send overseas. They were told they had not to look to their English market. If that was the accepted principle in the minds of the Government, it seemed extraordinary to introduce a Bill to take steps to promote more the export than the internal consumption of their tobacco products.

"Quota mad."

Referring to the Dairy and Mealie Control Bills, Mr. Hockly said that in the latter they had a quota in a commodity that was not altogether a food for human beings, but was used for stock as well. It was rather important to consider what kind of quota was of most use to the producer. He thought the maize quota of more doubtful value than the quota as applied to dairy produce; now they had a third stage which was still more doubtful: an export quota for a luxury article. They seemed to assume that everything was all right so long as they provided for a quota of their produce to be sent over the water.

They remembered what the Marketing Division had to do with tobacco. They had to send a man specially over to Europe to sell tobacco that had been a drug on the market, and it was very painful indeed for those who produced it to have it sold 6,000 miles away at a dead loss. In the face of that they were now advocating a quota Tobacco Bill for more tobacco to be sent out of the country. The class of the tobacco that they had to grow to a great extent was not wanted on the other side at all.

Mr. Hockly also referred to the variety of agricultural conditions in the Union and asked, if a quota was introduced, what was going to happen in the case of a native growing Pondo tobacco, which, obviously, it would be useless to send overseas? If this tobacco did not come within the scope of the Bill the measure would operate unfairly.

Mr. A. L. Badenhorst (Nationalist, *Riversdale, C.P.*) considered that the expense connected with Co-operative Societies was far too high and had the effect of making the price of tobacco too high.

Growers of Turkish tobacco.

Mr. P. A. B. Faure (South African Party, *Hottentot's Holland, C.P.*) pointed out that in the Western Province they had a 100 per cent. control of Turkish tobacco. When there was a surplus they could control it. In 1931 they produced 1,800,000 lbs. and sold nothing, leaving a surplus of 2,000,000—so large a surplus that they called their growers together and induced them to restrict all planting so that this year they were only producing 400,000 lbs.

It cost them 1s. per lb. to produce their Turkish tobacco as against 1d. per lb. for the Virginian type. Some years ago

Mr. Lamont sold the Virginian leaf surplus in London at 2d. per lb. It was a dead loss. Did the Minister expect them to export their surplus at 2d.? They were absolutely against this Bill, as far as the Turkish tobacco growers were concerned. If the Minister, however, would give the assurance that he would exclude Turkish, Mr. Faure said he would support the Bill at this stage if the Virginian growers thought it would help them, or if the Minister would give him the assurance that he would allow him to move an Amendment to Clause 8 in Committee to the effect that he would consult the controlling body of each particular class or classes of tobacco.

He did not think that the Minister had gone out of his way to help them, and he was not only alluding to the Turkish tobacco growers but to all the growers of cigarette tobacco. They had a surtax of 3s. 6d. per lb. on cigarette tobacco, yet there was no tax at all on pipe tobacco. Why this anomaly? There were millions of cigarettes coming into the country, and the dumping duty did not apply to tobacco at all.

Consumption in South Africa.

Mr. S. P. le Roux (Nationalist, *Oudtshoorn, C.P.*) said it was calculated that the requirements of South Africa amounted to 16,000,000 lbs. of tobacco per year, of which 2,500,000 came from Rhodesia, so that only 13,500,000 lbs. were available to the farmers of the Union. As a result of their production rising, in 1921, to 16,000,000 lbs., prices immediately dropped, with all the consequent misery and poverty, so that the production next year dropped to 9,600,000 lbs. In consequence of this the demand became better and prices also improved, and in 1928, 23,000,000 lbs. were produced. Immediately there was another drop, so that they saw that the production was continually varying according to whether there was too much tobacco on the market in the one year, and too little the next year. Members would agree that a position of that kind should not be allowed to prevail in any important industry.

Altogether, Mr. le Roux continued, there were no fewer than from 180,000 to 200,000 people dependent on the industry. Tobacco farmers felt that it was essential that steps should be taken to create a better state of affairs. Since 1921 there had been a continuous agitation among tobacco farmers in order to get the industry under control. For that reason they insisted on compulsory co-operation. Legislation was passed but they did not get complete compulsion. Certain districts were under control, and they attempted to arrange matters so that the markets should not be unduly overloaded; and the people who had made those efforts had to make considerable sacrifices themselves. The farmers in the compulsory areas had to sacrifice everything for the farmers who remained outside.

If the Bill was not passed, the tobacco industry would have no future. Their population was growing, and there was no reason why in the course of time they should not be able to consume 20,000,000 lbs. of tobacco; and he hoped that they would be able then to produce sufficient tobacco so that it would no longer be necessary to import it from Rhodesia.

The Motion was put and, the House having divided, it was agreed to by 50 votes against 29. The Bill was read a second time.

DAIRY INDUSTRY CONTROL (AMENDMENT) ACT.

(Powers of Dairy Board; Fixing a quota; Bonuses and equal prices for dairy farmers; etc.)

This Act received assent on 24th March. The effect of the Act was explained by the Minister of Agriculture in his speech on the Motion for the Second Reading of the Bill.

DEBATE IN HOUSE OF ASSEMBLY.

On 25th February,

The Minister of Agriculture (Gen. the Hon. J. C. G. Kemp), in moving the Second Reading, said that since the coming into force of the Dairy Act it had become clear that certain defects and shortcomings existed in the Act, and he therefore thought it would be advisable to amend it. There was one new principle in the Amending Bill, namely, that the Dairy Board would have the power when paying out subsidies or bonuses to the factories who had to export the butter, to pay it on the basis on which the factories bought in the cream or milk. This provision did not exist at present and the Dairy Board, therefore, did not have the opportunity of making a distinction when factories paid less than other factories to the farmers. The Amendment now proposed would have the result that the farmers would get the full benefit of the bonuses, and that the dairy-farmer in the country would get more or less equal prices for their products.

Regarding the export quota for butter and cheese, the system at the moment was practically voluntary. The Dairy Board had certain rights and it was now proposed that it should have the power to instruct a factory to export a certain share of its dairy produce.

Fixing a quota.

There was another point for which the principal Act did not provide. It was that the Dairy Board was hampered by the provision of the quota, which was fixed according to the previous year's production. This did not work well. They possibly got an area where great drought prevailed and a factory was then compelled to export the same quantity as the previous year, although the production had been very much less. Also, if a new factory was established it was practically impossible to lay down how much that factory must export because there had been no export previously. Accordingly, it was now proposed that the Board after inquiry could fix a quota.

The last amendment was in connection with the neighbouring States. All he proposed was that they must contribute a proportionate quota of the butter and cheese that was exported. Hitherto, owing to the good understanding which had prevailed between South Africa and the neighbouring States, they had had no difficulties; but it was best to make the law on those points clear so that no misunderstanding should arise in future.

Mr. L. D. Gilson (South African Party, *Griqualand, C.P.*) said when the Act was originally introduced there was a lot of opposition and suspicion throughout the country on the part of consumers and farmers, but he thought that feeling had very largely died down. When the consuming public had realised that the best creamery butter could be bought for 1s. 2d. per lb. they would realise that the Dairy Board had in no way attempted to force up prices. On the other hand, the farming community had a feeling of confidence that the Board was acting in the best interests of the dairy-farmers and achieving very real results.

The policy of price-fixing.

Mr. Gilson pointed out that in the original Act power was given to the Board to fix the price of milk or cream paid by any factory to the farmer. The Board always felt that that was a drastic power and were reluctant to adopt the policy of price-fixing either for the finished article or for the raw product purchased from the farmer. The first amendment provided a way out of the difficulty: the Board should have the power to vary the amount of bounty paid according to the price paid by the factory for the milk or butter-fat used in the manufacture of butter and cheese. Where the factory paid the highest price possible for the raw product, it was entitled to get the highest bounty payable on export; but if it saw fit to pay a price which in the view of the Board was below the value of the milk or cream, the Board could say: "Very well, you shall get less bounty on your export quota."

Regarding Clause 2, everybody realised that export might be carried on at a loss and that where a surplus existed that surplus must be exported; the only fair way was to allocate every exporter his *pro rata* share which he was compelled to send out of the country. The clause which provided for that in the original Act was found to be *ultra vires*; it was worded in such a way that it could be evaded. This provision gave the Board an option. It said that if it considered it fair to base its determination on the previous year's output, it could do so; but it had discretion: it could consider the existing current output of the factory and, if it wished, determine the *pro rata* export on the current output. That would remedy an injustice.

They had to build up the dairy industry step by step. At present they only exported about 10 per cent. of their output in both butter and cheese, and to be fair in regulating this export every manufacturer, creamery and cheese factory must export its proportion and bear its share of the loss.

With reference to the last Clause, Mr. Gilson said all the neighbouring States, realising the advantage, joined hands with them in regulating and organising the dairy industry. They all paid the same levy as the Union producers, and received a *pro rata* share of the bounty; but they were liable, owing to faulty wording, to have to pay the whole of this levy over to the Control Board. It was only intended that a certain *pro rata* share in proportion to the amount of bounty paid should be handed over and the remainder retained for their own organisation.

Mr. C. R. Swart (Nationalist, *Ladybrand, O.F.S.*) said that if there was one Act that had proved of great benefit to the producer it was the Dairy Act. Were it not for that Act it would have gone very hard with the farmers who got revenue from milk and cream.

Bounties on a sliding scale.

Mr. H. P. Borlase (South African Party, *Durban, Umbilo, N.P.*), while objecting to the principle of paying bounties on a sliding instead of a fixed scale, said if the Bill went through unaltered the dairy-farmers would have to be congratulated on having achieved what all the world was now seeking to obtain, and mostly without success, namely, a rise in commodity prices.

Mr. H. Abrahamson (South African Party, *Weenen, N.P.*) said the sliding scale was made in order to assist the small creameries and cheese factories who were not in a position to pay as high a price as some of the bigger factories, and he thought a sliding scale was a far better method than fixing prices. He pointed out, however, that whatever the price paid they could not get a higher bounty than the maximum that was fixed.

The Bill was read a second time.

IRISH FREE STATE.

The following summary deals with some of the debates in the Dáil and the Senate in the Session which opened on 9th March, after the General Election. The Dáil adjourned on 5th August, 1932, until 19th October, and the Senate adjourned on 4th August until 19th October. Proceedings of the present Session will be dealt with in subsequent issues of the JOURNAL.

TRADE MISSION TO THE UNITED STATES.

(Report under consideration.)

On 5th July, in the Dáil,

Mr. E. Blythe (Cumann na nGaedheal, *Monaghan*) asked whether Mr. S. O'Mara was some months ago sent by the Government on a special mission to America, and with what object, and whether a Report would be presented to the Dáil; also what were Mr. O'Mara's allowances for travelling and subsistence and the total cost to the State?

The President of the Executive Council (Mr. E. de Valera) replied that the object was to inspect the existing establishments in the United States and to examine the possibilities of extending trade and consular representation with a view to providing further facilities and developing trade between the two countries. Mr. O'Mara had sent a Report on the result of his investigations embodying certain recommendations, which were under consideration. When the Report had been completely examined the President would explain the position to the Dáil and give details of the expenditure involved.

Mr. F. MacDermot (Independent, *Roscommon*) asked if the Report of the Mission would be laid before the House?

The President of the Executive said that the Report was of an extremely confidential nature and not of the kind that would be laid before the House. He would explain to the House the decisions that might be arrived at regarding the recommendations made. Replying to further questions, he added that Mr. O'Mara had received no salary, and that his expenses for subsistence and travelling allowances had so far been only half the estimate.

DIPLOMATIC REPRESENTATION.

(Minister in Germany.)

On 6th July, in the Dáil,

Mr. P. McGilligan (Cumann na nGaedheal, *National University*) asked if it was proposed soon to accredit an Irish Minister to the President of the German Reich?

The President of the Executive Council (Mr. E. de Valera) replied that the question of appointing a Minister to the vacant post in Berlin was under consideration. The period had not been abnormally long so far.

LAND ANNUITIES.

(Loss to Exchequer from moratorium; Effect on Agricultural Grant; Arbitration within the Commonwealth; Hopes of economic reconstruction.)

On 5th July, in the Dáil,

Mr. B. Braiser (Independent, *Cork County, E.*) asked in view of the Minister's recent pronouncement in which payments of arrears of land purchase annuities due to December, 1931, had been deferred, what steps he proposed to take to relieve rates on agricultural land of the additional burden consequent on this relief, and whether he intended to introduce legislation removing this burden altogether from the Agricultural Grant?

The Minister for Lands and Fisheries (Mr. P. J. Ruttledge) replied: " It is not the intention of the Government to vary the provision made in the Budget for the relief of rates on agricultural land. The answer to the last part of the question is in the negative."

Mr. J. T. Wolfe (Independent, *Cork County, W.*) asked from what date the de-rating of agricultural land out of the detained Land Annuities would commence, in accordance with the declared policy and undertakings of the Government?

The Minister for Lands and Fisheries: " The Government has informed the British Government of its willingness to submit the question of the right to the Land Annuities and other payments to arbitration, provided that no restriction is placed on the choice of the personnel of the tribunal. It is not proposed to make any use of the Land Annuities while there appears to be a possibility that that offer may be accepted."

Amount of recent arrears.

Mr. Wolfe asked what amount of the half-yearly annuities payable by tenant purchasers fell due on 1st June, 1932, and remained unpaid on 1st July, 1932, and what were the corresponding arrears in the previous year?

The Minister for Lands and Fisheries replied that £699,000 remained unpaid on 1st July, 1931, which was due for payment on the previous 1st June. The figures for 1932 could not be given, because the accounts relating to collection of annuities up to 1st June, 1932, had not yet been made up. Some of the moneys involved might relate to the arrears in respect of which a moratorium had been granted. No arrangement had been made, or was in contemplation, with regard to providing an increase of the Agricultural Grant.

Mr. James Dillon (**Independent**, *Donegal*) asked whether the Exchequer had recouped itself out of the Agricultural Grant for the arrears for which the Government had now declared a moratorium?

The Minister for Lands and Fisheries: "They have not. There is no interference so far as the Agricultural Grant is concerned. These moneys were in respect of arrears that fell due at a particular time. These moneys have to be recouped. It is only on 31st of next January that the question will arise with regard to these arrears, or of provision being made as regards the Agricultural Grant. In the meantime the Agricultural Grant will suffer to an extent. I believe, on the other hand, that the Agricultural Grant will gain, because those people who are affected by this moratorium are people who, we were satisfied after the fullest investigation, were practically unable to meet their liabilities. We believe that the relief granted to them now will enable them to meet the current rates."

Mr. Dillon: "As far as I understand, the moratorium is being financed out of the Agricultural Grant. You are taking it out of one pocket and putting it into another."

The Minister for Lands and Fisheries: "That is not so."

DEBATE IN THE DÁIL.

On 13th July, during the debate on the Supplementary Vote for the Department of Agriculture,

The President of the Executive Council (Mr. E. de Valera) said that the people were being robbed of £5,000,000 a year which they thought was theirs. These sums paid since the Free State was established amounted to over £51,000,000. British Treasury experts had estimated the relative taxable capacity of Great Britain and the Free State as being 66 to 1. On that basis the payment in ten years would be equivalent to £3,300,000,000 paid by Great Britain; and the annual payment would be equivalent to £330,000,000 by Great Britain. Everybody had realised that, if they were serious in this matter, they would have to face such a situation as had arisen. The Government had faced the disagreeable task of demanding payment of these moneys from the farmers and putting them into the Suspense Account. The moneys were due to the

State, the community as a whole, on whose credit partly the moneys were originally advanced. The Government had told the British: "We do not believe this money is due from us; we are prepared to have the matter settled by arbitration; but we are not going to arbitration, to be told that we must make our selection from a particular set that may be arranged by another Government—the other party to the dispute." The very essence of arbitration was freedom of choice of nominees by the separate parties. The President believed that no Irishman would ever forget the Feetham Commission,* or would ever again have any confidence in a court of that character.

Dealing with the argument that an appeal *ad misericordiam* should be made, on the plea that the farmers were unable to pay the annuities, the President said that it was difficult, almost impossible, for them to pay. They had paid only after tightening their belts, on many occasions, and depriving themselves of the necessaries of life. But why should that argument be used when there was a moral right to retain the Annuities? There was ground for getting relief as a matter of right and not as a matter of grace. They were not asking for sympathy, but for their rights. The Government would do the work it got a mandate to do, and having done it, it would go back to the people. It would carry out its mandate so long as it had a majority in the Dáil.

New economic policy.

"We are going to get out of economic slavery this time," said the President. "We may have trouble in doing it. There will be hardships, no doubt, but there was many an Irishman before who wished to Heaven that an opportunity was given him to end the sort of economic policy that existed in this country in the past." It would have taken many years to change that policy by deliberate action on their own part; but the British were now going to do it for them. He predicted that many a generation of Irishmen would bless the day when the English tried to do this. They would be driven back to what economics should be—to have their own people fed as the first duty of agriculture. The hungry people who in a land of plenty were unable to get food would be able to get it because of the system resulting from this new situation. Quick changes were difficult, and the Government would have chosen slower methods. The British people would feel the economic war just as much as the Free State, and every day of distress now would mean a day of prosperity for the people in future.

* Mr. Justice Feetham was appointed Chairman of the Ulster Boundary Commission in 1924.

It would mean getting more quickly to that national system of economy which had always been the objective of the President's Party. He appealed to the Irish people to stand firm.

Concluding, the President declared that the Government were prepared to accept a fair court of arbitration, with two members chosen by the British and two by themselves, and a fifth to be agreed upon. Supposing that all members of the British Commonwealth were one family, there were occasions when family quarrels had to be settled by outside arbitration. No principle, he contended, was involved. The 1930 Imperial Conference Report had only laid down general rules, but they were never suggested as binding. This was one of those cases in which it was desirable to go outside the family circle. The Government's decision, insisting upon free choice of personnel, was irrevocable. If that offer were accepted, there need be no economic war. The Annuities would not be paid until a court which could be regarded as a fair court had decided that the money was due.

Mr. P. Hogan (Cumann na nGaedheal, *Galway*) described the President's speech as hysterical and cowardly. Patriotism, he said, did not consist in always delivering ultimatums, taking up a fixed attitude, talking big and getting popular applause instead of settling down and trying to solve the details of Government, which was much harder and more humdrum, but much more patriotic. The position they were now in went far towards disgracing the country. The President was, he believed, trying to bring about two revolutions—political and economic—with his eyes open. It could not be done without the most terrible suffering, dislocation and loss to the people. The Deputy appealed to the President to face up to the real position and start with the intention of coming to some settlement. It was, he argued, a cowardly attitude to avoid dealing with the ordinary requirements of the people by making a foreign quarrel and asking the country to unite behind him. He accused the Fianna Fáil Party of having since 1926 demoralised the farmers by telling them that if they voted for Fianna Fáil they need not pay their land Annuities. That policy had changed the whole situation. The insecurity and moratoriums and the debate about Land Annuities would bring still more farmers to the position of being unable to pay their arrears. Some Irish leader with more courage and patriotism than the President would then have to make an *ad misericordiam* appeal.

On a division the Estimate was carried by 71 votes to 58.

EMERGENCY IMPOSITION OF DUTIES ACT.

(Power to impose new duties; "Economic War" measures; Effect on Irish industries; Pleas for negotiation; Executive's "autocratic powers"; Amendments by the Senate; Attitude of Labour Party.)

This Bill was introduced in the Dáil on 14th July by the Minister for Finance and carried through its final stages on 22nd July. It received assent on 23rd July.

Described as "an Act to authorise the Executive Council to impose, vary and remove by Order customs duties, excise duties and stamp duties," its main provisions are as follow:—

The Executive Council may, if and whenever they think proper, do by Order all or any of the following things:—

(A) Impose, with or without modification, a customs duty of such amount as they think proper, on any sort of goods imported into the Free State, adding such duty, if so desired, to any previously existing duty;

(B) vary in any way any Customs duty on goods imported into the Saorstát;

(C) limit any import duties to goods from particular countries;

(D) "impose, whether with or without qualifications, limitations, allowances, exemptions, or preferential rates, an excise duty on any particular matter or thing as from any specified day and, for the purpose of such duty, require the taking out of a licence for the doing of any particular thing";

(E) vary, in any way and from any specified day, any excise duty;

(F) "impose, whether with or without qualifications, limitations, allowances, exemptions, or preferential rates, a stamp duty on any particular description of document or transaction or from any specified day and, for the purpose of such duty, require a document, or a particular form of document, to be used in or in connection with any particular description of transaction";

(G) vary in any way any stamp duty in force or imposed;

(H) "apply (with or without modifications) to or in respect of any duty imposed or varied under this section any statutory provision regulating the collection of, or imposing penalties in relation to, duties of the class to which such duty belongs";

(I) place any duty imposed under this section under the care and management of the Revenue Commissioners;

(J) amend, vary or revoke any Order previously made under this section (*Section* 1).

Every Order made by the Executive Council under this section shall have statutory effect upon the making thereof, and unless such Order is confirmed by Act of the Oireachtas [Parliament] within eight months, such Order shall cease to have statutory effect at the expiration of such eight months, but without prejudice to the validity of anything previously done under it (*Section* 2).

If the Dáil stands adjourned for more than 10 days when an order under this section is made or before it is confirmed, and if during such adjournment a majority of the Dáil by notice in writing to the Speaker request its being summoned, the Dáil shall be summoned to meet within 21 days and not sooner than 10 days after issue of such summons (*Section* 3).

DEBATE IN THE DÁIL.

On 14th July, in the Dáil, in introducing the Second Reading of the Bill,

The Minister for Finance (**Mr. S. MacEntee**) insisted that the Bill was not introduced in a spirit of retaliation or aggression, but primarily as a Measure of self-defence. An issue had arisen between the Free State and its neighbours as to whether moneys hitherto paid to them were rightfully due. The sums paid were enormous in relation to their resources, but comparatively trifling in relation to those of Great Britain. The issue raised, although of little monetary significance to Great Britain, was of the greatest moment to the Free State.

" Notwithstanding that," said the Minister, " because we are anxious for peace, and because we are genuinely desirous that harmonious and friendly relations should exist between the two States, we have signified our willingness to put the whole question to the hazard of arbitration. We have made only two conditions in this regard : (1) that we should be unrestricted in choosing our nominees on the tribunal, and (2) that when the terms of reference and the constitution of the tribunal have been agreed upon, the agreement should be submitted to the Oireachtas for approval before the arbitration proceedings begin." Meanwhile, even while negotiations were proceeding, the Government, which might have done otherwise if it had anything but an honest purpose in view, had imposed on the country this year an additional burden of £4,250,000 in taxation. That step might have been avoided if the Government had been hypocritical in its professions. As a further pledge of readiness to abide by the result of arbitration, the Government had carried to a Suspense Account all moneys in dispute and was not utilising them in any way to defray the present cost of Public Services.

" Economic war."

While deploring any exacerbation of feeling on either side, the Minister argued that if the other parties to the dispute had been animated by the same desire to find a just and honourable settlement, they would not have chosen at this moment to translate the issue from the realm of reasonable and pacific discussion to that of economic war. Great Britain had, he declared, decided to embark upon a policy both provocative and destructive. The Free State Government's policy was to

establish with Great Britain cordial friendship on a basis upon which friendship or accord between the two peoples could endure, recognising the full rights and liberties of the people. It had retained the Land Annuities because it was, he said, justly, morally and legally entitled to them. " This issue of the Land Annuities is vital to us," said the Minister. " We cannot, in consequence, let them go until an impartial and just tribunal decides that we have no moral right to them."

General R. Mulcahy (**Cumann na nGaedheal**, *Dublin City, N.*) : " Moral or legal ? "

The Minister for Finance : " The matter is still open to arbitration. Why, then, since it is still open, should our neighbours assume the offensive ? Is it because they are doubtful of the issue ? We are not. We are firmly anchored in the justice of our cause. . . The moneys are safe, and will be kept safe, pending the result of the arbitration. They will then be retained or handed over as these results may determine."

Effect on Irish industries.

The measures taken by Great Britain, the Minister continued, were unwarranted and unprecedented. They would be futile to make the people of the Free State pay the Annuities before a tribunal decided that they were bound to pay them. Trade relations between the two countries were such that for every penny-piece robbed from the Free State by a tariff on agricultural produce, the Free State could recoup itself by a tariff on her manufactures. That was well known to the British. Had these tariffs, therefore, been imposed merely with the desire to sabotage Irish industries ? The economic history of Ireland was a record of Irish industry destroyed by British legislation. The Minister hoped that one result of the situation would be to unite the people in a manner which would render its industries invulnerable and secure its liberties and safeguard its rights.

The powers sought under the Bill, said the Minister, were wide and sweeping, but not more than the present situation required. They would be used with prudence, moderation and foresight and their exercise would be subject to review and confirmation by the Dáil. The Government were confident that other markets could be found. If necessary, inducements would be offered to other people to buy from the Free State. Substantial inducements, in Imperial Preference, had been given to Great Britain in the past. It was necessary, in view of Great Britain's attitude, to close the Free State markets to Great Britain. Nevertheless, the Government was " anxious to establish with the people on the other side of the Irish Sea, who are bound to us by ties not merely of trade and commerce, but by ties of blood as well, a cordial friendship. To defend themselves, the powers asked for in the Bill were absolutely necessary."

Causes of the dispute.

Gen. Mulcahy said that before passing the Bill the Dáil must consider whether the Free State was to remain in the British Commonwealth of Nations or not. He appealed to the Government to declare its policy on that question openly.

On 15th July,

Mr. P. Hogan (Cumann na aGaedheal, *Galway*) said that the Government had a better chance than its predecessors to make a new settlement. A new Government in Great Britain was in a position to make new concessions and arrangements. But he could not learn yet what the dispute was about, although it had by now come down to details. Was the dispute about the tribunal or about the chairman? The country was being rushed into an economic war that would lead first to poverty and then to revolution. He was afraid that some Deputies were more anxious for a social and economic revolution than for a settlement. The country should be allowed to know what the dispute was about before plunging into war.

The First Reading was carried by 69 votes to 59.

On the same day, on the Second Reading,

Mr. F. MacDermott (Independent, *Roscommon*) said that they were all being asked to rally round the Government, but what were they to rally round them about? The country had been brought to the verge of a ruinous economic war without any discussion of the merits of the case.

Taxation by decree.

Mr. W. T. Cosgrave (Leader of the Opposition) contended that the people had been told that the Land Annuities dispute could be settled easily, legally and favourably. There had been no mention of any claim to the Land Annuities until 1926, when the Free State's liability for the Public Debt of Great Britain had been wiped out. In 1923 the Dáil was fully informed regarding every item of the Financial Agreement then signed which affected the people. The Dáil was now being asked to pass a Bill which would give the Administration power for all time to collect any money required to run the affairs of the country. There would be no further necessity to impose taxation. The Bill was almost a perpetual Measure for imposing taxation. "If it passes into law," said the Deputy, "giving such powers to the Administration, you can roll up your Parliament. There will be no necessity to meet here any more." The Ministry had, on second thoughts, limited the duration of its decrees to eight months; but the

orders could be immediately reimposed. The defenceless people should not, he argued, be made the sport of politics. There were 200,000 farmers with uneconomic holdings, and the average of all Land Annuities payable was only £10 per holding.

The Second Reading was carried by 68 votes to 57, and the Bill passed through Committee without being amended. Its final reading was carried by 68 votes to 57.

DEBATE IN THE SENATE.

On 18th July, in the Senate, in introducing the Second Reading,

The Minister for Posts and Telegraphs (Senator Joseph Connolly) said that the Bill had now passed the Dáil. He submitted that in the country there must be a closing of the ranks, in the Legislature, the Press and the people, to defend their country against aggression.

Senator S. Milroy asked, was the Minister inviting the country to unite in a determination to commit economic and national suicide? The crisis had been provoked by reckless and irresponsible handling by the Executive Council.

Senator James Douglas declared that the Bill, plus the Constitution (Amendment) No. 17 Act,* which was still law, undoubtedly would give to the Executive absolutely autocratic powers over every person and all property in the country. The Bill seemed to him to give exceedingly little power to damage England and an appalling amount of power to damage the people of this country. He urged that provision should be made by which a majority of the Dáil could call it together in case of need. If there was to be economic war, why did not the Executive Council do it for a Republic openly?

Senator John Bagwell said that he believed some such Bill was inevitable if a tariff war was started; but the whole thing had been entirely avoidable. He thought it absolutely disgraceful that the country should be brought to such a condition when without any sacrifice of principle or dignity the matter could have been settled without any tariff war. It would injure Ireland far more than England, and it might rbing permanent injury to the country's economic structure.

The President of the Executive Council (Mr. E. de Valera) said that these powers were not being taken in an aggressive spirit, and that it gave no satisfaction to the Executive to know that in the struggle the people of England would suffer as much.

On 20th July, in Committee, a number of Amendments to the Bill were passed by the Senate. The principal Amendments were to delete

* This Act, popularly known as the Public Safety Act, was passed by Mr. Cosgrave's Administration in November, 1931. *Vide* JOURNAL, Vol. XII., No. 4, pp. 1105-1109, for summary of its provisions.

paragraphs (F) and (G) of Section 1 (giving power to impose a stamp duty on any description of document or transaction and to require the use of documents for transactions, and to vary any stamp duty). This Amendment was carried by 28 votes to 18.

The fifth Amendment, which was carried without a division, was to provide that if the Dáil stood adjourned for more than 10 days, a majority of its Members might give notice in writing to the Speaker to require that the Dáil be summoned within 21 days following.

DEBATE IN THE DÁIL.

On 22nd July,

The President of the Executive Council moved that the Dáil should reject the first two of the five recommendations by the Senate.

Mr. Cosgrave argued that the number of people in Great Britain who desired an economic war between the two countries was negligible, and that the vast majority in both countries wanted peace. There was an opportunity for negotiating a settlement, even if the two Governments had committed themselves to statements or actions which made it difficult. Economic conditions had changed greatly since 1926, and the country could not afford to ignore the market which took 90 per cent. of its produce. Serious damage might be done if they tried to tighten their belts further than they were already. Sooner or later, negotiations would have to take place. Let them be before the real damage was done.

Labour Party's attitude.

Mr. W. Davin (Labour Party, *Leix-Offaly*) claimed that his small Party had left nothing undone, either privately or publicly, to try and bring about a friendly settlement. But they would not advise the Government to surrender on the issue, nor did they see any necessity for a National Government. They had refrained from speaking on the earlier stages of the Bill because they were trying to bring about a fair and friendly settlement. They believed that if all Parties now united behind the Government the country would be saved millions of pounds, to the advantage of all classes.

The President of the Executive Council contended that the Government was taking the fullest powers required for national defence. The powers could not be abused, as the Dáil would always be master of the situation, and the Government was for that reason accepting the Senate's recommendation, that the Dáil might be assembled at any time if the majority of Deputies requested it. The Government was very far from being anxious to extend the area of conflict. But in order to make a virtue of the present necessity, the Government would see whether in the present circumstances they could not hasten

more quickly than under normal conditions towards the final objective, of making the country as self-supporting as they could. They must, therefore, see that as little of outside produce as possible came into the country.

Mr. P. Hogan (Cumann na nGaedheal, *Galway*) said that the real difficulty about arbitration was not financial but political. The Government could easily find two good nominees in Ireland and hold out for a good chairman. The President's demand for nominees outside the British Commonwealth was regarded in Britain as secession. The Land Annuities were a commercial debt which could not possibly be regarded as similar to War Debts. The present fight was being persevered in, not for economic or financial but for political considerations.

Mr. W. Norton (Chairman of the Parliamentary Labour Party) said that the nation would not be best served by sounding the bugle. But his Party held very definitely that in defending the nation against an economic war which had been launched upon it, the Executive must be given full and complete powers. The British Government had imposed its tariffs on Irish imports when negotiations were in progress; and its insistence on payment of the Land Annuities was the direct cause of the negotiations breaking down. The Irish Labour Party desired peace and a free and honourable settlement, free from duress or intimidation.

The Motion was carried by 71 votes to 60.

EMERGENCY FUND GRANT-IN-AID.

(Grant-in-Aid of £2,000,000; Help for dislocated industries and agriculture; Attitude of the Labour Party.)

On 4th August, in the Dáil, a debate took place on the following Resolution moved by the President of the Executive Council :—

That a sum not exceeding £2,000,000 be granted to defray the charge which will come in course of payment during the year ending on 31st May, 1933, for a Grant-in-Aid to a Fund required to meet disbursements arising out of and in the course of the present emergency.

DEBATE IN THE DÁIL.

The President of the Executive Council (Mr. E. de Valera), in moving the Resolution, said that the powers and authority recently given to the Executive would be of little use unless funds were provided to take the necessary steps. The Executive could not know yet what sums would be necessary, and it was therefore asking for an amount sufficient to cover any possible demands while the Dáil was not sitting. The Paper circulated to the Dáil explained that—

> Disbursements will be made from this Fund, subject to terms and conditions to be approved by the Minister for Finance, to promote the continuance of trade, industry and business, to open new markets for agricultural and manufactured producers, to establish, or assist in establishing, new industries, and generally for all expenses arising out of and in the course of the present emergency.

The terms, said the President, were wide enough to cover expenditure in any line which might be necessary to meet the emergency which had been created. The Executive Council was searching for alternative markets, to compensate for dislocation caused by the British tariffs. The moneys would be accounted for in detail to the Comptroller and Auditor-General and any balance not issued would be surrendered. The Vote was under present circumstances a vote of confidence in the Executive Council.

Mr. W. T. Cosgrave (Leader of the Opposition) said it was probably the most extraordinary proposal ever placed before any Parliament. The President's speech showed plainly that no consideration had been given to the matter except to ask for £2,000,000 to be spent at the Executive Council's discretion. There was no reason why the Dáil should not meet, weekly or fortnightly or monthly, to consider any proposals. The main industry of the country had been crippled, but the emergency fund was to promote "trade, industry and business." The whole Grant-in-Aid would not compensate agriculture for the losses it had sustained, but how much was agriculture to receive? The Deputy declared that the Vote was "the beginning of socialism or communism."

Continuing, he argued that this was not the only means of dealing with the situation. Why not have a final and proper settlement? The only obstacle was the Executive Council's lack of confidence in itself to negotiate and conclude a settlement. In war usually prices soared; but the country was now entering a war in which prices were dropping. There was a very big difference between starting a new business and ignoring the markets already available. If the Government really intended experiments in socialism, let it say so. It had no mandate for such a policy. The Budget had already increased taxation by £5,000,000, and this Vote would add a further £2,000,000, at a time when prices were lower than for thirty or forty years past.

On 5th August,

Mr. W. Norton (Chairman of the Parliamentary Labour Party) complained that the Executive Council should have given more details of its intention. It had done more than the Opposition would have done in 100 years; but was it now going to spend £2,000,000 in bolstering up capitalism? Or would it evolve some new social policy to give the people a decent standard of life? The capitalist system would never stand the shock of this crisis, which was only part of the bigger and wider problem of chronic unemployment under capitalism. The Executive Council must face up to the necessity of giving every man and woman in the country the opportunity to earn a decent livelihood in their own land, which the country was capable of providing.

The Vote was carried by 58 votes to 43.

TRADE.

(Foreign markets for agricultural produce; Value of exports; Exports to the Dominions: figures for 1931.)

On 5th July, in the Dáil,

Mr. P. McGilligan (Cumann na nGaedheal, *National University*) asked in what countries was an endeavour being made to open up new markets for Irish agricultural produce by the diplomatic and consular representatives; for which special products markets were being sought; and what success had attended the efforts being made?

The Minister for Agriculture (Dr. J. Ryan) replied that special attention had been given to such matters in recent months by the diplomatic and consular representatives. A Commercial Secretary resident in France had been appointed to promote trade interests in Paris. Negotiations were at present in progress with several countries in regard to various classes of agricultural commodities; but details could not yet be given. The countries concerned were particularly France, Germany and America.

On 12th July, in the Dáil,

Mr. McGilligan asked for information as to the value of the exports (not including re-exports) from the Free State to Great Britain and Northern Ireland, and from Great Britain and Northern Ireland to the Free State, for the last twelve-month period for which figures were available.

The Minister for Industry and Commerce (Mr. S. Lemass) replied that the value of exports (not including re-exports) from the Free State to Great Britain and Northern Ireland in twelve months from June, 1931, to May, 1932, inclusive, was £32,826,840. Exports (not including re-exports) from Great Britain and Northern Ireland to the Free State in the calendar year 1931 were £30,413,960.

On 13th July, in the Dáil,

Mr. McGilligan asked what was the value, for the last twelve months for which figures were available, of the Free State exports to South Africa, Canada, Australia, New Zealand and Southern Rhodesia, and of the imports from these countries into the Free State, distinguishing the most important items ?

The Minister for Finance (Mr. S. MacEntee) supplied the following figures for the calendar year 1931 :—

From or to	*Imports.*	*Exports.*
BRITISH SOUTH AFRICA	£1,055	£22,381 (horses, £3,000 ; parcel post, £4,500).
CANADA...	£717,803 (wheat, £204,030 ; wheaten flour, £199,000 ; wood and timber, £83,000 ; paper, £72,500).	£30,271 (biscuits, £6,800 ; woollen tissues, £6,200 ; tractors, £6,600).
AUSTRALIA	£652,212 (wheat, £648,000)	£10,396 (tractors, £4,700).
NEW ZEALAND ...	£28,847 (hops, £28,300).	£6,226
RHODESIA	£13 (parcel post).	£1,487

TRADE LOANS (GUARANTEE) (AMENDMENT) ACT.

(Continuance of existing Act.)

The Trade Loans (Guarantee) (Amendment) Act was assented to on 22nd July.

DEBATE IN THE DÁIL.

On 30th June, on the Motion for the Second Reading of the Bill,

The Minister for Industry and Commerce (Mr. S. Lemass) explained that various suggestions had been made to amend the existing Act, which was now expiring. But the Executive Council desired to examine the question more fully, and the Act would be continued for another twelve months. Four applications had been approved and were awaiting the completion of legal formalities.

Mr. W. T. Cosgrave (Leader of the Opposition) asked whether any application had been made from any firm or concern which had previously got a guarantee ; and whether any applications had been made from any individual concerns manufacturing any of the 63 items which had been recently tariffed ?

The Minister for Industry and Commerce replied that he knew of no recent application from any firms which had previously received a guarantee. Some applications had been received from firms proposing to engage in the tariffed industries, but he could not indicate the stage yet reached by such applications. Some were only in the very tentative stage represented by a letter to the Department, followed by an attempt to present the application in the prescribed form. Some had already been rejected. Long delays had occurred under the Act hitherto, and generally speaking he thought that it necessitated slow procedure, which was one of the defects of this method of giving assistance.

The Bill passed through all its stages without a division, and received Assent on 22nd July, 1932.

CONTROL OF MANUFACTURES BILL.

(Restrictions upon branches of combines ; Introduction of manufacture licences ; Requirement of "National" ownership or control; Exclusion of Northern Ireland.)

This Bill, which was introduced in the Dáil on 8th June by the Minister for Industry and Commerce, was read a second time on 15th June, as recorded in the last issue of the JOURNAL.

After amendment in Committee its chief provisions were :—

Each of the following persons shall for the purposes of the Act be a national of the Free State : (A) a person born in the Free State or the area now comprised in the Free State ; and (B) a person who at the relevant time is, and for not less than 7 *consecutive* years immediately preceding that time has been, resident in the Free State. (*Clause* 1 (2).)

It shall not be lawful for any person who carries on a business by way of trade or for the purposes of gain as part of such business, to make, alter, repair, ornament, finish or adapt for sale any article material or substance, unless—

(A) such business is at such time in the beneficial ownership of one or more individual who are at the time nationals of Saorstát Eireann ; or

(B) such business is at such time owned by a corporate body of whose shares more than one-half are owned by Saorstát nationals ; or

(C) such business existed on 1st June, 1932, and is owned by the same body corporate as at that time ; or

(E) such person holds a new manufacture licence for such business. (*Clause* 2.)

Any contravention of this Act shall be punishable by a fine of £50 and £10 for every day if the offence is continued. (*Clause* 3.)

The Minister for Industry and Commerce may in his absolute discretion grant or refuse a licence for all or part of the business for which application is made in the prescribed form. (*Clause* 5.)

A manufacture licence shall expire when the business is terminated, or when the Minister revokes it or refuses to transfer it. (*Clause* 8.)

The Minister may revoke a licence if the holder is convicted of an offence under any Section of the Act. (*Clause* 9.)

The Minister may in writing demand a return within 28 days giving information as to the objects of a corporation; its date of establishment; the nature of its business at 1st June, 1932, and the amount of its shares, the names of directors and of all shareholders; and any other information necessary to determine the beneficial ownership or nature of the business. (*Clause* 10.)

The Minister may make regulations by Order in relation to any matter or thing referred to in the Act as prescribed or to be prescribed. Such regulations shall be laid before the Dáil and Senate and may be annulled by resolution if passed within 21 days of session. (*Clause* 11.)

DEBATE IN THE SENATE.

On 22nd July, in the Senate,

The Minister for Posts and Telegraphs (Senator J. Connolly), in moving the Second Reading, said that the general object of the Bill was to protect native manufactures from being dominated by foreign capital and foreign control. There was an obvious danger of foreigners seeking to establish manufactures in the country as a means of evading tariffs. The Bill was not meant to discourage indiscriminately the use of foreign capital or the establishment of foreign manufactures in the country. It aimed at reasonable protection of native manufactures. There was no prohibition of any manufactures where more than half the invested capital was owned by nationals of the Free State; and even when that condition was not fulfilled licences could be granted to any group at the Minister's discretion. Such licences would be granted where the Minister was satisfied that, having regard to the terms and conditions, the proposed manufacture would not endanger native industry. When once granted, a licence was, with some exceptions, irrevocable.

Definition of "nationals."

The Bill defined who was a "national" for the purpose of the Bill. The position regarding nationals in Ireland was anomalous, and legislation would soon be needed to define the whole basis of citizenship. Meanwhile, the Bill defined a national as

> "(A) A person born in Saorstát Eireann or in the area now comprised in Saorstát Eireann, and (B) a person who at the relevant time is, and for not less than seven consecutive years immediately preceding that time has been, resident in Saorstát Eireann."

Replying to Senator Douglas, the Minister said that he personally regarded the addendum to Clause (A) as quite unnecessary, and he did not know what the draftsman had in

mind in including it. Continuing, the Minister said that all manufacturing concerns which had been operating before 1st June, 1932, would be free of any restrictions. The Bill did not interfere in any way with the distributing trade. Defending Clause 5, which gave absolute discretion to the Minister in granting licences for manufacture, he said that the different circumstances were so varied that it was considered impracticable to lay down any principle to cover all the possibilities. In most cases the matter would have to go to the Executive Council.

Senator James Douglas said that the Bill involved great dangers. He was not opposed to the principle that manufactures should be under the control of nationals of the country; but he thought the Senate should very carefully consider the principle of empowering the Executive to grant licences without any definition of the reasons which would decide their granting. He had no fear of individual corruption; but the Bill was intended to last for all time, and its principles, if accepted, would be very difficult to change.

Senator Henry Guinness asked whether the Bill would apply to the extension of an existing business? He knew of a company with thousands of shareholders. If it should wish to manufacture something a little different from its present products, it would be almost impossible for all its existing shareholders to comply with the qualifications required for a licence.

Senator Andrew Jameson said that, having read the Bill, he did not think that anyone, Free State citizen or otherwise, would put money into new manufacturing firms under the Bill's provisions. There were too many complicated and difficult questions, and the Minister was finally left to decide whether the firm should carry on or not, and under what conditions; and he had power to revoke the licence at any moment. The Bill would achieve its object if it was intended to prevent buying from any other country, but it would not in any way facilitate the introduction of new capital to establish new businesses.

Citizens of Northern Ireland.

The Minister for Posts and Telegraphs, replying, said there was greater danger of competition from the free operation of industrial combines than from the discretion entrusted to a Minister. Regarding the definition of nationals, he said there was nothing they would welcome more than that every Irishman, whether in the Free State or in the six excluded Counties, should be treated alike. But they had to bow regretfully to the existing position, that the people of the Six Counties chose for the present to be citizens of Britain and the Six Counties instead of the Free State. The Measure had been drafted with great difficulty and after prolonged consideration by the Executive Council. Any suggestions which would improve the Measure would be welcomed.

On 28th July, in Committee,

Senator Douglas moved an Amendment to substitute the following definition for a national:—

"(A) A person born in Ireland or a person born outside Ireland whose mother was a resident in Ireland but temporarily absent from Ireland at the time of his birth."

To illustrate the anomaly of the Bill's definition he pointed out that the Ministers for Finance in both the present and the previous Ministries were born in the Six Counties, and also the Ministers for Industry and Commerce. The Senator desired that people born in Northern Ireland, particularly those who had not much interest in the Free State, should be encouraged to put money into Free State industries.

The Minister for Posts and Telegraphs replied that however regrettable the partition of Ireland was, certain politicians in the North of Ireland had decided that the Six Counties should have nothing to do with the Twenty-six Counties. They were more affiliated with the political life of Britain than with the Free State. The people responsible for partition could not have it both ways.

The Amendment was carried by 22 votes to 11.

Another Amendment accepted by the Minister reduced from 7 to 5 years the period of consecutive residence in the Free State.

On 29th July, in Committee,

Senator Douglas moved an Amendment to substitute the words " in accordance with provisions contained in regulations made under this Act " for " in his absolute discretion."

The Minister for Posts and Telegraphs, in opposing the Amendment, said that all forms of inquiry commissions delayed matters excessively, and that it was essential to give full discretion to the Minister.

Senator Jameson said that the Bill left no authority to the Oireachtas [Parliament]. The Amendment would obviate the objections to dilatory committees, but would provide for Parliamentary control, without which they would have a dictatorship.

The Amendment was declared carried.

GOVERNMENT AND FOREIGN INDUSTRIALISTS.

(Control of Manufactures Bill; Conditions for refusing or granting licences.)

On 30th June, in the Dáil,

Gen. R. Mulcahy (Cumann na nGaedheal, *Dublin City, N.*) asked whether the Minister for Industry and Commerce had

expressed to any foreign persons or companies his disapproval of proposals by them to establish or extend their industry in the Free State, and if so, to give various details?

The Minister for Industry and Commerce (Mr. S. Lemass) replied that he had indicated to some applicants that when the Control of Manufactures Bill became law it was unlikely that their application for a licence under that Act would meet with favourable consideration. He thought that in the interests of the applicants their names and other details should not be given.

Mr. W. T. Cosgrave (Leader of the Opposition) asked if the Minister had received legal advice as to whether the undertaking he had given to certain firms was binding in law?

The Minister for Industry and Commerce: " It is quite obviously not binding in law."

In reply to questions, the Minister said that no question of conditions arose; and that he had indicated to certain applicants for a licence under the Control of Manufactures Bill that in due course he would be prepared to grant them a licence, subject to certain conditions. He would undertake to consider the form in which a general statement could be given to the Dáil after the Bill became law, in regard to the operations of the Act.

Replying to further questions, the Minister said that the only conditions which would be contained in respect of the applications would be conditions of this kind: first, that, wherever practicable, citizens of the Free State should be employed by the firms concerned; secondly, that, as far as practicable, all raw materials should be procured from the State and that work in the nature of printing should be given within the Free State. Over and above these general conditions which would apply all round, he said there would be specific limitations attached to each particular consent given.

TRADE TREATIES.

(Effect of Control of Manufactures Bill.)

On 5th July, in the Dáil,

Mr. P. McGilligan (Cumann na nGaedheal, *National University*) asked what trade treaties or other trade arrangements (whether by way of *modus vivendi*, exchange of notes, etc.) concluded under the auspices of the Government of the Irish Free State or inherited by them, would have to be denounced or otherwise terminated if the Control of Manufactures Bill passed into law; what steps were being taken to have formal notification of the proposals for control of manufactures made to those foreign Governments which were bound to the country by trade arrangements and were likely to be affected; and what stay would be put on the operation of the Bill to allow for the agreed period for denunciation or termination?

The Minister for Industry and Commerce (Mr. S. Lemass): "I am not satisfied, on my present information, that the Control of Manufactures Bill when passed into law will require the denunciation or termination of any trade treaties or other trade arrangements. . . The German Treaty requires us to give 'most-favoured-nation' treatment to German nationals."

Mr. McGilligan: "Under the German Treaty we guarantee national treatment to the acquisition of certain property by inheritance, and to all disposition of property once properly acquired. Is that in accordance with the Control of Manufactures Bill?"

The Minister for Industry and Commerce replied that he was having the general question of the reactions of the Bill upon all their international obligations examined, and in so far as that examination had proceeded, it did not appear that the Bill was in conflict with any of their international obligations. The passage of the Bill would not involve denunciation of the German Treaty.

ILLEGAL IMPORTATION OF ARMS.

(Precautions taken by Government.)

On 6th July, in the Dáil,

Mr. P. McGilligan (Cumann na nGaedheal, *National University*) asked whether reports had reached the President (1) that landing of arms on the Free State coast had been or was likely to be attempted; (2) what general or special instructions had been given either to the police or the army regarding such attempts; (3) if any steps had been taken to prevent arms leaving foreign countries or being landed in the Free State which were destined for associations acting without the authority of the State; (4) if any requests for collaboration in prevention or seizure had been made to any other Government?

The President of the Executive Council (Mr. E. de Valera) replied: "No information has reached me that any landing of arms on the coast of the Free State or any transfer of arms across the land frontier has taken place or been attempted. In fact, the reports received by the Government are to the effect that there has been no such landing or transfer. With regard to parts 2, 3 and 4 of the question, I can only state that in view of representations received the Government has

taken all the precautions that would be warranted if these representations were well founded."

Mr. McGilligan: "Am I to assume that this includes the provision of coercion by force of the people found attempting to bring arms into the country?"

The President of the Executive Council: "The Deputy can conclude from what I have stated that all the precautions which it was our duty as a Government to take have been taken."

NEWFOUNDLAND.

Parliament was dissolved on 7th May, 1932, *and a General Election took place on* 11*th June. The new Session is expected to open early in* 1933.

INDIA.

The following is a summary of some of the proceedings of the Fourth Session of the Fourth Legislative Assembly, which opened at Simla on 5th September, 1932, and of the Fourth Session of the Third Council of State, which opened on 20th September. This summary also includes an item held over from the previous issue of the JOURNAL.*

VICEROY'S SPEECH.

(India's improved credit; The Ottawa Agreement; Government measures against terrorism; Procedure regarding constitutional reform.)

On 5th September, 1932, the Viceroy (Lord Willingdon) addressed the Members of the Indian Legislative Assembly. The following is a summary of his speech :—

He was glad to say that since the Assembly last met the improvement in India's credit had been much more marked. Since April the Government of India had floated three loans, of a total amount of Rs. 58 crores, the last of which was over-subscribed in about four hours, though it gave a return of only $5\frac{1}{4}$ per cent., as compared with $6\frac{1}{2}$ per cent. for the loan issued at about this time last year. They had also been able to reduce their floating debt in the form of Treasury Bills from Rs. $84\frac{1}{2}$ crores, at the end of August, 1931, to Rs. $24\frac{1}{2}$ crores at the end of this August, and to reduce the price they paid for their accommodation from about $7\frac{1}{2}$ per cent. to about $3\frac{1}{2}$ per cent. This improvement of their credit was largely due to measures taken by the National Government in England, culminating in the largest and most successful financial operation of all time, the conversion of £2,000 million of War Loan from a 5 per cent. to a $3\frac{1}{2}$ per cent. basis.

He wished he could give as cheerful an account of their immediate financial position, but here they could not expect any remarkable improvement until world prices improved, and though there had been encouraging signs in the past few weeks of a rise in the price of their more important staples, such as cotton, jute and wheat, it was too early to say the tide had turned. It was too early to prophesy how the Budget would turn out, but it was clear that they could not contemplate any relaxation of the stern policy of rigorous economy in public expenditure which his Government outlined twelve months ago. In spite of the most drastic economies, the morale and efficiency of the armed forces remained at a very high standard ; and they continued in a state of readiness to meet every call upon them. Unfortunately, such calls had not been lacking—not only on the Frontier, but also at places nearer home. He was confident that the steps taken would be welcomed by all right-minded people, but measures of this kind cost considerable sums of money ; and although there were continuing demands for the reduction of expenditure on the Army, there was a limit beyond which such reductions could not be made. That limit was rapidly approaching, if it had not already been reached.

* *Vide* p. 1084.

It was well that they should remember that within 12 years the Army Budget had been reduced by about 17 crores of rupees. The Government were on the eve of opening their own Military Academy for the training of officers. The first examination attracted a large number of candidates. The first batch of Indian cadets had also been commissioned in the Indian Air Force, and thus another important beginning had been made.

THE OTTAWA CONFERENCE.

Referring to the Ottawa Conference the Viceroy said : "In the entirely new circumstances created by the departure of His Majesty's Government from their old policy of universal free trade and by the substitution for it of a tariff coupled with the grant of preference to countries within the Empire, my Government were invited to send a Delegation to the Imperial Conference primarily to consider and discuss with representatives of the United Kingdom the question whether it would be in the best interests of both countries to enter into a tariff agreement involving the reciprocal grant of preferences to each other's products. To such an invitation there could surely be only one reply, and in accepting it we made it clear, as you are aware, that no changes in our tariff would be made in pursuance of any agreement that might be reached at Ottawa unless the Legislature were satisfied that such measures were in the interests of India. In the deliberations and discussions which took place, first in London and subsequently at Ottawa, the Indian Delegation to the Conference were given by my Government the freest possible hand, and the agreement recently concluded by Sir Atul Chatterjee and his colleagues embodies only such measures as they, with the fullest possible knowledge of the facts, are confidently able to recommend for acceptance as likely to conduce to the best interests of this country. Into the details of the agreement it would be out of place for me to enter. Honourable Members will have observed that, as regards preferences to be given by India to the United Kingdom, the terms of the agreement recently announced state only the measure of such preference and leave open for decision the manner in which the various duties are to be adjusted. It will be the duty of my Government to place before you specific proposals regarding the manner in which effect may, in our judgment, best be given to the agreement, and the earliest suitable opportunity will be taken to invite your acceptance of those proposals. I need hardly remind Honourable Members that they will have the benefit, during their deliberations, of the presence of two members of the Delegation itself. There is, however, one feature of the agreement to which I wish to direct very special attention. We felt that, on the eve of great constitutional changes, it would not be right to ask you to accept an agreement which would bind India for a long period ahead, and it is primarily with this consideration in view that the agreement is so expressed as to be terminable at six months' notice by either party to it."

CIVIL DISOBEDIENCE.

Dealing with the civil disobedience movement, Lord Willingdon said that at the time when Mr. Gandhi, with other representatives of India, was sitting in Conference with representatives of the British Parliament, engaged in a joint endeavour to find the greatest measure of agreement as a basis for the new Constitution, some of his professed followers in

India were actively engaged in organising intensive and dangerous movements directed against the stability of the Government. In the United Provinces the movement had been launched against the payment of rent and land revenues at a time when the rural population were feeling acutely the strain of unprecedented economic conditions. In the North-West Frontier Province an agitation frankly revolutionary and even more dangerous to the security of the whole of India had been developed, by means of a large body of volunteers organised in semi-military fashion, to a point at which further toleration was impossible. The action which his Government was eventually forced to take to counter these movements was met by the Congress by the renewal of civil disobedience throughout the country. When he last addressed the Assembly, on 25th January, he said there could be no compromise in this matter, and that he and his Government were determined to use to the full the resources of the State in fighting and defeating a movement which would otherwise remain a perpetual menace to orderly government and individual liberty, and he added that there could be no relaxation of the measures in force against civil disobedience so long as circumstances existed which would make them necessary. That had been their policy during the last eight months, and it would continue to be their policy. It had met with a considerable degree of success. The no-rent campaign in the United Provinces had died away, and the Red Shirt movement in the North-West Frontier Province was rapidly brought under control. Over the greater part of India the mass of the population was no longer concerned with civil disobedience, and so far as they reflected on the matter at all, there was a feeling of relief that measures had been taken which had restored a sense of security and peace. During the first two months of the movement the number of convictions amounted to over 32,000. Since then convictions had been steadily decreasing. Many had been released either on the completion of their sentences or on giving assurance for their future behaviour. The number of those in jail was diminishing with some rapidity. The largest number in jail at any one time was at the end of April, when it amounted to nearly 32,500. The number at the end of July stood at about 24,000, and this represented a reduction during that month of some 5,000.

It would be rash to prophesy how long it would be before the Congress leaders realised or, at any rate, acknowledged openly that they had failed. But to the Government it was abundantly clear that the movement could not succeed so long as Government maintained its existing policy. This brought him to a consideration of the measures it had been necessary to take to secure these results. As soon as the Congress declared its intention to renew civil disobedience, he deemed it essential, in full agreement with his Government, to take wide powers by means of a series of Ordinances. These Ordinances expired after six months and, as the period for their expiry approached, it became evident that his Government were in no position to discard the weapons with which civil disobedience was being fought. Accordingly, at the end of June, he issued a new consolidated Ordinance, special care being taken that these powers should not be extended to areas in which conditions did not essentially demand them. His Government had been considering with great care what action would be necessary at the expiry of the Ordinance at the end of the year. They had decided that the general law should be strengthened by the inclusion

of a considerable number of the provisions of the Ordinance. In addition to the proposals for strengthening the general law by Central legislation, it would be necessary for the Governments of those Provinces in which the civil disobedience movement had proved a special menace to introduce Provincial legislation, reproducing other provisions of the Ordinance which local conditions appeared to demand. He did not think he did the Congress an injustice when he said that their policy and their methods were directed to securing their objects by coercion. The fact that the force applied was as a rule not physical force in no way altered the essential characteristic attitude which at the moment inspired Congress policy.

GOVERNMENT AND TERRORISM.

Lord Willingdon, continuing, declared that events in Bombay City had provided a most striking example of these aims and methods. Another and more sinister manifestation of the philosophy of force confronted them in Bengal. Here those who were determined to impose their will on the community had adopted the method of physical terrorism by means of assassination and other crimes of violence. The catalogue of these outrages grew steadily longer. The movement was at present directed against officers of the Government and those who supported it. But if it were to succeed, those who achieved power by this means would exercise it ruthlessly against all who opposed them. The Government were determined to use all their efforts to counteract this movement. In this they could reasonably ask for the support of all who had their country's interests at heart.

HIS MAJESTY'S GOVERNMENT'S AWARD.

Lord Willingdon proceeded to deal with the announcement by His Majesty's Government of their decision regarding the representation of various communities in the Provincial Legislatures under the new Constitution. It was with great reluctance, he said, that they consented to make the decision, for they had repeatedly expressed their conviction that the only really satisfactory settlement of this problem would be one devised and accepted by the communities themselves. But when the communities had completely failed to arrive at any agreement and the whole plan for the new Constitution was in danger of being brought to a stop, His Majesty's Government consented to give their Award. That Award had been given with the sincere desire to hold the scales equal between the various communities. It was natural that communities whose refusal to abate their own demands had resulted in deadlock should not be fully satisfied regarding the Award, but he would ask hon. Members to remember that there were only three possible courses to follow. The first was to accept the Award; the second was, even at that late hour, to devise a settlement other than that framed by His Majesty's Government, to which the communities concerned would give their willing assent; the third was to abandon all hope of constitutional advance. The third course was inconsistent with the aspirations and demands of many years; and the practical choice, therefore, must lie between the first and the second. It was natural that when a decision was given on a question which had been the subject of such acute controversy discussion would proceed on the assumption that each community would form in each Provincial Legislature a self-contained homogeneous unit, pursuing its interests in opposition to every other community. To his mind that was a profound misconception of the developments to which they might look forward under a system of self-government. People were not in their ordinary lives divided in exclusive communal compartments. They had most varied relations with each other, and these relations developed a series of interests and objects which were bound to cut across the purely communal outlook. He would, therefore, suggest to those who were looking at self-government as the problem of the Raj of one community or of another to reflect that in practice this was not a natural development, and he would urge them rather to contemplate as a more probable picture of the future a grouping of Parties on the basis of economic or other non-communal interests.

Lord Willingdon went on to say that the policy expressed in the Prime Minister's speech at the conclusion of the Round-Table Conference was the policy of the Labour Government then in power. The contribution of the second Round-Table Conference was that the same policy was accepted by the National Government and then approved by Parliament. Once that step was taken, the introduction of Constitutional Reform in India on the basis of an All-India Federation, coupled with the widest practicable measure of responsible Government at the Centre and in the Provinces, could no longer be described as a Party decision. It was now the approved policy of the British Government, of the British Parliament and of the British people. After the fullest consultation with the Government of India, the Secretary of State announced on 27th June that His Majesty's Government had decided to proceed by way of a single Bill covering both the Federal Centre and the Provinces. The Secretary of State further announced the intention of His Majesty's Government, after they had formulated their specific recommendations, to set up a Joint Select Committee of Parliament to examine these proposals in consultation with Indian representatives. His Majesty's Government hoped, in the interests of speed, that no further discussions would be necessary in London before these proposals were formulated, but they were prepared to arrange for such discussions if the deliberations in India of the Consultative Committee proved less conclusive than had been hoped. Since this announcement had been made it had become clear that it was not possible to look to the Consultative Committee for the contribution anticipated, and His Majesty's Government had decided that it would be necessary to hold further discussions in London. They proposed, therefore, to invite a small body of representatives of the States and of British India to meet them in London, about the middle of November. Whilst the status of the Indian representatives would be the same as that of the Delegates at the Round-Table Conference, the character of the discussion and the stage that had been reached necessitated a less formal and more expeditious procedure than that adopted during the last two years. This result, they were convinced, would be best achieved by avoiding any public session and by working on a fixed agenda. The object of the discussions would be to arrive at an agreement upon as large a number of points as possible. The Government would subsequently present for the consideration of the Joint Select Committee and of Parliament its specific recommendations, including the points which had been agreed upon, and would of course support them.

In conclusion, Lord Willingdon made an earnest appeal to all citizens for co-operation in assuring success for the Constitutional Reforms. Let them work together in the closest co-operation for the united purpose of securing a national spirit in India; for it was then, and not till then, that India would take her rightful position among the nations of the world.

INTERNATIONAL CONVENTION.

(Narcotic drugs.)

On 20th September the Council of State passed the following Resolution :—

That this Council recommends to the Governor-General-in-Council that he do ratify the International Convention for limiting the manufacture and regulating the distribution of narcotic drugs.

The Finance Secretary (Hon. Mr. J. B. Taylor), in moving the Resolution, said the Convention was signed on behalf of India by Dr. Paranjype on 13th July, 1931, but did not become binding until it was ratified. The main result of the Conference at Geneva on the subject was to establish the principle that there would be an agreement among countries in which opium and cocaine were manufactured as to the actual amount of narcotic drugs required to meet their legitimate medical and scientific needs. So far as India produced and manufactured opium, the Convention did not affect her. India's exports of raw opium and the consumption of raw opium in that country had already been regulated by the Conventions of 1912 and 1925. No cocaine was manufactured in India, and alkaloids of opium were manufactured only at the Government factory at Ghazipur under strict Government supervision. Exports had only been made to the United Kingdom for medical and scientific purposes, and in India also they had been distributed under strict Government control. The real problem in India was the large imports of cocaine and other drugs, such as heroin. These were smuggled into the country, to the physical and moral deterioration of addicts, and the Convention outlined a method of control which afforded reasonable hope of ultimately strangling this dangerous traffic.

A similar Resolution was adopted by the Legislative Assembly on 23rd September.

HIS MAJESTY'S GOVERNMENT'S AWARD.

(Communal decision; Motion for adjournment of House; Sikh representation.)

On 5th September, in the Legislative Assembly, Sardar Sant Singh obtained leave to move the adjournment of the

House for the purpose of discussing the communal decision of His Majesty's Government.

DEBATE IN LEGISLATIVE ASSEMBLY.

Sardar Sant Singh (*West Punjab: Sikh*), in moving the adjournment, maintained that since the day the forecast of the communal decision was published it roused the bitterest opposition, particularly in the Punjab and generally in the whole of Hindu India. The Government of India, he said, nominated as Members of the Round-Table Conference those who did not represent the people. A recommendation that out of a proposed strength of 165 in the Punjab Legislative Council the Muhammadans should get 83 seats was rejected by the Simon Commission, while the Punjab Government in their dispatches said that 49 per cent. of the representation should be accorded to that community. In the Minority Pact, however, the Muslims claimed 51 per cent. But the Communal Award gave them 52 per cent., as, apart from the 86 seats guaranteed them in the general constituencies, 5 other seats would go to them. This decision did the greatest injustice to the Sikhs of the Punjab, who paid 40 per cent. of the land revenue and supplied to the Army double the number of men supplied by the Muhammadans.

Mian Muhammad Shah Nawaz (*West Central Punjab: Muhammadan*) said the allocation of one seat in the Punjab was all that had practically divided the communities, and the Sikhs were responsible for the failure of the efforts in India and England to settle the communal problem. The Prime Minister had made an honest attempt to hold the balance between the conflicting claims of the communities. Whether the Award was good, bad or indifferent, it had removed an obstacle from the path of constitutional reform. It did not pretend to satisfy all parties; indeed, an equitable decision, fair to everybody, would fully satisfy nobody. He denied that injustice had been done to the Sikhs in the Punjab. Only 86 seats out of 175 had been given to the Muslims by means of separate electorates, leaving them to get their complete majority from the ten special constituencies. The Muslims had given their scheme to the Sikhs, but they did not accept it. Now, if they had any other scheme the Muslims were ready to consider it. But the Sikh Council of Action had proclaimed boycott or non-co-operation. The solution of the communal problem lay with Indians themselves. If they could not solve it they must accept the Award in the spirit in which it was given.

Sir Hari Singh Gour (Leader of the Nationalist Party) said his hon. Friends from the Punjab and Bengal were primarily affected by the Award. The grievance of other Members was

of a more general character. The objection from those benches was that, after the weightage that had been given to the minority communities and the proportion of seats that had been allotted to them, it was not possible to bring about a solution which might have been possible if the Award had been more just to all concerned. All that he and his hon. Friends could do was to inform the House that the principal defect of the Award was that it was uneven and unworkable, and instead of bringing the communities together in the near future it would take them farther afield, and would defer the millenium of national consolidation to which the Viceroy had so feelingly referred in his speech that morning.

The Leader of the House (Hon. Sir C. P. Ramaswami Aiyar),* referring to the Chequers conversations, said he could corroborate the statement that it was the dispute as to one seat or two that had led to the breaking of the agreement which was well-nigh signed. He thought he could now disclose that in all essentials a compact was agreed to between the most prominent representatives of the important communities and a draft was also prepared. The arrangement fell through because not the spirit of give and take, but the spirit of take more than give, animated a few who were present. Then came 1931 and its varied experiences—experiences which exacerbated the depressed classes and drove apart the majorities and minorities more than they had been driven apart in 1930. It was not a wonder then that the Consultative Committee appealed to the Prime Minister to give a decision. At this time, so far as he remembered, almost all Indian newspapers admitted sorrowfully, but firmly, that there was no other course. It might be stated that the Award was inequitable to this community or over-generous to that, but it was a settlement. The main point was separate electorates, and here no alternative course was possible in view of the attitude of the groups and communities concerned.

It was not necessary for him to emphasise the points made by the Governor-General in his magnificent speech that morning. But surely, as the Governor-General stated, in the actual working of the Legislative Councils, economic, social and other problems would divide them, and not communal problems. He could speak of this from his experience in Madras, where the non-Brahman question at one time assumed a very grave complexion. But to-day both communities were working together in comparative amity. It must not be forgotten that if the communities could come together even now,

* Sir C. P. Ramaswami Aiyar has succeeded the Hon. Sir George Rainy as Leader of the House.

it was open to them to devise another solution, which, according to the Prime Minister, would be readily accepted as an alternative. Until now all of them had been saying that the object of the Indian people was to get responsible government. That opportunity was now before them. Should not they forget the bitterness of the past and work in such a manner that a time might soon come when they would not be discussing the communal Award because they would have much bigger and more vital issues to resolve ?

Sir Cowasji Jehangir (*Bombay City: non-Muhammadan*) said that Sir Hari Singh Gour contested the principle of separate electorates. If they were to-day to complain that the Award contained this vicious principle, should not they turn the searchlight on themselves rather than condemn others for it ? He ventured to say that if Government had acted according to their own desires and had insisted on joint electorates, the majority of the Mussulmans would have repudiated the Award and refused to co-operate in any further advance for their common Motherland. If his hon. Friends thought that the communal question was of greater importance than that of going to the Government side of the House, then let them continue their communal squabbles and give up all hope of taking into their hands the reins of office.

Mr. N. M. Joshi (*Nominated non-Official*) declared that although he felt that this decision was wrong in principle and unfair in its application, it would be wisdom to accept it. The fight between Hindus and Muslims was one which he had seen only among the educated classes. He had never seen a strike broken on account of a fight between Hindu and Muslim workers. He therefore felt that they should insist that the future constituencies should be based on adult suffrage, so that they should have at least taken some steps by which the Legislatures would adequately represent the masses and workers and not only the middle classes.

Rao Bahadur M. C. Rajah (*Nominated non-Official*) said he voiced the sentiments of the depressed classes in expressing their deep disappointment and dissatisfaction with the British Cabinet's solution of the communal problem. The communalists were able to persuade the two delegates of the depressed classes at the Round-Table Conference to join them, and prepared the so-called Minorities Pact. But when the allocation of seats was made it was found that in most Provinces the depressed classes were getting less than they should on the population basis, whereas other minorities made themselves sure of getting as much and even more. The depressed classes were glad that the British Government had put them in a joint electorate. But under what conditions ? They could

vote for members of other communities, but other communities could not vote for their candidates. This Award was going to make them politically amphibious—strong neither on land or water, numerically weak in a separate electorate and politically ineffective in a joint electorate. It satisfied neither the clamourers for separate electorates nor the advocates of joint electorates. It set the seal on the betrayal of the community by the members of the Minority Pact.

At this stage it was moved that the question be now put, but the Motion was negatived.

Sir Abdur Rahim (**Leader of the Independent Party**) declared that if his hon. Friends would regard the Award as a communal picture of the entire country they would be convinced that no injustice had been done either to the Hindu or Sikh communities, and no favour had been shown to the Muhammadans. It was possible to have Hindu communal Governments in the other Provinces, but not in the Punjab or Bengal. Was it objected to by his hon. Friends that the Hindus and Muhammadans would be compelled in those two Provinces to form a national Government ? Should not the Hindus and Muhammadans who called themselves Nationalists co-operate in the future government of the country ? Were they to suppose that they would have no political leaders who would have a wider vision than the present communal outlook ? He was sure that when they were saddled with responsibility they would realise what a vast amount of work lay before them and forget all petty differences between Hindus and Muhammadans.

The discussion continued until six o'clock, when the Assembly, under the Rules, stood adjourned.

CRIMINAL LAW AMENDMENT BILL.

(Measure to supersede Governor-General's Ordinance; Civil disobedience and its results; Powers against intimidation and unlawful associations; Control of the Press.)

On **21st** September, in the Legislative Assembly, the Home Member moved that the Bill to supplement the Criminal Law be referred to a Select Committee.

DEBATE IN LEGISLATIVE ASSEMBLY.

The Home Member (Hon. Mr. H. G. Haig), in moving his Resolution, said that in order to deal with the civil disobedience movement it had been necessary for the Governor-General and the Government of India to take very wide powers by a series of Ordinances which expired after six months. As the expiry of that period approached Government were not in a position to discard these weapons, and at the end of June the Governor-General issued a new consolidated Ordinance. This would expire at the end of the year. The civil disobedience movement, though its manifestations had been much curtailed, was still in existence and Government must have powers to counteract it. They had arranged for a special Session in November, one of the main objects of which was to enable the later stages of this Bill to be considered and, he hoped, concluded by the House. The Measure was far from including all the provisions of the Ordinance. The object of the Government was to include in the Bill only those provisions which were required for the whole of India, and to leave it to Local Governments to supplement those provisions by legislation to meet local or emergent conditions. The powers in the Bill might be roughly grouped under three headings: first, provision against certain forms of intimidation, primarily picketing and boycott; second, additional provisions against unlawful associations; and, third, provisions to secure greater control over the Press. When Lord Irwin enacted the first Ordinance against picketing, he pointed out that while the promotion of indigenous industries was proper in itself, when resort was being had to intimidation to secure this end, it became necessary for Government to protect the freedom of action of those who wished to sell and those who wished to buy. In the same statement Lord Irwin said that unscrupulous efforts were also being made to bring pressure to bear on Government servants to resign or to fail in their duty. It was found, Lord Irwin further pointed out, that not only were the residences of Government servants picketed, and they themselves and their relatives subjected to threats of injury to life or property, but organised attempts were made to refuse them necessary supplies, the use of transport and the tenancy of houses.

Unlawful associations.

The existing Criminal Law Amendment Act gave power to declare certain associations unlawful, whereupon those who directed them became liable to prosecution. The additional powers now proposed, which had been most effective in the last two years in dealing with the civil disobedience movement, were powers to take possession of places used for the purposes of an unlawful association and to forfeit the property of such an association. These powers had been found particularly valuable in the Bombay Presidency, where at one time the Congress organisation set itself up to challenge the authority of Government and declared itself a rival power.

Control over the Press.

A Press Act passed in 1910 was repealed in 1922, and for eight years the Press remained free of all control. It was held by the Committee which sat in 1921, on whose advice the Press Act was repealed, that the provisions had been ineffective. Bitter experience disproved their judgment and the optimism which underlay it. Conditions deteriorated continuously from 1922 to 1930, and in the statement which he issued when he enacted the Press Ordinance Lord Irwin said that the tone of a certain section of the Press had been growing almost steadily worse with its immunity from effective control. He further said:—

> "The spirit of revolution fostered by the civil disobedience movement is beginning to emerge in dangerous forms. Nothing at the present moment is operating so powerfully to promote that spirit as the writings in the Press, many inciting openly to violent and revolutionary action, others, by consistent laudation of the civil disobedience movement, encouraging a spirit of lawlessness throughout the country."

Experience of the past had shown that it was not difficult to revive the kind of movement they were now experiencing. The Government of India were therefore disposed to think that these powers should be secured not only for the existing official Governments during the comparatively brief period that lay before them, but that the new Governments should start in possession of those powers. He would emphasise that they had provided in the Bill that certain powers, particularly those dealing with molestation and boycott, should not come into force except by a notification of the Local Government. He was well aware that different views might be held about the proper duration of such an Act. But he would impress very earnestly on the House that they were engaged in the very delicate and difficult operation of handing over power in that vast country from one set of hands to another. That operation was bound, according to his reading of history, to set up conditions that had proved most favourable occasions for revolution. They needed at such a time to have the authority of Government unquestioned, if they were to avoid the danger of an upheaval in which property and Parliaments might disappear. They had in India a triple threat to peaceful progress—civil disobedience, communism and terrorism—and though the main provisions of this Bill were directed against the first of these three, he hoped the House would not forget that the provisions relating to the Press would exercise a strong controlling influence over the movements of communism and terrorism.

The debate was adjourned.

INDIAN COASTAL TRAFFIC.

(Minimum passenger rates proposed; Competition of British and Indian companies; Round-Table Conference discussions; Resolution adopted.)

On 7th September, in the Legislative Assembly, Dr. Ziauddin Ahmed moved :—

This Assembly recommends to the Governor-General-in-Council to take the necessary steps for the purpose of fixing the minimum rate for the passenger-carrying traffic by sea between the coastal ports of India.

DEBATE IN LEGISLATIVE ASSEMBLY.

Dr. Ziauddin Ahmed (*United Provinces Southern Divisions: Muhammadan*), in moving his Resolution, said he did not want by his proposal that the Government should follow the Recommendations of the Committee of 1923, and reserve the coastal traffic for Indians alone. But the principle of his proposal had already been accepted in connection with inland navigation, and he asked the Government to extend that policy to the coastal trade. In 1905 the people of Bengal, tired of the treatment accorded to passengers on the Chittagong-Rangoon route, started a company of their own. Immediately a rate war began, with the result that after struggling for five years the new company went into liquidation. Then the British India Steam Navigation Company immediately raised their fares and freights. Another Bengal company, the capital for which was subscribed by the lower middle-classes, came into existence in 1928, and again a rate war began.

The British India Company reduced their fares from Rs. 16 to Rs. 6, and their freight rate to Rs. 4 per ton. The result was that the new company, owing to unfair competition, had incurred a loss of Rs. 6,87,000 during the past five years. The British India Company not only reduced their rates, but had been spending Rs. 40,000 in propaganda, so that passengers might travel in their boats. They supplied motor cars free to carry passengers from their houses to the ports, and gave away handkerchiefs and sweets.

He was not against European companies coming to India; all he wanted was that trade and navigation should not become the monopoly of one company. No doubt Indians had only just started in this field, and if they were crippled through the superior skill and larger capital of the British companies, it was impossible for Indian companies to thrive. He asked the Government for help in this matter; and they might also appeal to the European companies, through the European Members, to assist the Indians and not to drive them

out by unfair competition, which at present might be legally right, but was certainly morally wrong.

Mr. Abdul Matin Chaudhury (*Assam: Muhammadan*) declared that it was not only on the East coast that the British India Company were carrying on a rate war against Indian concerns. On the West coast four small Indian companies existed, and the British India Company were carrying on a furious rate war there. In 1928 that House, by referring to a Select Committee by an overwhelming majority Mr. Haji's Coastal Traffic Reservation Bill, accepted the principle of having the entire coastal trade reserved for Indian shipping. That was a very legitimate and aggressive policy. To-day in that tame and timid House they had brought forward a very tame and timid Resolution. They wanted Government to implement their promise made in 1929 that they would explore all avenues for securing adequate participation of Indian shipping in coastal and overseas trade.

Mr. N. M. Joshi (*Nominated non-Official*) opposed the Resolution. He said he believed that Government should always exercise proper control over industries and trade. But if hon. Members opposite believed in competition let them at least give the people the benefit of the competition. The passengers wanted comfortable passages and cheap fares; if Government could assure them of these they would be satisfied.

Mr. R. S. Sarma (*Nominated non-Official*) said this was neither the time nor the place for pressing the Resolution, which was concerned with the relationship that should subsist between British companies and Indian-owned companies. That was a matter that was engaging the attention of the Round-Table Conference. Even if effect were given to the Resolution, he did not think Indian companies would be able to compete with British companies, which had more capital and bigger organisations. Therefore, the only way of compromise was to come to an arrangement with the British companies, and that was what the Round-Table Conference was doing.

Sir Abdur Rahim (Leader of the Independent Party) said the vast carrying trade between India and the rest of the world was in non-Indian hands. Even the coastal trade, with small exceptions, was in their monopoly. No nation in the modern world could hold up its head which had no shipping industry and no carrying trade of its own. The destiny of India had been in the hands of the greatest maritime nation, but nothing had been done to develop the shipping trade of India. On the contrary, big companies with large capital which India could not readily find had stood in her way. They did not want to stand in the way of Britain's commercial prosperity, but they insisted that India should have full opportunities for her own industries, her own commerce and her own carrying trade. The Government must look at what the Resolution demanded from the broad political and economic point of view, and they would be well advised not to brush it aside and say they could not accept it because of all sorts of technical difficulties. He and his colleagues wanted those difficulties to be met, and it was not beyond the ingenuity of Government to find means of meeting them.

Sir Leslie Hudson (*Bombay: European*) contended that if there were a fixation of minimum rates, interested people would take advantage of them to furnish service of a minimum efficiency and would take no trouble to improve their methods. Free and fair competition was for the benefit of the public. But it was not fair competition for an opposing line to tell intending passengers that if they travelled by the British India Steam Navigation Company they would not be able to find employment in Rangoon; that they would be ostracised by their fellow-countrymen; that they would receive no assistance in distress and no attention in sickness; that they would be denied the use of the burial ground, and that the *maulvis* would refuse to recite the last funeral prayers for them. Proof could be brought forward that such arguments were being used, and personal violence had been laid upon people who still insisted on travelling by a company with whose service they had been satisfied for many years.

The Leader of the House (Hon. Sir C. P. Ramaswami Aiyar)* said the Government were not opposed to the root idea of the Resolution; they were particularly anxious to facilitate the growth of the coastal trade of India in so far as that trade was operated by Indian agencies. But it was not possible for the Government to start legislation or action practically at once on the lines of the Resolution. The passenger trade of India was confined to three routes: the Bombay-Sind, which absorbed one million passengers out of a total of nearly 1,800,000; the Calcutta-Burma, and others which might be called the Burma coastal traffic; and the Madras and Coromandel traffic, also to Burma. The great bulk of the traffic in the Bombay Presidency was carried by the Bombay Steam Navigation Company and the Indian Co-operative Navigation Company, and although there was competition between these companies, there did not appear to have been any destructive rate wars. The complaints made referred to the trade between Burma and Bengal, and if Burma became separated from India this would cease to be coastal traffic. During the Viceroyalty of Lord Irwin a conference had been held to bring

* *Vide* footnote on p. 1075.

about some kind of arrangement between the British India Company and other companies, so as to end the kind of feud which existed. That conference was inconclusive, but Government made it clear that they were not going to rest there. They still hoped it would be possible to bring the parties together and to arrive at a compromise. That was the only way in which the problem could be solved, and that was why some stress was laid on the Round-Table Conference as a means of bringing them together when the whole question of the future of British commercial relations was being deliberated upon. Moreover, at the Round-Table Conference, Mr. Benthall, a representative of the European community, said:—

> To ensure a fair deal for small Indian companies Government would be fully empowered to exercise control over rates so as to ensure that a weak company would not be squeezed out by a strong company cutting rates unfairly.

The fixation of minimum rates alone was a very ineffective method of dealing with the matter, because it could be easily evaded. It would probably enhance the evil by encouraging the initiation of mushroom companies and might further attract to this trade a lot shipping now lying idle in the world.

Sir Hari Singh Gour (Leader of the Nationalist Party) said that, as Sir Abdur Rahim had pointed out, the details of the Resolution were of no moment so long as the main purpose was kept in view. In the very first Assembly they had tabled a Resolution and a Committee was appointed to consider the question of establishing an Indian mercantile marine. This Committee in their Report reviewed the history of the coasting trade of the British Colonies, which was a history of protection of their own domestic vessels. Then they said that what they wished to provide for in their Indian coastal trading regulations was that, after a time, the ownership and controlling interests in the ships for which licences were required should be predominantly Indian. He wished to ask the Leader of the House what action had been taken on that recommendation made in 1932. There had been quoted extracts from speeches at the Round-Table Conference; the Conference had been trotted out as if it were a political gospel for India. But what they were concerned with was not the broad question of the remote future as to the control of the coastal trade by Indian vessels, but how to keep the wolf from the door. They found at the present moment four indigenous companies struggling to live against a powerful combine whose unfair competition had jeopardised their very existence.

After further discussion, the Resolution was adopted by 50 votes to 44.

BAMBOO PAPER INDUSTRY (PROTECTION) ACT.

(Duty imposed on imported pulp; Development of bamboo paper to be fostered ; Question of Indianisation of industry.)

On 6th February, in the Legislative Assembly, the Leader of the House moved that the Bill further to amend the law relating to the fostering and development of the bamboo paper industry be referred to a Select Committee. The object of the Bill was to give effect to recommendations contained in a Report of the Tariff Board regarding the grant of protection to the paper and paper pulp industries. In their Report the Board recommended that the protective duties imposed on certain printing paper and writing paper by the Bamboo Paper Industry (Protection) Act, 1925, and the Bamboo Paper Industry (Protection) Act, 1927, should be continued, and that, in addition, a protective duty of Rs. 45 a ton should be imposed on imported pulp in order to further the development of bamboo paper by offering a direct incentive to the manufacture of bamboo pulp. The Board further recommended that these duties should remain in force for a period of seven years.

DEBATE IN LEGISLATIVE ASSEMBLY.

The Leader of the House (Hon. Sir George Rainy),* in moving the Resolution, said that in their Report as the result of their inquiry into the paper industry held in the years 1924-25, the Tariff Board stated that, if the industry was to grow, this could not be done on the basis of *sabai* grass, but on the basis of bamboo. They held that what was required at that stage was protection for a period in order that the possibilities of bamboo could be fully explored. The conclusion the Board had now arrived at was that the progress made during the last six years had been very substantial and satisfactory. There were still certain difficulties which the paper mills found in dealing with bamboo as a paper-making material. Nevertheless, the Board thought, and the Government had accepted their finding, that these difficulties would be overcome and that the enormous supplies of bamboo which India possessed provided a basis for a really important industry, and that protection should be granted to that industry.

The Tariff Board proposed that the protective duty on certain paper which had been in force since 1925 should be continued for another seven years; that duty being Rs. 140 per ton, or one anna per lb. They also proposed that a protective duty should be imposed on imported wood pulp. During the period for which the protective duty on paper had been in force there had been a good deal of criticism of the paper mills on the ground that the increased output of paper had been very largely due to the use of imported wood pulp. That question had been very fully examined by the Board, and they found that, so far from the extended use of imported pulp having retarded the experimental work on bamboo, the increased output of paper at a lower cost of production which had been rendered possible by a greater use of cheap imported pulp had enabled the Indian mills to provide the necessary finance for their work on bamboo. But the Board felt, and the Government had accepted their conclusion, that the period during which this extended use of imported pulp had been necessary had now come to an end, and that it was desirable that legislation should be passed which would include a definite stimulus to the Indian manufacturer to make the fullest use of bamboo.

Mr. Nabakumar Singh Dhudoria (*Calcutta and Suburbs: non-Muhammadan*) contended that the protective tariff on paper had injured the general book publication business and had become a severe tax on traders who had to secure orders through printed literature and catalogues. It had been shown that in 1930-31 imports of wood pulp were 11,000 tons more than in 1925, indicating that the mills were concerned rather with making profits than in developing the bamboo industry. The consumer was making tremendous sacrifices so that the paper manufacturers might benefit.

Mr. B. Das (*Orissa Division: non-Muhammadan*) said he was prepared to give protection to any industry, if necessary, and if Government could see their way to provide that the Indian paper-pulp industry were protected his side of the House would agree. But it would never agree that a few persons over whom the Government had no hold should profiteer. Some of them did not even belong to India.

Mr. Abdul Matin Chaudhury (*Assam: Muhammadan*) thought that the reason the Government were rushing the Bill through the House was that although the industry to be protected had an Indian domicile, in every other respect it was predominantly European. The Tariff Board, while recommending the continuance of protection, emphasised that the industry must conform to certain principles laid down in the Fiscal Commission's Report. That Commission stated that before a grant was given to any industry, or before money was

* Sir G. Rainy has been succeeded as Leader of the House by the Hon. Sir C. P. Ramaswami Aiyar.

spent on its stimulation, it was reasonable to insist that the company should be registered and incorporated with rupee capital, that there should be a fair percentage of Indian directors, and that facilities should be given to Indian apprentices for training. The Tariff Board were not satisfied that these conditions had been substantially complied with and had made recommendations by which the conditions could be enforced. The House had always insisted that before protection was granted to any industry there should be a fair proportion of Indianisation of the superior staff and personnel, and he was surprised to find that the Government had gone back on that accepted policy.

Mr. M. Maswood Ahmad (*Patna and Chota Nagpur cum Orissa: Muhammadan*) asserted that if this duty were imposed authors would send their manuscripts to foreign countries to escape the duty. This would affect the Indian printing industry as well.

The Leader of the House, in his reply, denied that the Government had gone back on any policy to which they had committed themselves, or on any policy to which the House had committed itself. It was a question of opinion whether the mills could have done more towards the development of the use of bamboo. But Government had, at any rate, provided in this Bill the necessary stimulus which, he believed, would make it necessary for the mills to adopt an intensive policy in the way of making the fullest use of indigenous Indian materials. As regards Indianisation, his own feeling had always been that if firms established themselves in India and desired to receive protection from the Legislature, as a matter of plain commonsense and business prudence, and also, he thought, perhaps of reasonable good feeling, they ought to take active steps towards Indianisation. But it was quite a different matter when it was suggested that Government should take out the big stick and say: " If you do not do this, we will make you do it." It was the established policy of the Government of India that when concessions, bounties and subsidies were given to industrial firms, then in the case of any company not already engaged in the industry they enforced the conditions recommended by the Fiscal Commission. He would be very unwilling to initiate any new policy at this stage. This question was directly connected with the very important issues discussed in London in connection with the new Constitution; and the last thing which would be desirable would be that the conclusion of a satisfactory agreement to be embodied in that Constitution should be retarded or impeded by anything said or done in India at present.

On 23rd February,

The Leader of the House moved that the Bill, as reported by the Select Committee, be taken into consideration. The Select Committee, he said, had reported the Bill in the form in which it was introduced, although there were only two Members who had not signed Minutes of dissent.

After further discussion, the Assembly passed the Bill, as reported by the Select Committee, without a division, on 24th February. On 2nd March the Bill was considered and passed by the Council of State.

SOUTHERN RHODESIA.

The following summary deals with further proceedings of the Fifth Session of the Second Parliament which opened on 31st March, 1932, and ended on 12th May, and is in continuation of the summary given in the last issue of the JOURNAL.

SHORTAGE OF SILVER.

(Native hoarding; Supplies from the Union; Proposal to mint Southern Rhodesian coinage.)

On 8th April the question of the shortage of silver was discussed in the Legislative Assembly, on a Motion to adjourn the House "on a matter of urgent public importance" by Mr. Davies.

DEBATE IN LEGISLATIVE ASSEMBLY.

Mr. H. H. Davies (Leader of the Labour Party), in moving the adjournment of the House

for the purpose of asking what steps the Government was prepared to take in order to remove the disabilities under which in Bulawayo retail merchants were labouring owing to a shortage of silver coinage,

said Members of the Government were bound to realise that if a man went into a shop and tendered a 10s. note to make a purchase of 1s. and could not get the necessary change, either he must leave the 10s. note with the storekeeper, or the storekeeper must give credit to the individual who might be a person to whom he would not be inclined to give it in the ordinary case.

They were on a parity of exchange with Great Britain, and silver coinage from that country could be circulated in Southern Rhodesia without any difficulty. This was what was happening owing to their abandonment of the gold standard: people who had to make payments in the Union were accumulating silver in Rhodesia, especially the coinage of the Union of South Africa, and were taking it over the border in spite of any prohibition which the Government might impose. As this was not the first time that the trouble had occurred, it was urgently necessary that they should take steps to obviate the difficulty.

He asked that the Government should disclose whether there was any agreement with the Union Government with regard to minting coinage in that country, whereby they in Southern Rhodesia were prevented from obtaining silver coinage from Great Britain.

Native hoarding.

Mr. S. M. L. O'Keeffe (Reform Party, ***Insiza*****)** referred to the hoarding of silver coinage by natives. When Southern Rhodesia went off the gold standard, certain unscrupulous people told the natives that 10s. and £1 notes were very much reduced in value; this had alarmed the natives seriously.

Mr. A. R. Thomson (Rhodesian Party, ***Wankie*****)** said he wondered whether it would be possible for the Government to manufacture its own silver coinage. It would certainly make a profit on turning silver into coin at the price of silver to-day, in relation to the intrinsic value of the coin now in circulation.

Mr. L. J. W. Keller (Labour Party, ***Raylton*****)** said that ever since they went off the gold standard, the public, especially of Bulawayo, had been put to the greatest inconvenience by the attitude taken up by the banks. If one went into the banks, for instance, and paid £100 in Union notes or gold, and five minutes later drew a cheque for the same amount, one could not receive back the actual cash that had been paid in. In Bulawayo they had had tourists coming in continually who remained in the town only for an hour or two, and because of the shortage of silver they were put to great inconvenience. It was due to the attitude taken up by the banks, and apparently unchecked by the Government, that business to a large extent was at a standstill.

Silver supplies from the Union; etc.

The Treasurer (Hon. P. D. L. Fynn) said it was surprising to hear of the shortage, because steps had been taken recently to import fairly large quantities of silver from the adjoining territories. Within the last month £15,000 worth of silver had been brought in from the Union, and a permit had recently been given for the importation of a further £10,000. Considerable quantities had been brought in from neighbouring territories and he should estimate that not less than £50,000 worth had been brought into the country within the last few months—a very large quantity compared with normal requirements.

It was obvious that there was a systematic putting away of silver at present, and a considerable amount of smuggling. Silver was pouring into the banks of the Union, and it went out of the coffers of the banks in Southern Rhodesia almost as rapidly as it came in and very little of it was returned. Efforts had been made to check the outward flow, and the Union had also taken steps in the same direction; but they had not succeeded in stopping the flow from Rhodesia. They were at present considering the question of reducing the amount that travellers were allowed to take out of the country.

Importations from Great Britain.

Steps taken did not deal with the whole problem, and they were now considering the question of importing silver from Great Britain. Under the Agreement with the Union of South Africa, Southern Rhodesia got silver from the Pretoria Mint, and on that they profited to a certain extent in respect of seigniorage. But the Agreement was quite unworkable at the present time. They had discussed the matter with the Union, and they were prepared to stick to their Agreement, taking their share of the seigniorage, and they were quite willing to pay the exchange. But the Union very soon saw that that was not going to be a very profitable business from their point of view, because the silver would flow back almost as rapidly as it came in; therefore the Agreement had had to be suspended.

The Union had tabled a Bill to introduce a new Union coinage, and if that passed, they in Southern Rhodesia must be quite independent of the Union in regard to their supplies of coins, because that coinage would not be legal tender in Southern Rhodesia. Under those circumstances they must look elsewhere for their silver, and they were now negotiating with the Royal Mint in England with a view to securing supplies from that source.

Proposal to mint Southern Rhodesian coinage.

Capt. H. Bertin (**Reform Party**, *Salisbury, S.*) asked if the position had been explored as to whether the Government could get their own silver minted in Pretoria? He took it that the only difficulty would be in the making of a die and the introduction of the word "Rhodesia" somewhere on it. They would then take the whole of the profit with the exception of the cost of minting. He understood that Mints would mint medals and coins for private individuals, and he did not know whether there was any particular difficulty why the Mint in Pretoria or the Mint in England would not mint their Southern Rhodesian silver of the same standard as English or Union coins.

The Treasurer, replying to a question, said it was not, of course, the business of the Government to provide silver, although, realising that it was in the interests of the country that a sufficient supply should be available, it had some part in the matter.

Replying to Capt. Bertin, he said it was a question of policy to some extent whether it would be advisable for them at the present time to adopt a Southern Rhodesian coinage. They had a good deal of trade with the adjoining territories in the north, where British silver was the coinage of the country, and he thought the hon. Member would agree that they should not do anything that might be likely to hamper trade with their neighbours. Probably it would serve their interests best if they had a common currency with them, and that was a matter which was under consideration, particularly if the Bill to which he had referred passed in the Union.

Referring to a suggestion that they should expedite whatever negotiations were being carried on in connection with importing silver coin from Great Britain and that they should use the cable in this connection, the Treasurer said this was being done; therefore, there would be no undue delay in concluding these arrangements.

The Motion was with leave withdrawn.

COINAGE ACT.

This Act provides for currency, coinage and legal tender. It received Assent on 13th May.

The main provisions are as follow :—

The Act shall not come into operation until the Governor has declared by Proclamation in the "*Gazette*" that it is His Majesty's pleasure not to disallow the same. "Southern Rhodesia coins" mean coins which may be issued in accordance with, and which have not been called in in pursuance of, this Act; "British coins" mean coins which have been or may be issued in accordance with the laws of the United Kingdom, and which have not been called in in pursuance of this Act; "Union coins" mean any coins which have been made and issued in accordance with the laws of the Union of South Africa, at present in force, not having been withdrawn from circulation in the Union, or called in in pursuance of this Act. (*Sections* 1 *and* 2.)

The Governor may cause to be made and issued gold, silver, bronze and nickel coins of the following denominations :—

Gold—Sovereign, Half-sovereign; *Silver*—Half-crown, Florin, Shilling, Sixpence, Threepence; *Bronze or Nickel*—Penny, Halfpenny, Farthing.

A tender of payment of money, if made in coins which are Southern Rhodesia, British or Union coins of the present issue of current weight, shall be legal tender—

(A) gold coins, for the payment of any amount; (B) silver coins, for the payment of an amount not exceeding forty shillings; (C) bronze or nickel coins for an amount not exceeding one shilling. A coin shall be deemed to be not of current weight if it has become diminished in weight by wear or otherwise as specified. (*Section* 5.)

No coin shall be made for use as a token for money except to the order of the Governor; and contracts, etc., are to be made according to the coins which are current, unless they have been made or executed according to the currency of some British Possession or some foreign State. (*Sections* 6 *and* 7.)

The Governor is empowered to determine the dimensions of and design for, or the least current weight of, any Southern Rhodesian coin; call in any coin; revoke or alter any previous Proclamation, etc. (*Section* 8.)

DEBATE IN LEGISLATIVE ASSEMBLY.

On 10th May,

The Treasurer (**Hon. P. D. L. Fynn**) delivered a message from the Governor, transmitting for the consideration of the Legislative Assembly the Coinage Bill, which, by permission of Mr. Speaker, was read a first time. The Treasurer said he was going to take an unusual course, by asking the House to agree to his moving the Second Reading now, as this was a matter of extreme urgency. The present Bill was to enable the Government to take power to meet the situation in respect of the shortage of silver.*

The Motion was agreed to.

Union Agreement with British Treasury.

The Treasurer said that a few days ago they had thought the position could be met by importing their silver requirements from the Mint in England, and they started negotiations with that object; but they received replies indicating that there were difficulties. The British Treasury had an Agreement with the Union Treasury in regard to silver coinage. There was a branch of the Mint in the Union from which the supplies of the Union were provided, and the Agreement provided for the redemption by the British Government of what was called 1925 British silver, an earlier denomination, in amounts up to £100,000 a year; and the British Treasury held the view that if they were to supply Southern Rhodesia with silver it would complicate that Agreement, that the silver would probably continue to pass from Southern Rhodesia into the Union, and it would simply add to the liabilities which they had to meet under the Agreement.

An alternative proposal had been made by the Mint that Southern Rhodesia should adopt their own coinage. This coinage, the Treasurer added, would be identified with the country and, they hoped, with the adjoining Colonies of Northern Rhodesia and Nyasaland, with the Governments of which they had already communicated.

Coinage for Southern Rhodesia.

A Coinage Bill had been introduced in the Union, but he understood it had been dropped but that it might be taken up again next Session; in that event, of course, it would be necessary for Southern Rhodesia to have a separate coinage. It was on the suggestion of the Mint, he continued, that they were introducing this Bill in the last stages of the Session; but the matter was so urgent as to justify asking the House to

* *Vide* p. 1088.

agree to the Government having power to arrange for the supply of their own silver coinage.

If the Bill was passed, the Royal Mint was prepared to proceed at once with the coining of the silver. They would have the benefit of the whole of the seigniorage ; but that carried with it some obligations.

There were difficulties so far as the Pretoria Mint was concerned because the matter of exchange entered into it ; but the Royal Mint was prepared to supply them with silver coinage upon very favourable terms, and the probability was when the Bill was passed that they would be able to enter into an arrangement somewhat on the lines of that existing between the British Treasury and the Union Government. The main idea was that the coinage should follow the British design, but should bear an inscription identifying it with the Colonies in which it would circulate. Unless the Union Government was to take special steps to make it legal tender—and it was quite improbable they would do so in existing circumstances—this coinage would not be legal tender in the Union, so that the inducement to remove silver from Southern Rhodesia to the Union would cease to exist.

The Act was modelled on the Union Currency Act of 1922, but the Schedule defining the fineness, the remedy allowance and other details of that kind, was adopted from the British Act of 1870, by which the 1925 silver was established in Great Britain. At present, of course, it was not proposed to have gold coins minted.

Position regarding the Union.

Dealing with their position in regard to the Union, the Treasurer said that in 1929 they entered into an Agreement with the Union to supply them with silver from the Pretoria Mint on the basis of Southern Rhodesia sharing the seigniorage, and that Agreement operated until they went off the gold standard. It was impossible for them to continue to secure supplies of silver from Pretoria because of the exchange difficulty. They had been in communication with the Union, and the latter had replied to the effect that the seigniorage Agreement should not apply in present circumstances ; it was only intended to apply to supplies of Union coin for normal currency requirements.

The Bill was read a second time.

ENTERTAINMENTS CONTROL AND CENSORSHIP ACT.

(Quota for British films ; Board of Censors ; Pictures unsuitable for natives ; etc.)

This Act provides for the regulation and control of theatres, and the exhibition and advertisement of cinematograph films and of pictures and the performance of public entertainments, and was assented to on 13th May.

The main provisions are as follow :—

It repeals the Cinematograph Ordinance, 1912, the Cinematograph Act, 1930, and as much of any other law as may be repugnant to or inconsistent with the provisions of the present Act (*Section* 2).

" British film," as referred to herein, is defined as being a film which complies with the following requirements : it must have been made by a British subject, or subjects, or by a British company ; the studio scenes must have been photographed in a studio in the British Empire ; the author of the scenario must have been a British subject when the film was made ; not less than 75 per cent. of the salaries, wages and payments paid for labour and services in the making of the film (exclusive of payments for copyright, salary or payments to one foreign actor or actress or producer, but inclusive of the payments to the author of the scenario), has been paid to British subjects or persons domiciled in the British Empire ; and every non-British film be deemed a foreign film. " British Company " is defined as a company constituted under the laws of any part of the British Empire, the majority of the directors of which are British subjects ; and " British Empire " includes territories under His Majesty's protection and territories mandated under the League of Nations (*Section* 3).

Board of Censors.

Regulations are laid down for the performance of plays or the exhibition of films under conditions ensuring the safety of persons attending the theatre (*Sections* 4-8) ; and for the prohibition of films or film advertisements unless approved by a Board of Censors ; the appointment by the Governor of such a Board ; the granting of certificates indicating its approval of films or advertisements submitted to it ; the payment of fees for the latter, etc. (*Sections* 9-13).

Films and advertisements approved by a Board of Censors of any portion of the British Empire may be exempted from the provisions of Section 9 (regarding the prohibition, unless approved by the Board, of films or advertisements), but the Board to be set up under this Act may, at its discretion, cancel such exemption (*Section* 14).

Offences.

Any picture or entertainment may be prohibited by the Colonial Secretary unless the Board is satisfied that it is not calculated to give offence to the religious convictions or feelings of any section of the public, or to bring any section of the public into ridicule or abuse, or it is not contrary to the public interest or good morals ; and any person acting in contravention of this enactment shall be guilty of an offence (*Section* 15).

Inspectors and members of the police or other authorised persons shall be admitted free of charge on demand to any theatre where a film is being exhibited, or a play being given, and an appeal shall lie to the Governor in respect of any act or decision of an inspector or the Board, the Governor having power to disallow or vary such act or decision (*Sections* 16 and 17).

Quota for British films ; etc.

During the year from 1st June, 1932, to 30th May, 1933, exhibitors of films shall exhibit a proportion of 15 per cent. of British films, and in each of the five succeeding years such a proportion, not less than 15 per cent. (as mentioned in a Schedule) as shall be prescribed by the Governor by Proclamation in the *Gazette*.

If the films so exhibited include both long films (of 3,000 feet or upward) and short films (of less than 3,000 feet), the requirements of this Section must be satisfied as respects the long films as well as all the films so exhibited. The proportion of British films exhibited during such periods shall be ascertained by comparing (A) the aggregate arrived at by adding together the products of the total number of feet of each British film which has been exhibited during the normal hours in the ordinary programme, multiplied by the number of times the film has been so exhibited during the said period ; and (B) the aggregate arrived at by adding together the products of the total number of feet of each registered film which has been so exhibited, multiplied by the number of times the film has been exhibited during the said period. An exhibitor who fails to comply with these requirements in any year will be guilty of an offence and liable on conviction to a fine not exceeding £200, unless he proves to the satisfaction of the Court that the reasons for non-compliance were beyond his control (*Section* 18).

Exhibitors are required to furnish to the Colonial Secretary information regarding films exhibited during any year ending 30th May, and to keep books containing particulars of films shown available for inspection (*Section* 19).

A person who exhibits a film or advertisement which has been in any way altered or modified after its approval by the Board will be guilty of an offence, and the Court convicting him may, irrespective of any fine, confiscate either (*Section* 21).

DEBATE IN LEGISLATIVE ASSEMBLY.

On 2nd April,

The Colonial Secretary (Hon. W. M. Leggate), in moving the Second Reading of the Bill, said its object was to consolidate and amend the existing law dealing with theatres, cinematographic films and public entertainments. It was almost two years since the Commissioner of Police had recommended him to introduce a Bill which would bring their law up to date. The provisions were those recommended by the Commissioner of Police and every one, he believed, was to be found in laws elsewhere.

At the time the main Ordinance controlling cinematographic entertainments was brought in (1912) there was, of course, no such thing in existence as "talkies." But their law was out of date in many other important respects. It contained no provision to compel producers to submit films for censorship, and thus it was not possible for censorship to take place until a film had been exhibited. The Bill became necessary, therefore, in order that films exhibited in Southern Rhodesia should be submitted to censorship.

The existing law did not provide for any control of posters. Some time ago certain posters were exhibited in Salisbury which offended the sense of decency of the bulk of the citizens there; but there was no law to prevent them being exhibited, and it was only by the good-will of those responsible that they were withdrawn. This was a defect which it was proposed to remedy in the Bill.

Under the existing law there was no provision for the appointment of a Board of Censors. A certain individual had carried out that work hitherto. The Bill provided for a Board. It was probable that the officials to be appointed to the Board would be the officer administering the police in Bulawayo, the Native Commissioner, and perhaps the Magistrate, because the great bulk of films entering Rhodesia entered through Bulawayo.

It would be unnecessary to submit to the Board the great bulk of films which had already passed censorship in the Union of South Africa; but he thought it would be beneath their status not to take power when necessary to submit any particular film to the Board. He could not imagine Great Britain being satisfied with the censorship of the United States, and as they in Southern Rhodesia were a self-governing community, he did not think they should state in the Bill that they would accept as final the censorship of any other country.

Quota for British films.

Capt. H. Bertin (Reform, *Salisbury, S.*) pointed out that the present position of most cinematograph theatres in Southern Rhodesia was that they were owned by one company. The two companies operating there formerly—the African Theatres Trust and Kinemas, Ltd.—had amalgamated.

In recent years a quota had been introduced in England for British pictures and that was now in operation. There were several large studios in England, and they turned out excellent pictures. The amalgamated company he had spoken of owned most of the theatre accommodation in the Union and were enabled to send to Southern Rhodesia large numbers of American pictures. Some of these were very good; in others the theme was very often a glorification of racketeers and gangsters and, he thought, on the whole, bad. He hoped the Government would take power in the Bill for the Governor-in-Council to impose a quota for British pictures. They would easily be able to ascertain what would be a fair quota to start on: perhaps they might take the quota for British pictures three months ago, and make it an increasing one. In view of the Ottawa Conference it would be a useful gesture and would come at a timely moment.

Mr. G. M. Huggins* (Independent, *Salisbury, N.*) said they had managed up to now without a Bill of this sort, because their films were censored for the most part before coming into the country. He would like to know what it would cost, if the Bill went through, in salaries to officials and so forth, and, also, what it would cost the people who conducted places of amusement, and whether it would be necessary to raise their charges of admission?

As far as posters were concerned, could not the whole aim of the Bill have been met by suitable amendment to the Police Offences Act? Regarding the provision that a picture should not be published unless the Board were satisfied that it was calculated not to give offence to the religious convictions or feelings of any section of the public, what did that mean? He thought the sub-clause referring to a picture calculated to bring any section of the public into ridicule or contempt should be taken out entirely.

Mr. H. H. Davies (Leader of the Labour Party) said, regarding a quota of British films, he was prepared to suggest that the quota laid down should not be less than 50 per cent. of the films exhibited.

The Colonial Secretary, in reply, said that he was in the fullest sympathy with the object Capt. Bertin had in view. Indeed, had it not been that the proportion of British films was considered satisfactory some time ago when he made an inquiry, legislation would have already been introduced to meet the position.

In regard to the comment of a Member that this legislation was of a "grandmotherly" type, the Colonial Secretary said whether they were "grandmotherly" or otherwise, they would like to attain to the same status as N. Rhodesia, the Union and Great Britain had already attained in the matter. In the Union over £3,000 was set aside for the expenses of the Board; but inasmuch as the work which the Board would be called upon to do in Southern Rhodesia was nothing like so extensive, they would be saved that expense. He thought it improbable that the expense would exceed £30.

The Bill was read a second time.

On 4th April, in Committee on Clause 14,

"... the Board, on it being proved to its satisfaction that any cinematograph film or film advertisement has been approved for exhibition by a Board of Censors of any British Dominion, Colony, Possession or Protectorate in Africa, may exempt such a film or film advertisement from the provisions of Clause 9. . . ."

Capt. Bertin referred to the fact that the Board of Censors in the Bill did not include Boards of Censors of Great Britain; and if they were exhibiting the certificates of any British Dominion, Colony, Possession or Protectorate, they might very well include—and he assumed there was such a thing—a Board of Censors of Great Britain.

* It was announced at the end of July that Mr. Huggins had been elected Leader of the Reform Party.

Films unsuitable for natives.

The Colonial Secretary said this was not put in because there were films exhibited overseas in Great Britain which were entirely satisfactory to Great Britain, but were not suitable in Rhodesia for natives, and they had to provide for them under the Bill. The certificate from Home could not be accepted; they preferred to have one which was accepted out there. The Union made a differentiation between films suitable for natives, children and white adults, but such a differentiation was not made in Great Britain and, therefore, it was desirable to provide for it.

There were very few films that did not go through the Union. One of the reasons for the Bill was because there were certain films not dealt with in the Union that ought to be dealt with in Rhodesia.

Mr. E. W. L. Noaks (Independent, *Mazoe*) asked whether there was any real difference between the censorship in the British Dominions and censorship in England? It was just possible that the type of film to which the Colonial Secretary had referred would be produced in a British Dominion as well. If so, they were placing England on a different basis from the other parts of the British Empire.

Mr. Davies said the point raised by Capt. Bertin was a good one. He thought they should be reluctant to omit from any of their enactments Great Britain or any other of the Dominions, unless there was some valid reason for it. For instance, Canada might easily make films as objectionable as the United States or Great Britain. They included all Dominions, and even Protectorates like Bechuanaland; and why, therefore, exclude Great Britain? What he asked was whether, if the words "British Empire" were included, it would mean that they would have to accept any film from Great Britain? If so, he suggested that this was the way to remove the difficulty. The history of a film was known before it reached Rhodesia, and if it was not known it should be inspected. It should be in the discretion of the Board of Censors to say: "We will not pass this film, although it originated in the British Empire."

The Colonial Secretary, referring to the objection raised by a Member that he had said the Kingdom of Great Britain was a Dominion, said he saw the question was discussed some time ago arguing that Great Britain was one of the Dominions. What the official view was he could not say.

He suggested the following Amendment to Clause 14:—

By a Board of Censors in Great Britain, or of any British Dominion, Colony, Possession or Protectorate. . .

Mr. A. R. Welsh (Rhodesian Party, *Bulawayo, N.*) moved that the words "British Dominion, Colony, Possession or Protectorate in Africa" be omitted, and in place of those words to substitute "portion of the British Empire." That would permit their Board of Censors to accept the Censorship of any Board of Censors in any part of the British Empire. It was not obligatory, but it was permissive.

The Colonial Secretary said he liked the simplicity of the Amendment and proposed to accept it.

The Amendment was agreed to, and progress was reported.

On 5th April, in Committee,

Capt. Bertin, in moving to insert two new Clauses* and a Schedule with respect to the exhibition of a percentage of British films, said it would be seen that it was proposed to establish a quota of British films of 20 per cent. for the ensuing year rising up to 50 per cent. for the year ending 30th May, 1938. The latter part of Clause 18 applied this quota to short films, not only to the total aggregate of the films, but it applied specially to long films, so that the quota could not be satisfied by merely issuing a fairly large number of short films. In other words, the main picture of the evening must have its quota during the year.

The Colonial Secretary thought that Capt. Bertin was to be congratulated in following in his Amendments such good authority as the English Act. His (the Colonial Secretary's) only endeavour in the questions he had hitherto put to the cinematograph authorities in Rhodesia had been to ensure that the quota laid down in the English Act was being followed; and, generally speaking, that had been the case. He thought, however, that the Member was going too far in the quota he had suggested.

Already, he understood, a higher proportion of British films was exhibited in Southern Rhodesia than in the Union of South Africa; but to put too great pressure on the companies in Southern Rhodesia to make them exhibit a larger proportion of British films would, he felt sure, deteriorate films that were shown. He was of the opinion that to exact a higher quota to start with than 15 per cent. would be detrimental, and it would be a serious charge to make against the Government that they reduced the standard of films shown in that country in their efforts to improve British production. It was a fine gesture to make to the British people to provide a quota in Southern Rhodesia of what he suggested—that was, 5 per cent. higher than that in force in Great Britain itself.

The insertion of the two new Clauses was agreed to.

Mr. D. Macgillivray (Rhodesian Party, *Bulawayo, Central*) mentioned as one reason why it would be advisable to make the quota reasonable that a great many of the best films were of English production; but within one year they might have quite another type of film shown in their cinemas. There was a possibility that within a year or two a stereoscopic film, which would not come from England, might be shown, and it would be a disadvantage if they were to do anything at the present time which would limit their possibilities of seeing these advanced films.

On 8th April, in Committee on the Schedule mentioned in the new Clause 18 proposed by Capt. Bertin,

The Colonial Secretary moved an Amendment to the effect that the quota should be 15 per cent. in respect of the year ending 30th May, 1933; and that in respect of each of the 5 years 1934-1938, such a proportion, not being less than 15 per cent., as should be prescribed by the Governor by Proclamation in the "*Gazette*."

This Amendment was put and agreed to.

* These now constitute Sections 18 and 19 of the Act and are summarised on p. 1093.

UNEMPLOYMENT.

(Appointment and Report of Select Committee.)

On 13th April Mr. J. H. Malcolm moved that a Select Committee be appointed to investigate the problem of unemployment and make recommendations to the Government regarding measures to be taken to remedy the evil. This was agreed to. The Report of the Select Committee was brought up for consideration on 11th May and was referred back for further consideration of the Select Committee. On 12th May Mr. Smit moved that the Report should be considered and the Government asked to—

"favourably consider the making of the necessary financial provisions from Loan Funds to carry out the recommendations contained therein."

This was carried after prolonged debate.

DEBATE IN LEGISLATIVE ASSEMBLY.

On 13th April,

Mr. J. H. Malcolm (Rhodesian Party, *Umtali, South*), in moving that a Select Committee be appointed

to investigate the national problem of unemployment and to recommend to the Government such measures as may be found necessary to adequately remedy the evil; the Committee to have power to take evidence and call for papers, and to report to this House on or before 13th May, 1932,

said this subject had occupied the attention of the House for the last two Sessions. It had perplexed the Government, the Church and the trade union movement, and the time had arrived when they must give serious consideration to one of the most regrettable situations that country had had to face.

Relief for destitution.

It was gradually penetrating into the minds of the people that their attention was being given to the exploitation of the national wealth of the country by interests which were foreign to it. The whole system of relief for destitution had been based on a system of pauperism that would make Charles Dickens turn in his grave. They had a class of people born in Rhodesia possessing individual pride which prevented them from seeking relief; and they had managed to carry on by their own thrifty methods. Another class of thrifty persons took up insurances with insurance companies, but under the stress of present conditions they had been obliged to surrender their policies. People had exhausted their resources, and even the provision they had made for their old age had gone.

Proceeding, Mr. Malcolm referred to the discharge of men from the railways and the fact that they had had to face a complete breakdown of the mining industry in Northern Rhodesia, and said they had to take heed of the warning issued by the Director of Education who, in his estimates last December, gave the figure of over 1,100 children who were fit to enter the industrial market, but there was not a single opportunity awaiting them. There must be something wrong in a system under which no preparation was made in a young country like Southern Rhodesia, so full of possible developments, for youths who were waiting to enter the commercial and industrial field.

Possibilities at Ottawa.

People to-day were not asking for relief in the old antediluvian form. They were demanding work and they must have it. He had listened with considerable interest to the many acclamations made in connection with the forthcoming Conference at Ottawa and the great possibilities that lay in that direction. There seemed to be a feeling creeping round the House—a sort of Imperial atmosphere. Let them not forget, before they went wandering about in the Imperial mist, that they were there not with any great idea of Imperialism so much as to govern the country for the benefit of Rhodesians.

Some municipalities, Mr. Malcolm said, were in desperate financial circumstances; the action of the Government in departing from the gold standard had involved them in great financial commitments, and they were not in a position to-day to afford local work or relief as they would so much desire. He believed that the Committee, if appointed, would analyse many avenues in these directions.

They had a potential country that could settle thousands, Mr. Malcolm continued, and they had not even yet discussed the first rudimentary plan of settlement. He would suggest to the House to direct the Committee to discuss the question of water conservation and irrigation with the Government, who were in a better position to assist the municipalities financially than the municipalities were themselves. He suggested further that the time had arrived when they should analyse to the fullest extent the great possibilities for the youth of the country being employed in Government offices.

Mr. J. H. Smit (Reform Party, *Salisbury, S.*) pointed out that the appointment of a Special Committee would mean a certain amount of delay, and that recommendations it might make could not be put into practice as financial arrangements in the Budget had not been provided for. In view of the fact that both the Premier and the Treasurer were going to Ottawa, he did not think it would be possible to call an Extraordinary Session before October or November. They would, therefore, have to wait for a solution of the question until next year, and that was too serious a matter to deal with with patience.

Poor whites; white and native labour, etc.

Lt.-Col. E. L. Guest (Rhodesian Party, *Charter*) said they might congratulate themselves in Southern Rhodesia that it was practically impossible for any man to starve, and that could not be said of a great many countries to-day. The Government's methods for dealing with this problem should be overhauled. The problem had grown so rapidly that those methods had been unable to keep pace with it. He believed the position was a great deal more serious out of the towns; in the country, they were faced with the problem of poor whites. Another serious problem following unemployment in a country where they had both a black and white population was the lowering of the standard of the Europeans, and consequently the lowering of the European in the estimation of the native.

Mr. R. D. Gilchrist (Leader of the Opposition) said that in the early years of responsible Government only 10 per cent. of the sum allocated for public buildings and other public works was spent, and referred to a sudden spate of contracts let loose on the country which they had not the number of employees in the country to cope with, the result of which, he said, was a sudden influx of employees from overseas, from the Union and from neighbouring territories.

Lack of land was at the bottom of the poor white problem which, in the Union, was acute. They had an abundance of land which would always remain a liability until it was beneficially occupied.

Percentage of unemployed.

Mr. L. J. W. Keller (Labour Party, *Raylton*), referring to unemployment figures of Great Britain as being one in five, said that in Bulawayo and district there was no less than one in seven of the population unemployed, and leaving out women and children, one in four.

He criticised the Government for the persistence with which they followed their native policy. It had been pointed out that the roads of the country were in an atrocious state, and that they could be made better by the judicious expenditure of public money under white supervision. He also asked why white people could not employ white labour wherever possible. If the Government were really in earnest in their desire to alleviate the position, they would recall every licence issued to a native for driving a mechanically propelled vehicle. That, at any rate, would be one practical gesture in the direction of helping to solve this question.

Capt. R. E. Downes (Independent, *Hartley*) said it was absolutely necessary to prevent unemployment, and those responsible for the Government should meet their neighbours and customers in the proper spirit of business. Deprecating a remark which had been made to the effect that the Treasurer was going to Ottawa "in no petty bargaining spirit," he said it was absurd to suggest that they were sending their Delegates to Ottawa if they were not going to do their job when they got there. Wherever he went in the country people said to him: "They (the Delegates) are going to let us down again."

A labour colony proposal.

Mr. J. Cowden (Rhodesian Party, *Bulawayo, Central*) recommended the creation of a labour colony to which people to whom assistance had been rendered, and who were without any prospect of being able to look after themselves, should be transferred and made to do something remunerative in return for assistance.

The Colonial Secretary (**Hon. W. M. Leggate**), referring to the desirability of establishing a labour colony, said he had given some attention to that question, but he had not yet seen his way to a practicable scheme to put before the Government. That the establishment of such a scheme would not be practicable he was not prepared to say. Perhaps the Committee would be able to devote their attention to that question. Having come from the land himself, he realised the difficulties. He did not believe that there was that easy way of making a living on the land that some people who had never been on it thought there was.

Mr. Gilchrist: "The right type for the land are available in the country."

The Colonial Secretary said that came under the general question of making it worth while to work on the land, for which the Government had the greatest respect and did their utmost to achieve. It was not a matter of courage, but of a whole set of conditions laid down by international markets on which the farming industry of the country must be dependent, no matter what was done by the Government.

The Motion was agreed to.

Report of Select Committee.

On 12th May,

Mr. Smit moved:—

That the Report of the Select Committee appointed to investigate the problem of unemployment in the Colony as amended be considered, and that at the same time the Government be asked to favourably consider the making of the necessary financial provisions from Loan Funds to carry out the recommendations contained therein.

Mr. Malcolm, dealing with the Report, in which, he said, they had not touched the fringe of the problem, said he would earnestly ask the Government to consider the question of devising some machinery during the Recess to immediately follow up the work of the Select Committee.

The Colonial Secretary, replying after a lengthy debate, said that everybody's hand must be put to the problem. The Report would be given the most careful consideration, and they thanked all who had given their labour to the subject.

Mr. Smit, referring to the suggestion that a Commission should be appointed to carry on the work of the Select Committee, said he hoped the Government would follow this up so that a body would be formed able to study the major questions which still had to be settled in this connection.

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

CORRIGENDUM.

It is greatly regretted that in the last issue of the JOURNAL (Vol. XIII., No. 3), owing to a printer's mistake certain paragraphs of a summary of a speech on pp. 830-31 were erroneously attributed to the **Colonial Secretary (Hon. W. M. Leggate)**. The lines contained in the last paragraph on p. 830 commencing with the words "pointing out that the" down to the words "who were not friendly towards them" at the end of the summary of the speech on p. 831 were intended to form part of the summary of the speech by **Mr. S. M. L. O'Keeffe (Reform Party**, *Insiza*) commencing on p. 830.

MALTA.

As announced in the last issue of the JOURNAL (*vide Vol. XIII., No. 3, p. 835*), *the Malta (Temporary Government) Order-in-Council,* 1930, *was terminated by Proclamation by the Governor (Gen. Sir David Campbell, K.C.B.) on 21st June,* 1932.

The First Session of the Fourth Parliament was opened by the Governor on 18th October, and a summary of His Excellency's Speech and of a Bill providing for Parliamentary allowances is given below. Further proceedings of the present Session will be dealt with in subsequent issues of the* JOURNAL.

GOVERNOR'S SPEECH.

(Restoration of the Constitution; Nationalist Government programme; Finance; Work for unemployed; Encouragement of education; Public works; Old-age pensions; Housing; Shipping and air services; Agriculture; Proposed legislation.)

Parliament was opened on 18th October, 1932, by the Governor (Gen. Sir David Campbell). The following is a summary of his Speech:—

RESTORATION OF THE CONSTITUTION; NATIONALIST GOVERNMENT PROGRAMME.

The Speech stated that on a clear and explicit programme submitted to the people, the electorate had emphatically expressed itself at the General Election held in June, and had given an unequivocal mandate to the leaders of the Nationalist Party; and it was the intention of Ministers to adopt all legal means for fulfilling their pledges.

The Speech referred to the suspension of the Constitution in 1930, and stated that upon its restoration, with modifications in 1932, the administration had been again placed in the hands of Nationalist Ministers. Ministers would use all their endeavours in order that the Maltese people should obtain in future all such fuller constitutional rights and political liberties within the British Commonwealth of Nations as they deserved.

Relations between Ministers and Church were on a footing of cordiality, and Ministers would co-operate to the utmost to render these relations even more happy in the future.

FINANCE.

Ministers viewed with concern the disappearance of the Reserve Fund, which was abolished in 1929, the increase in ordinary annual public expenditure, and the great augmentation of new Government situations. They intended asking Parliament to give its concurrence in the financial measures necessary in order to place the Administration on a sounder footing.

WORK FOR UNEMPLOYED; ETC.

Notwithstanding the present universal financial depression, Ministers would devote all their energy towards providing means for procuring work for the unemployed and for giving effect to essential and important works and services.

It was intended to repeal or amend all such recently validated Acts as were approved during the Third Legislature by the Legislative Assembly, but not separately passed by the Senate, which might be legally revoked and called for repeal or amendment as being adverse in their present stage to the best interests of Malta.

ENCOURAGEMENT OF EDUCATION.

In connection with the promotion and encouragement of education, it was proposed to increase the accommodation for students in secondary schools and to augment the number of existing secondary educational institutions. Encouragement would be given to technical and physical education, and facilities would be granted to the rising generation for outdoor recreation.

* For results of the Election, which took place on 11th, 12th and 13th June, and composition of the Ministry, *vide* JOURNAL, Vol. XIII., No. 3, p. 835.

PUBLIC WORKS.

Reference was made to the extension of the water supply, the paving of streets and roads, and other public works.

OLD-AGE PENSIONS; HOUSING.

Ministers had under consideration schemes for establishing and regulating assistance and relief to the aged on a contributory basis; and the housing of the poor and of the working-classes would be undertaken.

SHIPPING AND AIR SERVICES, ETC.

It would be incumbent upon the Government to endeavour to re-establish a daily shipping service with Sicily, which constituted the only natural link between the Islands and Europe; and Ministers would help aerial services to and from Malta, and would improve landing and mooring facilities in the area used as a civil air port.

Reference was made to the new telephone system to be inaugurated in the course of the next month; to the proposal to improve the building in use as Courts of Justice; and to the scheme for building a modern hotel.

AGRICULTURE.

Ministers felt that an agricultural law represented a long-felt want, and they proposed to take energetic measures for improving the local animal industry, for organising viticulture and the wine-making industry, for organising the technical instruction of farmers and encouraging poultry farming.

PROPOSED LEGISLATION.

General Estimates would be submitted later, and in the interval the Assembly would be asked to sanction Supplementary Estimates dealing with urgent works and services intended for providing relief for those out of work or to meet urgent needs of the population.

During the Session Parliament would be asked to approve Bills dealing with the electoral law, traffic regulation, police laws, import duties, Parliamentary allowances, workmen's compensation, the use of the Maltese language in civil proceedings, the constitution of trade unions and the formation of a Trade Union Council, the export of agricultural produce, the constitution of an Arbitration Board to deal with labour disputes, etc., etc.

PARLIAMENTARY ALLOWANCE BILL.

This Bill was introduced by the Head of the Ministry (Hon. Sir Ugo Mifsud) and read a first time in the Legislative Assembly on 24th October, 1932.

The main provisions are as follow:—

There shall be paid in each year the salaries following: to the President of the Senate, £200; to the Speaker of the Legislative Assembly, £300; to the Deputy-Speaker and Chairman of Committees of the Legislative Assembly, £250; and to the Deputy Chairman of Committees, £250 (*Clause* 1).

The allowance to a Member of the Senate is to be £100, and to a Member of the Legislative Assembly, £150 (*Clauses* 2 & 3).

All the above payments will be made out of the Consolidated Revenue Fund (*Clause* 4).

If during any Session a Member of either Chamber absents himself during the whole of a sitting without leave, unless his absence is due to illness or other unavoidable cause, £1 shall be deducted from his allowance. In the case of any Member suspended, £1 in respect of each sitting during his suspension shall be deducted from his allowance (*Clause* 7).

In the case of a Member of either House refusing to serve on any Committee of the House without just reason, £5 shall be deducted from the allowance of such Member; and £1 in respect of the absence of a Member without leave or justification from any sitting of a Committee of which he is a Member (*Clause* 8).

No Parliamentary allowance under Clauses 2 & 3 shall be paid to any Member for any period during which he is in receipt of a salary as a Minister, President of the Senate, Speaker, Deputy-Speaker and Chairman of Committees of the Legislative Assembly, or as Deputy Chairman of Committees of the Legislative Assembly (*Clause* 10).

There shall be paid annually out of the Consolidated Revenue Fund to the Chief Clerk of the Senate and of the Legislative Assembly the sum of £400 (*Clause* 11).

(*Progress will be reported in the next issue of the* JOURNAL.)

CEYLON.

The following summary deals with further proceedings of the 1932 *Session of the State Council, and is in continuation of the summary given in the last issue of the* JOURNAL (*Vol. XIII., No.* 3, *pp.* 836-44).

REFORM OF THE CONSTITUTION.

On 21st June, 1932, in the State Council, the debate commenced upon seven Motions, moved by **Mr. E. W. Perera** (*Horana*), of which notice had been given on 28th July, 1931, regarding the reform of the Constitution. These Motions, which are dealt with separately below, related to the control of the Public Purse, the Governor's sanction in matters affecting the Public Service, the legislative powers of the Council, the division of subjects and functions of government, powers of the Governor and government by Executive Committees, and demanded the amendment of the relevant Articles of the Order-in-Council, 1931 (providing for the Constitution of the State Council), and the deletion of certain Clauses in Article IV. of the Royal Instructions.

CONTROL OF THE PUBLIC PURSE.

(Absolute powers of Governor and Secretary of State; Position of Members; "Paramount importance" Clause; Governor and "certification"; Effect of Motion on future Constitution; Commissioners' intentions and Order-in-Council; Position of Public Services; Effect of "paramountcy" Clause not contemplated; Mistakes of "Governor's Government"; etc.)

On 21st June, in the State Council, the following Motion was moved by Mr. E. W. Perera, *viz.* :—

"This Council claims the exclusive control of the Public Purse as an inalienable constitutional right of the people of Ceylon, and demands the immediate repeal of Articles 22, 61, 87 (1) and (4), and 91 of the Ceylon (State Council) Order-in-Council, 1931,* as contravening that right.

DEBATE IN STATE COUNCIL.

Absolute powers of Governor and Secretary of State.

Mr. E. W. Perera (*Horana*), in moving the Resolution, said that before the Order-in-Council of 1931, the Legislative Council had complete power of the Purse. The effect of the Articles [in the Order-in-Council] enabling the King-in-Council and the Governor to dispose of funds, granting the right of concurrent legislation without the consent or control of the House, and the effect of Article 87 (1) and (4) affecting all appointments to the Public Service, prevented the State Council from passing any Resolution in regard to them. With regard to Article 61, the House would see how wide the terms were.

The words "or by any other law in force in the Island" in Article 61 included an Order-in-Council enabling the King-in-Council to vote away their Funds. That was a general power not even circumscribed by the qualification of "paramount importance." The combined effect of Articles 22 and 61 was to give the Governor and the Secretary of State absolute power over finance.

Indicating some of the flagrant cases of the use of these provisions, Mr. Perera said that in July, 1931, the Financial Secretary had moved for a Vote under Supplementary Supply of Rs. 50,000 for passages for officers, their wives and families. After full debate the Vote had been turned down by 37 to 14 votes, the minority including the 7 Ministers, 6 Nominated Members and 1 Elected Member, but the Financial Secretary had declared that :—

"acting on the instruction of H.E. the Governor and in accordance with Article 22 (1) (b) of the Ceylon (State Council) Order-in-Council, 1931, I declare that the supplementary vote of Rs. 50,000 . . is essential to give effect to the provisions of the Ceylon (State Council) Order-in-Council, 1931."

Later, the Board of Ministers—the Leader of the House would correct him if he were wrong—decided to provide in the Appropriation Bill for passages only once in five years, not four years, and one holiday warrant either way for Public Servants every year. But on reference to the Governor and the Secretary of State, the Secretary of State refused

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* Article 22 (1) provides that if the Governor considers it of paramount importance or essential to give effect to the provisions of the Order-in-Council, any Bill, Resolution, Vote, etc., which the Council is empowered to pass should have effect, notwithstanding any other provisions of the Order or of any Standing Order made under it—

(A) an Officer of State, acting under the Governor's instructions, may propose any such Bill or Resolution, etc., which shall have priority over all other business;

(B) the Governor may declare any such Bill, or any part of such Bill, or any Motion, Vote, etc., of paramount importance or is essential to give effect to the provisions of the Order, and thereupon such Bill or Motion, etc., shall have effect as if it had been passed by the Council. Such declaration may be made by the Governor by message to the Speaker or by an Officer of State, acting by the authority of the Governor, either before or after votes of Members have been taken.

Clause (2) provides that any Bill which shall have effect by reason of a declaration by the Governor in accordance with this Article shall be expressed to be enacted by the Governor, and upon being signed by him, shall be of the same effect as though passed by the Council and assented to by the Governor, and shall be subject to disallowance by His Majesty in like manner.

Article 61 empowers the payment of public money by the Financial Secretary on the orders of the Governor authorised by the Order-in-Council, or by any other law in force in the Island other than the Annual Appropriation Law.

Article 87 (1) provides that no Bill, Motion, Resolution, or Vote affecting an Officer in the Public Service at the date of the commencement of the Order and involving any alteration in his salary, allowances or conditions of service, or in the law, regulations or practice governing the grant of leave or passages or the payment of pensions or gratuities to any such officer or his dependants or personal representatives at the date aforesaid shall be introduced into the Council without the sanction of the Governor, and no Bill, Resolution or "other proposal involving any such alteration which, in the opinion of the Governor, shall be to the prejudice of any such officer shall take effect until it shall have been approved by the Secretary of State." (4) provides that all pensions and gratuities granted to officers retired from the Public Service before the date of the commencement of the Order or to the dependants of officers who have died before that date shall be governed by the law and regulations under which they were granted.

Article 91 (1) provides for a salary of £8,000 a year to be paid to the Governor provided that the officer administering the Government for any period during which the Governor is absent shall receive a part of this salary at the rate of £2,000 a year; (2) provides for salaries of £3,000 a year for the Chief Secretary and of £2,400 a year each for the Legal Secretary and the Financial Secretary; (3) provides for all these salaries to be charged upon the Public Revenue and other Funds; (4) exempts the salary of the Governor or Officer administering the Government and the annual value of their official residences from income tax.

to sanction the proposal and restored the original Government proposal. Whereupon the Board of Ministers omitted it from the Appropriation Bill. In November the Council introduced a provision making the interest on loans liable to income tax, but the original provision in the Bill granting exemption was restored by the Governor with the sanction of the Secretary of State. A Bill affecting cuts in salaries of Public Servants was introduced by the Financial Secretary with the leave of the Governor, at the instance, he understood, of the Board of Ministers, but the Government refused the Council's claim to its right to indicate in the Bill the nature of the cuts, and the Bill was ultimately certified on lines desired by the Governor.

In conclusion, Mr. Perera appealed to all sections of the House to close up their ranks and to present a united demand for these vital and elementary rights.

Position of Members.

Mr. S. W. R. D. Bandaranaike (*Veyangoda*) said the privilege of seconding this important Motion had fallen to him as he happened to be this year the President of an Association—the Ceylon National Congress—which had perhaps the largest number of Members in the House. He conceived the position of Members in the State Council to-day to be absolutely intolerable. Members of the House were now ground between the upper and nether millstones. On the one hand, they had not anything like the power to ensure their wishes on important financial matters going through on account of these vast powers, and on the other they were held responsible—he did not say wrongly—by the public for those wrongs of commission and omission. He had yet to meet anybody outside the Members of the Council who was satisfied with the Constitution. Rather than continue the present state of affairs he would prefer to return to Crown Colony government.

They certainly felt when they accepted the Constitution that it gave certain advantages. He felt that it did give those advantages even now; but the advantages obtained were not sufficient to enable them to do the work which the country expected of them. Undoubtedly the chief trouble was their lack of a sufficient control over the Public Purse.

"Paramount importance" Clause.

The actual Order-in-Council, which had arrived in the country a few weeks before the Elections were held under the new Constitution, in many vital respects fell short of the very important Recommendations of the Donoughmore Commissioners. On page 24 of their Report they said:—

> "Few matters can in themselves be reasonably described as of paramount importance, yet an accumulation of unsound decisions on questions not falling within this category may exercise as disastrous and as far-reaching effects on the general welfare of the community as a mistaken decision on a first-class issue."

But, in spite of that, on many occasions these words "paramount importance" had been used and had been so interpreted by the Governor in matters which could not conceivably have fallen within it. He could not understand how under any Constitution conferring a reasonable amount of responsibility as well as power a clause of that sort could exist unless it was carefully defined and its scope limited. He did not think that the general powers which the Governor possessed as the prerogative of the Crown would be insufficient to deal with matters

where in his opinion the Council's action went to a great or vital extent against any Imperial interests or otherwise.

Mr. S. de Fonseka (*Panadure*) said they could not get out of the fact that the country as a whole had accepted the scheme of reform, except their wise brethren of the North. The National Congress had embraced the scheme whole-heartedly. After the first act of certification—an act which should have put any responsible political body on its guard—the Ceylon National Congress decided to give the Constitution a working trial of three years. Even the Liberal Party accepted the Constitution, with declared reservations. The Labour Party were the first to embrace the scheme. Independent Members like himself, and many other Members, accepted it as an experiment worth trying. Some of the Nominated Members were far more outspoken critics of the Government than the people's representatives; he did not know whether he was to include some of the European Members in that category, but even they were not enamoured of the scheme. Undoubtedly the Governor or the Officers of State had violated the spirit of the Constitution and had acted most arbitrarily.

It was difficult to comprehend that the majority of the "elder statesmen" of the House should have been lulled into the acceptance of the scheme merely on the strength of promises, and should have advised the country to accept the scheme merely on that strength.

By accepting the Constitution, Mr. de Fonseka concluded, they had approved of the giving of those powers to the Governor. Was it not a most audacious piece of self-deception on their part? Let them cast aside the Constitution and replace it by one which would be more responsive to their political needs, to their economic situation and to the welfare of the country.

Mr. G. K. W. Perera (*Matara*) said he must be satisfied that the passing of the Motion was intended to be a serious gesture against the behaviour of the Governor. Why, he asked, were there no proper words in it indicating to the British Government how serious they were and to show plainly that this was no mere stunt like many previous ones? He would suggest the introduction of such words as would say that if these matters were not attended to that Members would dissolve, not co-operate, and "go home and sit quiet."

Governor and "certification."

In one or two cases the Governor had not certified straight away; he had obtained the consent of the Secretary of State to certify or take whatever action he wanted to upon the proposal. The Governor was not called upon by the Constitution to do that; he was called upon to exercise his discretion according to his responsibility.

It was no use asking the Secretary of State to repeal these Articles. The proper course was to have taken whatever violent action they could against those persons against whom they had a grievance. They could pass a vote of censure on the Governor or on the Officers of State to show the whole world their disapproval of their actions. If upon the passing of that vote Members were still without redress, they had the other power—the power of sacrificing themselves.

On 22nd June,

Mr. G. E. de Silva (*Kandy*) said some officials in the country tried to minimise the effect of the Recommendations. The Council had left the drafting of the Order-in-Council to some third party. A great deal of harm had been done by Members of the Legislative Council at that time in not taking sufficient care and precautions to see that the Order-in-Council was in terms of the Recommendations. In Article 22 they had managed to bring into the Clause regarding paramount importance the words—

"or essential to give effect to any provisions of this Order. . ."

That was not to be found in any of the previous Orders-in-Council or in any Statute Book, and they had seen the far-reaching results of introducing that Clause into the Order-in-Council. The Governor had thought it fit to reject the considered opinion of the House five times within a month. He could not help but think that the Governor had practically abused his authority—had contributed to a great deal of trouble in the country.

In conclusion, Mr. de Silva said he was in favour of the Motion and gave it his entire support.

Mr. S. W. Dassenaike (*Colombo, S.*) said they had been there for the best part of a year and had been giving the Constitution their very earnest support, and at every turn they were met with obstruction, not purposeful, but inherent in the very constitution of the scheme. He did not impute to the Governor any want of good-will in working the Constitution; he was bound hand and foot by regulations with regard to the public Service.

Effect of Motion on future Constitution.

Mr. T. L. Villiers (*Nominated*) said that Mr. Perera had not brought forward his Motions with any suggestions as to what the future Constitution should be, but had laid down merely the maxim that the Council claimed as an inalienable right the control of the Public Purse. If he had combined with that some suggestion that would give the people of this country that safeguard from what might possibly be irresponsible acts by the Council in the form of money bills, then his recommendations could have received the careful consideration of the House.

The House, as a matter of fact, did exercise a very strong control on the votes that came up. The Budget was introduced item by item and every excess on the votes had to come before the Council and full details had to be submitted. There was no doubt that it was the subject of the Civil and Public Services—salaries, allowances and pensions—which had agitated the Council more than anything else. His own personal feeling was that except by means of a Commission the less the Council actually had to do with the Annual Vote for the Public Services the better for the Council and the Services.

If they passed the Resolution as it stood, a Resolution which implied a position such as was held by no Dominion—a single-chamber Constitution with full powers—they would have to go back on it or else they would have to go away with an imaginary grievance because

as such a position obtained in no Dominion it would not be granted. These Resolutions were really a protest against the whole Constitution introduced a year ago, and, merely claiming certain principles, were going to handicap them in the formulation of the Constitution of the future. On those grounds he opposed the Motion.

Commissioners' intentions and Order-in-Council.

The Acting Chief Secretary (Hon. Mr. F. G. Tyrrell) maintained that the Order-in-Council carried out the explicit Recommendations of the Donoughmore Commission Report, and that every provision of the Order, if not explicitly indicated in the scheme propounded by the Commissioners, was implicit in those Recommendations. Articles 22, 61 and 87 were essential to the scheme as adumbrated by the Commissioners. They definitely contemplated such additional powers for the Governor as should ensure that the additional responsibility that was transferred to the representatives of the people should be carefully and rightly exercised, and they definitely contemplated the protection of the Public Service.

The Public Service was in the same position that day as under the previous Constitution, and they were ultimately in the hands of the Secretary of State, as they were before.

It was only fair that the Constitution should be given a reasonable trial. It was admittedly an experiment. He submitted that it could hardly have been tried at a more unfavourable time: owing to financial depression, the work of carrying on the business of the country had been made extraordinarily difficult.

Mr. V. S. de S. Wikramanayake (*Hambantota*) said the Order-in-Council had practically taken away the right the Council always had to discuss matters relating to salaries or conditions of service of the Public Service. According to the Report of the Commissioners, the State Council was to be given that right. The State Council had no right at present to bring in a Motion dealing with such matters without the previous sanction of the Governor.

He thought the Motion should be accepted by the whole House, and that they should be given back the power they had.

Position of Public Services.

The Acting Attorney-General (Hon. Mr. L. M. D. de Silva) said it was clear the intention of the Commissioners was that the final executive authority upon any matter affecting the Public Services should be the Secretary of State. Therefore it was entirely inexpedient, till that authority had expressed its views upon a preliminary executive decision of the Council upon proposed legislation, that a legislative Measure should be introduced into the Council to affect the privileges and allowances of the Public Service, and that was why the sanction of the Governor was interposed with the object of imposing a barrier between the decision of the Council and the decision of the Secretary of State. It was perfectly clear that the Order-in-Council not only carried out the Recommendations of the Commissioners, but carried them out in a very far-reaching manner.

On 23rd June,

Mr. G. C. S. Corea (*Chilaw*) observed that with regard to the old Constitution it was said that the Governor had all the responsibility and the Legislative Council all the power, and the two were always in conflict, so that no useful work could be done. To-day, the Council had been saddled with the responsibility and the power had been placed somewhere else : in matters of importance it was completely absent from the House, and was vested solely in the Governor. He did not think any reasonable person could object, so long as this present Constitution lasted, to the Governor's power of the veto, to his power to refuse his assent to a Bill; but that power was reinforced by the addition of powers vested in him under Article 22 of the Order.

It was impossible to carry on the Government unless the whole system in relation to the Public Services was overhauled. The Commissioners themselves had regarded with apprehension the state of Ceylon finances and the fact that so large a sum was voted for the salaries of Public Servants.

Effect of "paramountcy" Clause not contemplated.

Mr. F. A. Obeyesekere (Deputy Speaker) said there had been a deliberate violation of promises held out by the Donoughmore Commissioners. The Governor was exercising his powers under the "paramountcy" Clause in a way never contemplated by those who had accepted the Constitution. If they felt that the working of the Constitution had given ground to doubting the wisdom of continuing to work it, then it was their duty to take such steps as they could to secure a clearer definition of the Governor's reserve powers. They could do that by supporting the Motion and by other measures outside the Council. They had the power of the Purse under the old Constitution, and they claimed that power as their inalienable right.

The Minister of Home Affairs and Leader of the House (Hon. Sir Don Jayatilaka), speaking only as a Member of the Council, said he had opposed the power of certification in 1920 when it first emerged into existence, and in 1923, and ever since. The power was a peculiar one. It was quite a different thing from the vetoing power : he would not support any Motion which proposed to take that power away from the Governor. He supported the Motion only to express his opinion that the power of certification should not be exercised.

They had not accepted the Constitution as the last word in political development in the country. They knew that sooner or later they would have to make this demand [for a reform of the Constitution]. It had come sooner than he had expected. He welcomed it.

Mistakes of "Governor's Government."

Mr. H. R. Freeman (*Anuradhapura*) did not believe that any form of government in Ceylon would be worked without criticism of the governing powers. It was true that in the present Constitution the "Governor's Government" had made mistakes in handling the [Public Services] Passages question, and the Salary Cuts Enabling Bill. Beyond that, he was not with the Mover at this time of severe crisis when they needed to concentrate on their economic difficulties.

The Minister of Education (Hon. Mr. C. W. W. Kannangara) said non-votable expenditure should be passed on to the people's representatives as votable expenditure. Votable expenditure, according to the present Constitution, could be divided into non-certifiable and certifiable. That itself was an objectionable feature. All expenditure in the House should be votable and should go under that one head. If the country wanted to institute a policy, say, of industrial education, there was no way of finding the money unless they reduced a certain amount of that non-votable and certifiable expenditure. Under the Constitution it was not possible to do that. That expenditure appeared in the Budget and must be paid, whatever the Revenue was. If the Legislature had to initiate taxation they must remove all these features and claim the complete control of the Purse. For those reasons he supported the Motion.

On 24th June, after Mr. Perera had replied, the Motion was put and agreed to without a division.

GOVERNOR'S SANCTION IN MATTERS AFFECTING THE PUBLIC SERVICE.

On 24th June, in the State Council,

Mr. E. W. Perera (*Horana*) moved the following Resolution :—

"This Council demands the withdrawal of the requirement under Article 87 of the Ceylon (State Council) Order-in-Council, 1931, of the Governor's sanction for the discussion of such matters affecting Public Officers as are referred to therein as an unwarranted interference with the rights of the Legislature."

This Motion was seconded by **Mr. G. C. S. Corea** (*Chilaw*) and put and agreed to without debate.

LEGISLATIVE POWERS OF THE STATE COUNCIL.

On 24th June, in the State Council, a debate commenced on the following Motion standing in the name of Mr. Perera, *viz.* :—

"This Council claims the exclusive right of legislation for the peace, order and good government of the Island as a vested constitutional right of the people of Ceylon, and declares that the inclusion of the proviso to Article 72* in the Ceylon (State Council) Order-in-Council, 1931, is unconstitutional."

DEBATE IN STATE COUNCIL.

Mr. E. W. Perera (*Horana*) said the proviso in Article 72 read :—

"Provided nevertheless and it is hereby reserved to His Majesty, His Heirs and Successors, with the advice of His or Their Privy Council, to make from time to time all such laws as may appear necessary for the peace, order and good government of the Island as fully and effectually as if this Order had not been made."

The right of legislation by the Council, Mr. Perera proceeded, was exclusive and irrevocable. They had been given those rights and they

* This Article empowers the Governor "with the advice and consent of the Council" to make laws for the good government of the Island.

could not be withdrawn. It was possible, under the proviso for the King-in-Council to altogether withdraw the Legislative Council of the Island by an Order-in-Council and pass a law to dispose of all the available funds in Ceylon. Assuming that the King had that legal power, which he had not under English law, it would reduce that Assembly to an absolute nullity.

"Vested" constitutional right.

The Acting Attorney-General (Hon. Mr. L. M. D. de Silva) said the Motion asserted that "the exclusive right of legislation for the peace, order and good government of the Island" was "a vested constitutional right of the people of Ceylon." The term "vested," as he understood it, had this significance: that the right must have been vested by law. He declared that such a right was not vested by law, and he would like to make it clear to the House that this was nothing peculiar to Ceylon. It was only in December, 1931, that the self-governing Dominions had acquired an exclusive vested right to legislate for themselves.

The constitutional rights of the people of Ceylon were no more and no less than were to be found in an Order-in-Council or in any Act of the British Parliament. There was one Act of the British Parliament which was applicable to Ceylon—the Colonial Laws Validity Act. Within the meaning of that Act Ceylon's was a representative Assembly. The right of altering the Legislature was provided for in the Order-in-Council. Article 77 said:—

> The Governor may reserve any Bill passed by the Council for the signification of His Majesty's pleasure thereon, and he shall so reserve any such Bill by which any provision of this Order, or of any other Order of His Majesty-in-Council, is repealed or varied, or which is in any way repugnant to or inconsistent with any of the provisions of this Order, or any such other Order. . .

That Article contemplated an attempt, at any rate, to alter the Constitution by a local Ordinance, and it was stated in the body of the Order—not in the Royal Instructions—that every such Bill should be reserved; and the Colonial Laws Validity Act said:—

> Provided that such Laws shall have been passed in such Manner and Form . .

as provided by the Order-in-Council. The Colonial Laws Validity Act far from detracting from the effect of the Order intended to uphold it.

Necessity for a second Chamber.

On 5th July,

Mr. M. J. Cary (*Nominated*) said that government by one Chamber, as opposed to government by two Chambers, was comparatively rare, and was only done in the case of a transition stage. They would stand alone as a self-governing unit of the British Empire if the State Council exercised unfettered and uncontrolled power over legislation. The matter had been dealt with by the Donoughmore Commissioners, who, after careful consideration, had given reasons for and against it. He was of opinion that a second House was necessary to prevent the passing of hasty or ill-considered legislation.

No Cabinet responsibility.

One reason why he opposed the Motion was that there was no Cabinet responsibility in their State Council. Apart from responsibility

for the Budget there was no Cabinet responsibility, and the Ministers, the Chairmen of the Committees, spoke for four or, at most, eight Members of Council when they spoke. If they had as their object Dominion status this was not the way in which that object could be attained. He honestly believed that it was in the best interests of the country that they should carry on, for the present at any rate, with the Constitution they had.

Mr. A. E. Goonesinha (*Colombo, Central*) said the power to legislate should be vested absolutely in the State Council, and as a safeguard the Governor might have the power of veto. The proviso to Article 72 was not only uncalled for but was an insult to the people of the country. He heartily supported the Resolution.

Legislation for Empire purposes.

The Minister of Agriculture and Lands (Hon. Mr. D. S. Senanayake) said he believed it had been conceded that the Imperial Parliament had some right to legislate for them. Members of the British Parliament controlled British affairs, the affairs of the British Empire, and it was quite possible that their actions might sometimes be prejudicial to their [Ceylon's] interests. He would rather acknowledge the King as their King and let him have the right to legislate over them if it was necessary to do so for Imperial purposes, for the purpose of keeping the Empire together. But give them the right to legislate for themselves in domestic matters. That was what he would wish to have. Unfortunately, the Resolution went very much further. He could not support the Motion as at present worded.

Mr. F. E. Obeyesekere (Deputy Speaker), dealing with previous Constitutions, said it was clear that if His Majesty had reserved to himself the right to revoke a Constitution granted or to amend or alter it, he could take back the Constitution granted and give them a new Constitution and in that new Constitution he could reserve his right to legislate. But it was rather late in the day now, after reserving important safeguards for His Majesty the King, for the Secretary of State and for the Governor, to try by the clause about "concurrent right to legislation" in the present Order-in-Council to reserve further rights. It had been done constitutionally by His Majesty the King, but wrongly, unnecessarily, done. Their intention was to register an emphatic protest against these further safeguards which it had been thought fit by His Majesty's advisers to insert as a fetter on their freedom in dealing with the internal administration of the country. He proposed as an Amendment to the Motion to delete all the words after the word "Island" and to substitute:

> and demands the deletion of the proviso to Article 72 in the Ceylon (State Council) Order-in-Council, 1931.

Mr. S. W. Dassenaike (*Colombo, S.*), in seconding the Amendment, said they demanded the right to legislate because it was only the people of the country themselves who could really know what measures were suited to the spirit and temper of the country.

The Minister of Education (Hon. Mr. C. W. W. Kannangara) said it had been his intention to move the Amendment. The words "as a vested constitutional right of the people of Ceylon" might defeat the very object they had in view. If that portion of the Resolution was defeate then the main Resolution went by the Board. That was one reason why he strongly supported the deletion of the words " as a vested constitutional right."

One other reason was this: the Letters Patent, issued with the Order-in-Council, in Article XIV., said :—

> " We do reserve to Ourselves, Our Heirs and Successors Our and Their undoubted right with the advice and consent of Parliament or with the advice of Our or Their Privy Council to make from time to time all such laws as may to Us or Them appear necessary for the peace, order and good government of the Island, as fully and effectually as if these presents had not been made."

The removal of the proviso from Article 72 alone would not do. They would have to ask that Article XIV. should also be removed.

It was not necessary for them to discuss whether it was a vested constitutional right or not. He claimed it as the right of a self-respecting people, higher than a claim on vested constitutional rights.

On 6th July, after Mr. Perera had replied, Mr. Obeyesekere's Amendment was put and agreed to. On a division the Motion as amended was agreed to by 41 votes against 4 with 1 abstention.

SUBJECTS AND FUNCTIONS OF GOVERNMENT.

(Division of subjects and functions condemned; State Council and control of administration; Position of the Officers of State.)

On 6th July, in the State Council, the debate commenced on the following Resolution standing in the name of Mr. E. W. Perera, *viz.* :—

> This Council condemns the division of the subjects and functions of government into two classes in respect of one only of which the State Council is charged with the administration, and demands the amendment of the Constitution so that all subjects and functions of government may be placed within the administration of the State Council.

DEBATE IN STATE COUNCIL.

Mr. E. W. Perera (*Horana*), in moving the Resolution, said the advisory functions had become in a very marked degree executive functions in a diarchy within a diarchy. The Budget was removed from the effective control of the House; important Departments were placed in the charge of State Officers who were not subject to the control of the State Council; and even the subjects transferred to Ministers were ultimately controlled by the Governor and the Officers of State, notably the Financial Secretary. Then the Order-in-Council placed the Public Services entirely outside the control of the State Council with regard to salaries, allowances, appointments, transfers and promotions.

The three most important Departments, External Affairs, Defence and the Public Service, were withdrawn from the control of the Council, and were given into the hands of the Chief Secretary.

The administration of justice was handed over to the legal Secretary. Regarding the position of the Financial Secretary, the Donoughmore Commissioners proposed, on p. 70 of their Report, that

> the Treasurer should be entrusted with the financial supervision of all Departments and their establishments, much on the lines of the Treasury in Great Britain.

Instead of that position, the Financial Secretary had been created an absolute autocrat—the embodiment of the Government—by the Order-in-Council. Instead of these Officers being confined to the rôles prescribed to them by the Commissioners, the Financial Secretary, for instance, was placed in a supervisory position having executive powers. Mr. Perera said he hoped the House would condemn this method of administration, which was unworkable and struck at the very root of the rights of that Assembly.

Position of the Officers of State.

Mr. S. W. R. D. Bandaranaike (*Veyangoda*), seconding the Motion, said that the Officers of State were Members of the Legislative Assembly, having the power to take part in debate, move Motions and Resolutions, and bring forward Amendments but they were deprived of the one elementary right which alone would cast any responsibility upon them: the use of the vote. Not only had they the full status of Ministers, but the Chief Secretary presided over the Board of Ministers. They had no vote on the Board of Ministers, although they were members of the Board. They were administrative Heads of Departments. So that they had the extraordinary position of administrative officers being Members of a legislative assembly and executive officers combining administrative, legislative and executive duties, but without the responsibility which would fall upon them if their membership of the Board of Ministers as well as of the House was complete in the sense that they had a vote. They were in a position of extraordinary power, of responsibility, which was in every sense unjustifiable, except in the only sense in which the Commissioners had contemplated the functions of the State Council.

He should imagine that it was very difficult for the Officers of State to function in what was conceived to be the spirit in which they should function, but he thought Members were generally agreed that the Officers of State had been functioning very helpfully to the House as well as to the Board of Ministers, as far as lay in their power.

The great objection made to the previous Legislative Council was the fact that Members apparently had power, particularly in Finance Committee, without any corresponding responsibility. Generally speaking, the weight of the present Constitution had shifted to the other side and there was a certain difficult responsibility without entirely corresponding power. One of the chief defects in the last Constitution pointed out by the Commission was the presence of officials in the Legislative Council, which created a wrong atmosphere because Members felt that those were the people at whom they must sling all their arrows. He failed to see how that position was avoided now. It had been perpetuated, and a feeling of suspicion and difficulty was created by the presence of the Officers of State wielding the power they had.

Concluding, Mr. Bandaranaike said that the Constitution was the most extraordinary one that had been fashioned by the hand of man, and they should strive to make it reasonably workable. They had now gained some experience and steps should be taken for the amendment of the Constitution whereby power might be handed over without the necessity for the presence in a democratic legislative and executive assembly of Officers of State who were in no way responsible to them. He would rather have a reduction of power than the inclusion of bureaucrats and officials in a body which presumably was intended to exercise democratic control.

Mr. G. K. W. Perera (*Matara*) said the Officers of State appeared as Ministers and as advisers. Theirs were two capacities which were clearly defined in the Order-in-Council as well as in the Commissioners' Report. So that if they were removed from Ministerial functions—that was the responsibility which they bore for administering those Departments—they would still remain as advisers on the subjects entrusted to them: Finance, Politics, Law and Justice. The proposal in consequence of the Motion was that these posts should be abolished. That became a serious matter because the three Officers formed part of a very delicate constitutional machinery. He attached great importance to the necessity for advisory officers for one reason. According to the Committee system, the Government was composed of 10 Ministers: three responsible to the Governor and seven elected by and responsible to the State Council. There was no difficulty with regard to the Ministers responsible to the Governor because they were chosen by him and were not responsible to the House. Regarding the other seven Ministers, these were not chosen by the House—they were chosen by the seven Committees into which the House had been divided. So that in no way could they say that they had elected specialists when they elected their Ministers: they only elected the persons who were capable in the opinion of the Committee of carrying out the executive functions which fell to the lot of each Committee. The Officers of State were only removable by the Governor: in future, whether they were Civil Servants or Members of the House, they should be responsible to the House.

Demand for responsible government.

The Minister of Home Affairs and Leader of the State Council (Hon. Sir Don Jayatilaka) said the only question they had to place before the authorities was that the present Constitution denied them the whole management of the internal affairs of their country. They demanded it as their right. They had demanded it since 1919 and would continue to make the demand until they got it. The Motion boiled down to one thing—they were asking for responsible government.

Apart from the Committee system he did not see that the Constitution had any peculiarities. The only difference from full responsible government was the presence of Ministers who could not be removed by a vote of the Council. He appealed to the House to support this demand for full responsible government and work for it, both in the Council and outside.

At the conclusion of the debate the Motion was agreed to without a division.

POWERS OF THE GOVERNOR.

(Governor's assent to Bills; Two-thirds majority; "Paramount importance" Clause; Emergency powers; Public Services; Royal Instructions; etc.)

On 7th July, in the State Council, a debate took place on the two following Motions, moved by Mr. E. W. Perera, *viz.*:—

This Council declares that the addition of subjects in the Royal Instructions

of 22nd April, 1931, in respect of which the Governor's Assent may be refused to legislation, except in so far as may be necessary to render discrimination against communities or religions impossible, is unnecessary and retrograde, and that the same should be repealed.

That provision for requiring the previous consent of the Governor or the Secretary of State for any class of legislation is objectionable in principle calculated to subvert the authority of the Legislature and should be withdrawn.

This Council declares that the enhanced powers granted to the Governor under the Ceylon (State Council) Order-in-Council, 1931, such as the powers to enact laws himself and to suspend laws passed by the Council are in derogation of the rights of the Legislature and reactionary in character, and ought to be repealed.

DEBATE IN STATE COUNCIL.

On 7th July,

Mr. E. W. Perera (*Horana*), in dealing with the second Resolution, said he was not going to ask the House to touch the right of veto, the right of assent, the right of disallowance, which were normal constitutional safeguards which the Sovereign possessed and must exercise.

Regarding the general right of the Governor to refuse or to reserve assent to Bills passed by the Council (under Article 74), Mr. Perera said he did not object to it. It was very necessary and was one of the integral rights of the Sovereign.

The power of the Governor to return Bills to the Council for further consideration with Amendments (Article 79) was an infringement of their rights. The Sovereign in the exercise of his rights could disallow, could veto a Bill, could refuse to assent to a Bill, but he could not supplement the Legislature by passing or recommending Amendments.

Bills and two-thirds majority.

Article 80 provided that the Governor should declare that a Bill should not be presented to him for his assent unless it was passed by a two-thirds majority. In no other representative assembly was there this curtailment of the rights of a House created by any charter granting it a representative Government. This two-thirds majority, which was an infringement of the rights of the House, went to the length of the power granted to the House to amend its own Rules. He did not know of any country, not even of a Crown Colony, where that embargo was laid.

The House, which was supposed to have a great deal of responsible government, had this special infringement of its rights with regard to legislation. Article 78 said:—

In assenting to any Bill the Governor may by order declare that the law shall be withheld from operation for a period not exceeding six months . . . notwithstanding the provisions of Article 74, such law shall not take effect until the expiration of the period for which the same shall have been withheld from operation by the Governor.

In executive matters the Governor was to have similar rights to those accorded him in regard to legislation.

Then came the crucial Article 22. This showed that the Council was not one which was granted even representative right, much less was it a responsible authority to pass laws for the peace, order and good government of the country, but the Governor himself could, by an ukase enact laws, subject to disallowance by His Majesty. That meant not only concurrent, but overriding local authority on the part of the Governor so far as the rights of the Council were concerned. It was claimed that the Donoughmore scheme gave "free institutions and direct responsibility" to the people of the country. Mr. Perera said he challenged it.

Governor's emergency powers.

Under Article 49 the Governor was to have the right to declare a state of emergency, such declaration being to take over the control of the police or of any other Department. So far as the question of serious rioting, anarchy, or even rebellion, was concerned, the reserve powers of the Governor were ample to provide for such a contingency.

Public Services.

Article 87 (1), dealing with the "prior consent of the Governor to legislate," was a most unwarranted interference with the liberty of the Council.

The Royal Instructions.

Dealing with the first Motion, Mr. Perera referred to the matter of the division of subjects in the Royal Instructions, and said that new subjects introduced in respect of which the Governor's assent might be refused were found in Article IV., proviso 1. Regarding Number (3) of the proviso :—

any Bill whereby the rights or privileges of public servants may be prejudiced.

that matter had been sufficiently ventilated.

Number (6) :—

Any Bill whereby, in the opinion of the Governor, the financial stability of the Island,

with one fell swoop took all Bills out of the jurisdiction of the Council into the wide maw of executive autocratic discretion.

With regard to Number (10) :—

Any Bill relating to questions of defence or public security, or any matter affecting naval, military or air forces or volunteer corps or the control of aerial navigation or aircraft or the transport or means of communication of naval, military or air forces,

Mr. Perera said that if there was any sense in the inclusion of that new Clause it proved conclusively that under the previous Constitution the Council had those powers now handed over to the Governor.

Mr. Perera then referred to Number (12) :—

Any Bill relating to or affecting trade outside the Island, or docks, harbours, shipping, or any lands, buildings or other matters of naval, military or aerial interest or of Imperial concern,

and observed that hon. Members would know how wide and far-reaching were these matters.

Mr. Perera then dealt with a new provision, Number (14) :—

Any Bill diminishing or prejudicing any of the rights or privileges to which at the date of these Our Instructions, persons emigrating or who have emigrated to the Island from India may be entitled by reason of such emigration,

and said if there were any disabilities affecting people who had come across from India they would be protected by the sections to which exception was not taken.

What were these privileges at present existing? If this section was intended to protect the interests of the people who employed emigrants, then that was an entirely different proposition.

Regarding Number (16) :—

Any Bill relating to or affecting the administration of justice in the Island,

it was monstrous that such a provision should find a place. It did not find a place in the previous Royal Instructions.

Concluding, Mr. Perera said the matter had been fully thrashed out in previous Motions with respect to the serious import of the enhanced subjects and wider powers granted to the Governor. In those circumstances he had no hesitation in commending these Motions to the House in the hope that they would be unanimously passed in vindication of their rights.

Mr. F. A. Obeyesekere (Deputy Speaker) said he opposed in Article IV. 1, Number (3)* of the Instructions the addition affecting any Bill whereby the rights or privileges of public servants might be prejudiced. In regard to Number (6)* he opposed the words "in the opinion of the Governor" because when they looked at the Commissioner's Report they found that every matter of financial concern had to be accompanied by the considered statement of the Financial Secretary. He agreed with Mr. Perera regarding Number (16)†. Regarding the inclusion of Number (10),* this must be left to the Secretary of State and His Majesty; it was not a matter that they should insist upon as coming within their purview. Till *sampurna swaraj* was given to them let them asquiesce in item (10) at least being excluded from the Motion.

Regarding Number (12),* Mr. Obeyesekere said they could not by a stroke of the pen strike out that item. These were not trifling matters; they were matters of Imperial interest. He wished that matters of Imperial concern should be excluded from the purview of the Motion. Therefore, as an Amendment, he moved after the word "impossible" to add the words :—

or as may be essential for the protection of Imperial interests.

Mr. I. X. Perera (*Nominated*), referring to Number (14),* said the protection given was nothing more than the protection previously given to Indian immigrant labourers. He was sure Members would not grudge this privilege to these poor labourers who contributed so much to the economic prosperity of the country, and that Mr. Perera, who was such a true friend of the labourers, would not exempt this item from the Royal Instructions.

At the conclusion of the debate, Mr. Obeyesekere's Amendment was negatived and both Motions were put to the House and agreed to.

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* *Vide* p. 1118.
† *Vide* above.

GOVERNMENT BY EXECUTIVE COMMITTEES.

(Divided responsibility; Administrative delays; Method of forming Committees; Criticism and support of the system; Position of Ministers, etc.)

On 7th July, in the State Council, a debate commenced on the following Motion, moved by Mr. E. W. Perera, *viz.* :—

This Council is of opinion that government by Executive Committees of the State Council leads to divided responsibility, delays in administration, is unsuited for the government of a country, and recommends that the duties and responsibilities assigned to these Committees and Ministers should be assigned to Ministers responsible to the Council.

DEBATE IN STATE COUNCIL.

Mr. E. W. Perera (*Horana*) said he had always objected to the Committee system on a question of principle. He was also objecting to it on the question of its being an impracticable system of administration.

The Donoughmore Commissioners had set out their objections to a scheme of Executive Committees put before them, he thought, by Sir James Peiris, and those objections applied equally to their own system. In considering Sir James Peiris' scheme, they said :—

We consider that this procedure would bring with it all the evils of divided responsibility, the official members being responsible to the Governor, the unofficial members to the Council.

Mr. Perera said the point he was making was that although, in a sense, the State Officers were kept apart, they had their fingers in every pie, and the criticism of the Commissioners with regard to Sir James Peiris' scheme applied equally to their own. Their Report went on to say :—

If . . the Executive Council were to be collectively responsible, it would be necessary for each Chairman to carry his Committee with him; and this would involve an attempt to create a Government *bloc*, which, as we have shown, would be almost impossible of realisation. And unless such a *bloc* was formed there could be no stability, for the proposals of the Government would be liable to be outvoted at any time.

That criticism was inherent in the present scheme. The final argument they made was that the scheme had the authority of "deliberative bodies of power and influence such as the League of Nations." Mr. Perera said he wanted to point out that the decisions of the League had no sanction behind them, that whatever it touched it adjourned; and that was one of the complaints he made with regard to the Committee system.

The Commissioners had complained of the interference by Legislative Councillors with the administrative machine. Here was a scheme so set up that it gave encouragement and was really intended to make Members interfere in details of administration. It was a peculiar method with the Commissioners whilst declaiming against the interference of Members of the Finance Committee with Heads of Departments and details of administration that they should erect a practice that they condemned as an organised system of government.

Continuing, Mr. Perera said the next point he would urge was that it was impracticable and unworkable. Mr. Dassenaike (*Colombo, S.*) had tersely stated in the public Press the difficulties experienced in the practical working of the system :—

Hours are spent over trifles . . and the Minister who is a puppet has to accept the majority vote and present it as his own to a Board of Ministers no more homogeneous than the Committee.

London County Council system.

The system was unsuitable for the government of a country. The only instance they had of an institution where it operated was the London County Council. The leader of the Labour Party in the London County Council had declared openly the unsuitability of the Committee system as a vehicle of government in the case of a country. Mr. Perera reminded Members that the system was worked in the London County Council on a Party basis, whereas the basis of the scheme of the Donoughmore Commissioners was that the system in Ceylon should not be based on Parties.

Mr. Perera then quoted from an account of a speech by Sir D. Jayatilaka in a discussion with Labour Members in London in 1928 :—

The view generally expressed was that the executive committee system was vital to the constitutional structure designed by the Commission. Mr. Jayatilaka said that this was not necessarily the case . . the appointment of executive committees as proposed should be regarded as a method and not as a principle. If the Amendments recommended by the Legislative Council were accepted and if a larger measure of responsibility could be given to the Ministers most of the objections of the Ceylonese to that part of the scheme would be met, and there was nothing in such Amendments that could be regarded as fatal to its main principle.

Concluding, Mr. Perera said he entirely endorsed that position. His humble opinion was that the system had failed. He preferred to travel along the beaten tracks of constitutional development and experience.

Mr. S. W. R. D. Bandaranaike (*Veyangoda*) said he was not able to support the Motion. The Party to which he belonged had decided that in all the circumstances of the case they were in favour of the continuance of the Committee system. He did not think that any trouble that was really a constitutional trouble that had arisen within the last year had in any way arisen through the Committee system. It should not be thought that the system was incompatible with responsible government or Dominion status. It was good for whatever status they attained.

The Commissioners had been right when they felt that the existence of groups existing as groups for other reasons than those of Party principles would make a Party functioning as such somewhat difficult, and that the grouping that would take place would more naturally fall into communal groups. For a subject race to divide itself artificially into Parties was inevitably creating weakness. They wanted no divisions or Parties—the one thing which would prevent them from obtaining Dominion status.

Position of Ministers.

On 8th July,

Mr. S. W. Dassenaike (*Colombo, S.*) said Ministers were not responsible to the Council for they were out of touch with feeling in the House. Often they had but to propound a policy to have it rent by the House , so little did they gauge the feeling in the House. They said : " Nobody gives us credit for anything we do. The moment we do anything they go for us." They could not bring in a strong Budget or adopt any strong policy. They were as divided internally as they could possibly be, and how could people whose views were so diametrically opposite on questions of taxation bring in a strong financial policy ? They were nearly evenly divided. The Minister was the voice of the Committee, and very often the Minister held one view and the Committee, by a majority, held another, but the Minister had to bring the majority view before the Council.

The Committees had not functioned as a practical form of Government, because a Committee merely gave a majority order to a Minister who might or might not agree, and sometimes sat safely on the fence. The Ministers wrangled amongst themselves. Then they came to the Council and being unable to move the support of Members, they found themselves suddenly attacked from all sides.

Mr. Dassenaike said he sympathised with them. He had pointed out long ago that the divorce of Ministers from the Members of the House, and the diversity of views under the handicap of which they functioned were at the root of all difficulties. He went further : the Governor, as the Head of the State, naturally desired to follow the trend of public opinion or opinion in the House ; he appealed to Ministers who advised him only to find himself let down because the Ministers were not in touch with the House.

Concluding, Mr. Dassenaike said that they proposed broadly to adopt the system that was in practice in other countries that had democratic government—*i.e.*, the Cabinet system. Unless they abolished the Committee system they would not get a strong government at any time.

Suggested improvement.

Mr. E. C. Villiers (*Nominated*) suggested a method which he believed would tend to the improvement of the Constitution while in no way striking at the very root thereof—*i.e.*, that when matters had been discussed by the Executive Committees, the result of the deliberations should be brought by the Minister concerned before the Board of Ministers, rather than as at present before the whole House, and the Board of Ministers should decide what action should be taken, being, of course, responsible to the House for what they did. Thus, if when any matter was dealt with by a Committee and was carried to the Board of Ministers, should any other Minister feel that it was a question affecting the interests of his Committee, he could ask that time should be granted to refer it to them.

Mr. Villiers added that Bills and other legislative measures would be brought before the House in exactly the same manner as at present, but the procedure he had suggested would prevent a great deal of time wasting which took place at present in discussing reports brought forward by Committees who had access to papers, to all evidence and expert advice only to have them argued against and even thrown out by Members who had not those facilities and opportunities. It would have the additional advantage of throwing a very real collective responsibility upon the Board of Ministers, for if the House found itself in constant disagreement with the Board, the remedy would lie in its own hands. This would further prevent the deplorable results of doing away with the Committee system which was the foundation of the whole of the Constitution.

Rather than subscribe to the very drastic Motion before them, he would prefer to see a small Select Committee go into the questions and discuss what improvements were actually necessary, and report back to the House for them to be given effect to.

The "Ministry" convention.

Mr. W. A. de Silva (*Moratuwa*) said he thought that certain modifications of the Motion were necessary before they could accept it. After the Motions had been carried in the House let them ask that a small Committee of the House be appointed to frame a report on the lines of the Motions that had been accepted, so that they might present it for acceptance.

Mr. G. K. W. Perera (*Matara*) said the practice they ought to create was that when an executive matter had been entrusted by them to an Executive Committee their report should in the ordinary course be passed by the House without much discussion, unless it involved a very strong principle on which the House disagreed with the Executive Committee.

In his opinion the Constitution had been hybridized by their sticking to the convention of turning out a Ministry as obtained under the Parliamentary system ; that was, they could not get away from the idea partly entertained by the Mover of the Motion that there should be a Ministry which could be found fault with. If the system of joint responsibility was done away with and if the Board of Ministers was treated as merely a Standing Committee of the House, most of their difficulties would be solved.

He submitted that the Motion should not be entertained for one moment.

Delay and divided responsibility intended.

The Minister of Health (Hon. Mr. T. B. Panabokke) said that the delay and division of responsibility was, he thought, intended. It was not an accident.

Regarding the suitability of the Committee system for the governing of the country, Mr. Panabokke said, in his opinion, the advantages of the Party system outweighed the disadvantages. Parties must form. He believed government by Parties was the only practicable form of responsible Government. He did not think he could at once give any undertaking to mend or end the Constitution. He thought that defective as it was and the great experiment that it was still, they ought to give it a little longer trial.

As far as he was concerned, he must frankly state that there had been no difficulty as regarded the working of his Committee.

On 19th July,

Mr. G. E. de Silva (*Kandy*) said he could not agree that they had given the system a fair trial. If they were able to secure from the

British Government the powers they had demanded in the Resolutions already passed, they should be satisfied and carry on under the present Constitution for a short time. He asked the House not to waste any more time considering the Motion, but to reject it with an overwhelming majority. Let them say they were prepared to act according to their consciences and give the Committee system a fair trial.

Safeguards and minority communities.

Mr. S. de Fonseka (*Panadure*) asked if the system really was unsuited to the government of the country, considering the fact that they had a large number of minority communities, and no Parties worthy of that name? Even among communities there were certain fears and suspicions engendered by caste or religion. Was not a safeguard inherent in the Committee system—a safeguard which did not prevent them from becoming a united and a self-governing nation? For a Party to bring forward a policy was not possible. Every Member was allowed to be heard on every matter. He became cognisant of the reasons which induced a Committee to frame a policy on the lines that it was framed. Then, knowing the facts, he would be less suspicious of the major community, the Sinhalese. There would also be ample time for one who was suspicious to work up public interest both within and outside the Council. So far as minority communities were concerned, that was an essential safeguard, more essential to them and of more use than what was referred to in the fifth Motion—*i.e.*, powers of the Governor and discriminatory legislation.

Mr. M. M. Subramaniam (Deputy Chairman of Committees) said there were defects in the system, so serious that they would be justified in rejecting it altogether. But he felt that if it was abandoned the Constitution itself must be scrapped. Until they got responsible government he thought they should continue the system.

Mr. A. E. Goonesinha (*Colombo, Central*) said there was no opportunity for the Council to deal with a Committee which did not carry out a Resolution passed by the Council. There was no way of bringing a Vote of Censure on the Committee.

Method of forming Committees.

Mr. H. R. Freeman (*Anuradhapura*) said Officers of State held strongly to the view that the State Council should rarely interfere in the doings of the Executive Committees, and the exactly opposite view was held by the majority of Members of the Council. That wide difference of opinion was, perhaps, enough to account for the heaviness of the working of the Constitution.

As regarded divided responsibility, there was no bond between the House generally and Ministers. This was due to the way in which Committees had been filled. Before the Committees were elected, a majority of Members had put down their names on a list for the Committees they wished to join. More than one-fourth had put down their names for the Committee of Agriculture and Lands. Then, before the election, there had been an inter-Party understanding of Members, and Members were by arrangement allocated to Committees, and, after that, some canvassed for themselves. The result of the Committee elections was that 8 Members were left for the last Committee to be elected—Communications and Works—of which only 2 had put down their names to work on that Committee; 4 of the 8 had put down their names for Agriculture and Lands; and no less than 4 had become candidates for the post of chairmanship of the Committee.

Objects of the scheme.

Sir Stewart Schneider (*Nominated*) said they must understand what the framers of the Constitution had before their minds, and he quoted the words of the Commissioners taken from their Report :—

> ". . . it . . . secures them (Ministers) from the disabilities which the absence of Parties would otherwise engender.
>
> ". . . Ministers will be individually responsible for the administration of those Departments assigned to their charge : they will, in addition, be collectively responsible for all financial measures.
>
> "The executive business of government will be dealt with by . . . Committees.
>
> ". . . it imposes responsibility on each one of the unofficial members and so provides for that education without which no ministerial system could be expected to flourish. . . ."

If they kept those objects before them and asked themselves what their answer should be in regard to each, he for one would have no hesitation in saying that the Committee system had tended to the attainment of those objects.

Communalism and Nominated Members.

Mr. F. A. Obeyesekere (Deputy Speaker) said the Donoughmore Commissioners had given them no more than an approximation to responsible government, and not responsible government. To secure that object the Constitution was framed, and alongside with the granting of this opportunity for the actual handling of the government, the then existing safeguards for minorities, by a stroke of the pen, were swept away from the Constitution—all traces of communalism, except the case of the 4 European Members specially indicated in the Constitution for nomination by the Governor.

He asked the European Members nominated by the Governor to have faith in the major communities, and to ask that the special reference in the Constitution be eliminated. Eight Members were to be nominated, and they should not single out a minority community and say that 4 out of the 8 Members should be European. Some of the other minorities were disgruntled because they had not been mentioned in this connection. It was necessary that this change should take place. When that happened they would find that the safeguards for minorities were adequately present in the Constitution.

The provision for reference back and the rights of the Governor in the Constitution were intended for one purpose, and their deliberate aim was to make the grant fall short of full responsible government.

One defect in the working of the Constitution as at present was due, he thought, to the fact that many matters not solely intended for them were considered by the Executive Committees and Ministers. Major matters should be brought before the Council. The Executive Committees might deal with minor matters on their own initiative, but now they were also dealing with major matters for which the consent of the Council had not been obtained. It was up to Members of the Council to indicate what were major matters and what were minor matters on which alone the Committees would be allowed to function independently without consulting the Council.

Except on routine matters, like promotions, appointments, matters in which the Committees and Ministers tried to give effect to the policy already established, whether in the Budget or in supplementary estimate — the policy indicated by the House in open Council passing those money votes—all action taken by Ministers and Committees should be brought up for the acceptance of the Council. These matters fell to the individual Committee's and Minister's responsibility.

System not functioning.

The Commissioners contemplated that all decisions or any action taken by an Executive Committee should be reported to the Council at the very next meeting. That had not been done. He therefore said that the Committee system was not functioning as it was intended to function. He asked Members to join in insisting on passing those changes in items of procedure by a two-thirds majority.

Election of Ministers.

Mr. Obeyesekere asked if they could not elect their Ministers in their Committee by a majority vote. If Committees continued to elect their Ministers on 3 votes out of 8, smooth working of the system might not be possible. In a Committee of 8 they were entitled to see that at least a majority of 5 was registered for the Minister.

It was very simple for them to bring about such a desirable amendment. Were these matters of grievance against the Committee system? They were matters of procedure. Let them give the Constitution a fair trial, making and indicating amendments found necessary in numerous directions from their own experience.

The Minister of Agriculture and Lands (Hon. Mr. D. S. Senanayake) said since he had been in charge of a Committee for about a year his faith in the system had increased considerably. If they gave up the system the first thing to decide was whether they intended having executive control or whether they intended to be content with being only a legislative body. He did not think it possible to have administrative control without the Committee system. His experience was that it did not delay matters, that it hastened more than delayed.

It had been stated that they could have a sort of Party system. It was a fact that of the 7 Ministers, 3 belonged to the Congress Party, 3 to the Liberal Party, and the other one to neither Party. But they found that the Board of Ministers had not divided itself according to Parties. If 7 men were sent to act according to Party principles what would happen? The "outs" would be trying to get in and get "ins" out, and no work done. The Ministers were together; but there were

men of their respective Parties attacking them in Council, and in certain instances trying to go against their decision. That was the sort of thing that prevailed there. If they had a Constitution with only 7 Ministers with this mentality there would be a change of Ministers pretty often.

On 20th July,

Mr. Senanayake, continuing, said that before they criticised the system it was necessary for them to see that they had taken fullest advantage of the opportunities given to them.

Apart from gaining inside knowledge of the working of Departments there was another advantage: they got into touch with the officials who carried out the work and made them realise their point of view. He thought there was great necessity for that in Ceylon.

Concluding, the Minister said he would not like to continue the system for all time. When a better understanding had been brought about between Committees and when they got a better knowledge of what was required for the country, he certainly felt that then it might be advisable for them to get rid of the system; but just now its advantages were great.

The Minister of Home Affairs and Leader of the Council (Hon. Sir Don Jayatilaka) said that after one year's experience the experiment had succeeded much beyond his expectations.

Combination of Committee system and Party system.

He did not propose to enter into a discussion on the merits or demerits of the Party system. What he wanted to say was this: the Committee system was not, to his mind, incompatible with the Party system. If there was a strong Party at the next General Election they could capture the majority of seats in the Council, and when they came to the Council, they could capture a majority in the Committees and then the whole Board of Ministers. The two systems could be combined easily and with distinct advantage, because there would be in the Committees at least one or two Members who belonged to the minority communities, and their point of view would be considered whenever any question was discussed.

He really thought that, so far as his experience went, the Committee system had not failed. Therefore he asked Members to consider whether at that stage, just within a year, they should pass sentence upon the system. It would be far more prudent to say, if they did not want to go any further, that they should continue the system for a longer time. Other defects might manifest themselves in course of time. Then if they found that the working of the system was to the detriment of the country they must be prepared to say: "Let us not have anything to do with this Committee system." Till then he would say, do not pass judgment upon this system which they had been able to work (so far as he was concerned) satisfactorily.

The Minister of Labour, Industry and Commerce (Hon. Mr. P. Sundaram) said the Party system if carried to its logical conclusion was altogether undesirable, but that did not mean that Parties should not exist. If the Party to which he belonged passed a Resolution, he should always feel that the Party mandate should be carried out, especially as regarded reforms about which he had given a distinct pledge under certain conditions. He tried to press his Party case in the Board of Ministers as much as possible. When he failed he certainly looked at that as the limit of the mandate of his Party; and once the majority decided upon a particular policy, he felt he had to give place to the interests of the country in preference to his Party. It was therefore true that the Party system could work consistently with the Committee system.

One had to expect that in a Committee system such as the one they had, in which there were Parties and leaders of the various groups that had got into the Council by election, and had elected Ministers belonging to their respective Parties, to keep collective responsibility on every occasion was rather a difficult matter.

Advantages of the system.

He was inclined to agree with what the Chief Secretary had said on a previous occasion, namely, that even the best form of government under the present most pressing circumstances was bound to give rise to difficulties in its working. It was difficult to gauge at the moment whether the Constitution had failed or not. He felt, however, that the Committee system of government was not the most suitable, but he agreed that it had given them an insight into matters which they knew not before.

It could not be gainsaid that the House had divided responsibility. He would prefer that the Minister should be left alone to enunciate and carry out his policy; if he failed the House must be able to get him out.

It must be admitted that under the system various points of view were brought before the Ministry, every question had the fullest discussion in Committee, and therefore any Resolution brought before the House by a Committee represented a well-considered decision. Another advantage was that even in spite of the most organised efforts to capture Ministerial seats, the system had given power to minorities who had no such organisation.

Mr. V. S. de S. Wikramanayake (*Hambantota*) said responsibility was not divided because what was passed in Committee had to be passed in the whole House.

If the system was to be improved he suggested that the Committees could be made advisory.

So far as his experience went, instead of delays, they had had things decided in one day which otherwise would have taken a long time. In his Committee they worked smoothly and when a decision was arrived at even those against it accepted it and acted accordingly. How and why the system was unsuited to the government of the country they had not been told.

He had had certain fears at the start but those fears had been removed by actual experience. They had worked under difficult circumstances and in very difficult times and yet they had seen that the system had worked well. Let them therefore give it a longer life, not for four years but for a period longer than one year.

The Minister of Education (Hon. Mr. C. W. W. Kannangara) had no hesitation in saying that the system led to divided responsibility, and whenever there was divided responsibility there was lack of stability, and when there was lack of stability in the Government, that Government could not function for long. The Commissioners when they suggested the system knew that defect in divided responsibility, but in their Report (on p. 65) they got over the difficulty this way: they said :—

"It will be seen that . . . the responsibility of Ministers to the Council, except as already specified, will be individual and not collective."

"In a Council in which there is no clearly defined Party system the necessity for the assumption by Ministers of collective responsibility in every matter would lead only to instability and confusion."

They knew it would lead to instability and confusion. Instead of putting the responsibility on the Ministers they put it on the Executive Committees. The collective responsibility was only as regarded financial matters.

It was not enough to say that there was this divided responsibility on every member of a Committee as regarded the decision of that Committee and therefore every member should feel his responsibility and the Council would be justified in condemning the action of a whole Committee including the Minister. Mr. Kannangara said he could not understand that. If a vote of censure was passed it would ultimately lead to ridicule. It might be that the Minister himself was in the minority, or that other members were responsible for arriving at that decision. It was utterly impossible to fix responsibility. He considered that an omission in the Constitution and thought it should be rectified.

In Article 34 (1) they found the words—.

"7 Executive Committees, each of which shall be charged with the administration . . . of such one of the 7 groups of subjects and functions specified in the First Schedule. . . ."

and under Article 32 (1)—

". . . the State Council shall be charged with the administration of the subjects and functions of Government specified in the 7 groups given in the first Schedule. . . ."

Article 39 said :—

Each Executive Committee shall exercise general control over the Departments of government concerned with subjects or functions in the Committee's charge, and the exercise of such control and the transaction of business relating to any such subjects or functions shall be regulated by such procedure as the Governor shall prescribe.

The trouble arose there. A certain function had to be discharged by a Committee. The Committee went into the whole question and made a report, and it laid too much of a premium on the goodwill existing between members of the Committee and the other Members of the Council for the work to be properly done. That difficulty must be got over at the earliest opportunity.

As regarded delays in administration there was, perhaps, such a tendency at the start; but he could not call that a fault of the system: it might be the fault of Members who attempted to bring about delay, and with greater experience, there might, perhaps, be no trouble at all.

As regarded the unsuitability of the system for the government of the country, there again, due to inexperience perhaps, there had been attempts at interfering with the administration for one's own particular benefit.

So far as his Committee was concerned, members had not yet got into their stride, but they were fast getting into it, and the work was being done expeditiously and quite satisfactorily; and after a few more months, he thought the Committee would be in a very good way to work unitedly and to produce very satisfactory results.

He would vote against the Motion because, in his opinion, the Constitution had not been given a fair trial.

At the conclusion of the debate on a division, the Motion was negatived by 36 votes against 6, 3 Members declining to vote.

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