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Many of the subjects treated in the present number of the JOURNAL, both of an international and inter-Empire character, have an important bearing upon the problems to be discussed at the forthcoming World Monetary and Economic Conference.

Apart from disarmament, the Sino-Japanese dispute, and relations with Russia, which are referred to in the course of the United Kingdom and Canadian summaries, direct references to the World Conference and international affairs and to economic and monetary policy generally, will be found in the summaries concerning the Parliaments of the United Kingdom, the Dominions of Canada and New Zealand, and the Union of South Africa. In this connection references to the linking of Dominion currency to sterling are of special interest in the United Kingdom and South Africa sections.

Similarly, the policy and working of the Ottawa Agreements, as considered in the various Parliaments, are important in relation to the world situation. In this regard, attention should be given to the summaries of the United Kingdom Parliament, where various aspects of inter-Imperial trade, including the standard of "Empire content" to qualify for preference, are touched upon; the Northern Ireland Parliament, where the benefits to farmers resulting from the Ottawa Agreements are explained; Canada, where references are made to developments in inter-Empire trade, the duty on British imports, and "Empire content" in the Dominion Parliament, and to agriculture and the lumber industry in the Parliaments of Ontario and New Brunswick; the Australian Commonwealth Parliament, where tariffs, meat exports and policy regarding primary and secondary industries are considered; the New Zealand Parliament, where tariffs, currency, the rate of exchange and price levels are discussed; and the Union of South Africa Parliament, where the value of the Ottawa Agreements, the extension of trade within the British Commonwealth, exchange rates and the gold standard are amongst the matters treated.

Other references to the Ottawa Agreements will be found in the section devoted to the Irish Free State, where the reason for representation at the Conference is mentioned; Newfoundland, where the Governor's Speech referred with confidence to the working of the Agreements; Southern Rhodesia, where the effect of the abandonment of the gold standard by the Union, the advantages of Ottawa to primary producers, and developments of meat and tobacco markets are referred to; India, where the effects of the Trade Agreement with the United Kingdom and economic conditions are dealt with; and Ceylon, where the discussion on the proposed new scale of duties providing for Imperial Preference is summarised.

Constitutional matters of an inter-Empire and also of a more local interest figure under several countries in this issue. From the wider standpoint, the discussion in the United

Kingdom Parliament on the Parliamentary control of external affairs introduced various aspects of the problem of consultation with the Dominions; and the value of the interchange of information provided by the Empire Parliamentary Association was referred to. Again, the Resolution of both Houses of the Quebec Parliament to form a Branch of the Empire Parliamentary Association is of more than local significance; while the Visiting Forces (British Commonwealth) Acts in the United Kingdom and Canada sections; the relations of Newfoundland to Canada and of the Irish Free State to the United Kingdom referred to in the sections devoted to Canada and the United Kingdom respectively; the Removal of the Oath Bill and relations with Northern Ireland in the Irish Free State section; the Reform of the Upper Chamber in the New South Wales section; the Secession Referendum Act in the Western Australia section; and the Constitution Amendment Bill in the South Australia section, are matters of interest to all the Parliaments of the Empire.

Other subjects of considerable Empire importance which find a place in the present issue concern migration and land settlement in the Parliaments of the United Kingdom and Victoria (Australia); the Navy, Army and Air Estimates, Broadcasting, and Indian Constitutional Reform in the United Kingdom Parliament; and the last-named subject in the Central Legislature of India.

Amongst matters of more interest to the countries directly affected, but nevertheless of general interest to all Parliaments, may be mentioned financial and Budgetary positions in the United Kingdom, Canada, Australian Commonwealth, New Zealand, Union of South Africa, India and Ceylon sections; the discussion upon a proposed co-operative Commonwealth in the Dominion of Canada section; the changes of Government in the Union of South Africa, South Australia and Western Australia sections; the establishment of a Bureau of Industry for the encouragement of employment and the rehabilitation of industry in the Queensland section; the Transport Regulation Act in the Victoria section; the Hospitals Aid Bill, providing money by establishing a duty on restaurant meals, in the British Columbia section; the powers taken by the Government to deal with the results of the civil disobedience movement in the India section; mineral rights in the Southern Rhodesia section; franchise and language questions in the Malta section; and the holding of land by aliens in the Bermuda section.

THE EDITOR.

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29th April, 1933.

UNITED KINGDOM.

(Great Britain and Northern Ireland.)

Parliament reassembled on 7th February, 1933, *at the close of the Christmas Recess to continue the business of the Session which opened on 22nd November*, 1932.

Debates in the two Houses up to the Easter Recess, and in a few instances since, are summarised in the following pages.

INTERNATIONAL AFFAIRS.

(The Disarmament Conference; New British plan submitted; Differing needs of the nations; Pledge of equality to Germany: a transition stage; Signor Mussolini's proposals: Four Western Powers to collaborate in maintenance of peace; Revision of Treaties; World Economic Conference; etc.)

On 23rd March, in the House of Commons, on the Order for the Third Reading of the Consolidated Fund Bill, a debate took place on international affairs with special reference to the disarmament problem, the maintenance of European peace, and the forthcoming World Economic Conference.

DEBATE IN HOUSE OF COMMONS.

The Prime Minister (Rt. Hon. J. Ramsay MacDonald) made a statement regarding the visit he had just paid, in company with the Secretary for Foreign Affairs, to Geneva and Rome. There was, he said, grave danger of a somewhat immediate collapse of the Disarmament Conference. They therefore decided to assist the Conference by the production of a plan* that would cover the whole field and would deal with questions like security, consultative pacts, land armaments, naval armaments and air armaments, that would deal with the use of poison gases, that would embody rules of war the complete effect of which was disarmament and security. Plans that were to be of any use at Geneva now must not be merely mathematical plans to reduce things by one-third, or one-quarter, or one-fifth. They must have relation to the differing needs of the nations.

There were two essentials in the British plan. It contained, for the first time, figures regarding various arms.

* Draft Disarmament Convention submitted to the Disarmament Conference at Geneva on 16th March, 1933. (Cmd. 4279.)

When the Conference resumed it would be upon those figures, he hoped, that the work would be concentrated. Another point was that they were pledged to give equality to Germany. "The time has gone by," Mr. MacDonald remarked, "when by a combination of any Powers any European people can be kept down by obligations which it regards as being inconsistent with its self-respect and its honour. We have now to make it perfectly clear that the obligations that are to be placed upon the nations of Europe are to be obligations of honour and moral responsibility, obligations which will be all the more serious for them since they have taken them upon themselves in a voluntary way."

A transition stage.

But, the Prime Minister continued, events had happened recently that had enormously increased the risk of taking a big step like that at the present moment, and the British plan presupposed a transition stage. During that stage of progress towards equality, equality itself would not be carried out, but during it there should be no re-armament. The immediate result of their intervention had been that the hope of agreement had been restored and the Conference was heartened once more to pursue its work upon a definite sketch plan which it could consider in detail.

Europe was very unsettled: was in a very nervous condition. When at Geneva, feeling that background, it came to his knowledge that Signor Mussolini would welcome a meeting. Referring to his visit to Rome with the Secretary for Foreign Affairs, the Prime Minister stated that on their arrival a short document was handed to them, which roughly and generally gave Signor Mussolini's views. It showed that his mind had been running on an effective policy of collaboration between the four Western Powers to maintain peace in the spirit of the Kellogg Pact and of the No-Force Pact which had been contemplated by the Five-Power Conference as a return for Germany getting a declaration in principle of their willingness to grant her equality of status.

Signor Mussolini felt that Article 19 of the Covenant of the League of Nations *re* treaties was not meant to become dormant. His view was that while the Covenant enforced all respect for treaty obligations, it also contemplated the possibility of a revision of treaties when conditions arose which might lead to a conflict of nations.

Rt. Hon. D. Lloyd George (**Independent Liberal**, *Carnarvon Boroughs*): "Clemenceau said so."

A ten years' treaty.

The Prime Minister explained that the plan laid it down that the proposed co-operation should be carried out within the framework of the League of Nations, and ten years was indicated as the first period for the treaty. Indications were given that if this conception of understanding and co-operation between the Powers were adopted as an immediate aid to peace, as an immediate contribution to the solution of Europe's difficulties and dangers, the friendship thus engendered would have further beneficial consequences. The British Government would work out further details of the plan, so that it might not merely have as its general purpose peace, and its big, and almost only, detail revision of treaties.

It was the British view that the smaller States had a right to be consulted wherever their special interests were concerned, and that would be done. "On the way through Paris," the Prime Minister observed, "we informed the French Ministers of our conversations, and they made public their desire for loyal co-operation in the interests of peace between the four European Powers who are permanent members of the League of Nations. . . The conversations at Rome amounted to this, that now, when it is perfectly plain to everybody that national life is being revitalised in Europe, the four Powers should meet, before they may be driven apart, to try to remove by negotiation the dangers which will have to be met in any event."

Labour opinion.

Mr. D. R. Grenfell (**Labour**, *Gower*) contended that there was room for considerable reduction in the figures proposed by the Prime Minister and Foreign Secretary before any marked advance was made in the direction of disarmament. He was rather afraid that, these figures having been suggested, there would be considerable reluctance on the part of any of the nations receiving a satisfactory allocation to reduce them. The Prime Minister's proposals started too high; they more or less stabilised armaments at high levels, and under them there was no indication of reaching any considerable measure of disarmament in the next five years. It was feared that the indications pointed not to a reduction of the armaments of other countries to Germany's comparatively low level, but to the possibility of an increase in German armaments to equal the higher levels elsewhere. In the present state of Europe that would be a greater danger than allowing Germany to remain where she was.

The Labour Party believed that disarmament should be discussed, not with a view to maintaining the relative strength of the great Powers compared with the small Powers, but as a problem of doing away with arms. The only way to get safety and security was by renouncing war, as had been done in the Kellogg Pact. Figures having been introduced, the

aim of the Conference should be to work those figures down to the lowest possible limit and make the closest approach possible to disarmament. While the Labour Party would like to see disarmament hastened they attached perhaps more importance to the World Economic Conference, which was vitally necessary if the causes of rivalry in arms and the apprehensions which existed at the present time were to be removed.

Respect for law.

Rt. Hon. Sir A. Sinclair (**Liberal**, *Caithness and Sutherland*) said that a fortnight previously the Disarmament Conference was regarded with despair and its best friends in Great Britain were advising its almost indefinite postponement. If the Government told them that their project indicated the lines upon which progress could most swiftly be made at the present time, and if there was a real prospect that a Convention of this kind could be concluded, the Government were entitled to the strongest backing the House of Commons could give them. Armaments would decline as the respect for the public law of Europe grew, and that respect must be based upon a substantial measure of consent. As long ago as 1870 Mr. Gladstone said :—

> " The greatest triumph of our time will be the enthronement of the idea of public right as the governing idea of European politics."

That idea was enshrined in the Covenant of the League of Nations and all the members of the League were pledged to uphold it. They must uphold it firmly against any challenge from any country in Europe, but they must recognise also that the settlement of Versailles was never intended to be stereotyped. Because he believed that the Prime Minister's efforts had been directed to winning for the public law of Europe a greater measure of consent and, therefore, to laying the foundation of a permanent peace, he was disposed to welcome the efforts Mr. MacDonald had made.

Relations between the Powers.

Rt. Hon. Winston Churchill (**Unionist**, *Epping*) submitted that the undue insistence upon disarmament, the prolonged attempts at Geneva of one nation to disarm another, and latterly of each nation to put some other nation in the wrong before public opinion, had had scarcely any good results, and, in fact, in some respects had worsened the relations between the great Powers. He was very doubtful whether there was any use in pressing national disarmament to a point where nations thought their safety was compromised, while the quarrels which divided them and which led to armaments and to their fears were still unadjusted. He had always hoped

and believed that a continuance of a long peace and the pressure of taxation would lead to a gradual, progressive neglect of armaments in all countries, as was the case after the conclusion of the great Napoleonic wars.

Discussing the figures in the Draft Convention, he remarked that he could not say they were injurious to the defensive interests of Great Britain, but he doubted very much the wisdom of pressing this plan upon France at the present time. The French must be greatly concerned at what was taking place in Germany, as well as at the attitude of some others of their neighbours. He dared say that during an anxious month there were a good many people who had said to themselves, as he had been saying for several years, " Thank God for the French Army." He understood that already 56 disarmament plans had been disposed of and it seemed not unlikely that the 57th would share the common fate.

Locarno Treaty obligations.

It was undoubtedly dangerous to press France at the present juncture to disarm, because of the effect which that must necessarily have upon British obligations and liabilities under the Treaty of Locarno. He was profoundly anxious that they should preserve and enjoy the full freedom to judge of their obligations under Locarno without any additional complications. If Europe had enjoyed peace this year it had been under the shield of France. They should be careful not to break that shield.

Turning to the proposals for a pact between the four great Powers to preserve the peace and to plan a revision of the Treaties of Versailles and Trianon, Mr. Churchill said he had always been attracted by this idea which Signor Mussolini had made so prominent. He would have thought it was indispensable before this plan could have a fair chance to have got the Disarmament Conference laid to rest and not to be assailing the nations involved with doubts as to their military strength and anxieties about their security at the same time that they were going to ask them to undertake the appallingly dangerous and difficult duty of endeavouring to get some revision of the Peace Treaties.

Importance of security.

Brig.-Gen. E. L. Spears (**Unionist**, *Carlisle*) remarked that the one thing that mattered was the question of security, and when it had been solved the whole problem of disarmament had been solved. He very much doubted whether the fundamental proposal which the British Government laid before the Disarmament Conference was going to lead nations to disarm. There was a perfectly simple course open to them. It was to

suggest a postponement of the Conference to a given date, say three months hence, on the ground that it was impossible really to study disarmament and come to satisfactory conclusions in the present disturbed state of Europe. The Government might have declared that meanwhile it would tolerate no infraction of the Treaties, especially in the matter of re-armament. To that statement should have been added another: that when the Disarmament Conference reassembled they were absolutely determined to find a settlement that was fair to Germany.

Sir Stafford Cripps (**Labour**, *Bristol, E.*) said that one of the reasons why disarmament was so vital was that it now formed part of the treaty obligations of the whole of Europe, and Germany's position, so long as the rest of Europe remained armed, was an anomalous position and one which was never contemplated even under the Treaty of Versailles. It seemed to the Labour Party that a complete change of outlook among European statesmen was required. It was not enough merely to allow an outflow of fine sentiments, saying how willing one was to bring about peace and disarmament. One had really to transform that willingness into action, and it was that willingness that had been so sadly lacking throughout the Disarmament Conference and the years that had preceded it.

The new Draft Convention seemed to proceed on the basis of the highest common factor of armament. It contained no budgetary limitations at all, it allowed unlimited expenditure on the smaller unprohibited arms, it contained practically no naval disarmament and it did not contain the total abolition of aircraft. Another vital thing missing from it was control of the manufacture of and traffic in armaments. The Convention seemed to be based on this principle: "We stand largely where we were as regards our chief armaments [naval armaments]; other nations are reduced in their chief armaments; and Germany is allowed to re-arm." The most one could say of the Convention was that it was a very meagre step towards disarmament, and on the whole, if Germany was to be permitted under it to re-arm to the strength indicated, it might well be a worse thing than having the present state of affairs.

Menace to the League.

The four-Power *bloc* seemed to be extraordinarily dangerous, to be a great menace to the League of Nations, because either it would form a small inner Cabinet of the League which would control the League by the concerted action of the four great Powers, or else, if it was made a general treaty to which other States were permitted to adhere if they wished, it would set up substantially outside the League, though nominally within it, a new body consisting of those who adhered to the special pact. If the real reason for the Four-Power Pact was in order to be able to barter something in exchange for Germany's promise not to re-arm, then that was not a desirable basis for any such pact. If the treaties ought to be reconsidered, it ought to be not on the basis of barter, but on the basis of justice.

The Under-Secretary of State for Foreign Affairs (**Mr. R. A. Eden**) said that Mr. Churchill attacked the Government for basing their whole foreign policy upon disarmament. But that was a policy to which every signatory, every upholder, of the Covenant of the League of Nations was a party. It was a responsibility which they shouldered when the League of Nations began its life. They had to appreciate that the situation was that unless, as the result of the Disarmament Conference, they could secure a Convention which all the nations would sign, they could not secure for Europe that period of appeasement which it needed. To secure a solution of that problem they had to bring France and Germany closer together. What Power in Europe, other than Great Britain, could more usefully and beneficially use its influence to bring about a *rapprochement* between France and Germany than Italy? If they could secure the co-operation of Italy in that work they would have taken an important step forward.

Three conditions fulfilled.

Referring to the Draft Convention, Mr. Eden said it had to be a fair document, and if it was not fair it was of no use. It had to fulfil three conditions:—

To provide for a generous measure of world disarmament; to show a long step towards equality of treatment; to provide a just and reasonable five years' settlement. Those were the three things the Government claimed this document had done. They believed the greatest measure of security a harassed Europe could now achieve was the signature of a Draft Convention such as this, which would remove for a period of years the fears of competition in armament and all that it spelled.

The Government took the risk of offering what amounted to arbitration to nations who had not asked for it because they believed that the success of the Disarmament Conference was an indispensable prelude to the economic recovery of the world.

The Bill was read a third time without a division.

WORLD ECONOMIC CONFERENCE.

(Draft agenda prepared; Date of meeting in London; Prime Minister to preside; Discussions with United States Government.)

On 7th February, in the House of Commons, replying to **Mr. A. M. Lyons** (**Unionist**, *Leicester, E.*), and other hon. Members,

The Prime Minister (**Rt. Hon. J. Ramsay MacDonald**) stated that the Preparatory Committee of Experts had drawn up a draft annotated agenda for the World Economic Conference which had been published by the League of Nations. The Council of the League had decided to transmit the draft agenda to all States invited to the Conference.

The Council had decided that the convocation of the Conference should not be unnecessarily delayed, that it could not, in view of the necessity for further preparation and the distance to be covered by some of the delegates, take place for at least three months from the present time, and that it should be left to the Secretary of State for Foreign Affairs, as President of the Organising Committee, to convene that Committee at some suitable date during this period of three months, in order to take a final decision on the eventual date of the Conference.*

The Prime Minister added that he had been asked by the Council of the League of Nations to act as President of the Conference. His acceptance of the presidency was conditional on the Conference meeting in London.

Discussions with United States.

On 13th February, in answer to **Mr. R. J. G. Boothby** (**Unionist**, *Aberdeen, E.*),

The Prime Minister said the British Government had agreed that concurrently with the discussion of War Debts between themselves and the United States' Government, there should be a discussion of the world economic problems in which the two Governments were mutually interested. The object of the discussions would be to promote the revival of world trade and prosperity. While a settlement of War Debts was an essential condition of such revival, they had always recognised that there were a number of other factors, economic as well as financial, which would also have to be dealt with. They would be glad to exchange views with the United States' Government on the whole field.

* At a meeting of the Organisation Committee of the World Economic Conference, held at the Foreign Office, on 29th April, with Sir John Simon in the chair, it was decided to convene the Conference in London on 12th June. The King will open the Conference.

Rt. Hon. G. Lansbury (**Leader of the Opposition**) asked whether the House and the country would have a general idea of the proposals to be discussed.

The Prime Minister replied that the agenda drawn up by the Committee of Experts in Geneva covered the field, and the subjects that would engage the attention of the two Governments were all included in that agenda. So far as War Debts were concerned, the British Government wanted an agreement with America which would enable them to pursue their European policy.

ECONOMIC SITUATION.

(Plea for raising of sterling prices; British Government urged to act promptly; An Empire monetary policy: Ottawa discussions; Chancellor of the Exchequer and international co-operation; World Conference and present problems.)

On 8th March, in the House of Commons, the economic situation, with special reference to the raising of wholesale prices, was the subject of debate.

DEBATE IN HOUSE OF COMMONS.

Mr. S. S. Hammersley (**Unionist**, *Stockport*) moved the following Resolution :—

"That this House welcomes the Government's declared intention to raise wholesale prices, gold prices if possible, but in any case sterling prices, and urges the Government, without waiting for the international consideration of gold prices, to give immediate effect to a definite and whole-hearted policy of raising sterling prices."

The hon. Member argued that a rise or fall in the wholesale price level could not be completely reflected in retail prices. He did not deny that if there was a large increase in the cost of primary products there would be some reflection of it in retail prices, but he did assert that a rise in wholesale prices would, by increasing employment and providing profitable production, overwhelmingly outweigh any small disadvantages to the cost of living.

In 1924, when the wholesale price level was more than 60 per cent. higher than to-day, they had less than half their existing volume of unemployment.

An expansive monetary policy.

Turning to the part of the Resolution which urged the Government not to wait upon international co-operation, but itself to take steps to redress the fall in prices in the area over

which it had control, Mr. Hammersley said they must have an expansive monetary policy. He pointed out that last year they had a £260,000,000 increase in the deposits of the Joint Stock Banks and a decrease of £120,000,000 in their advances. In other words, there was an increased supply of money and a decreased use of it. The practical problem was how the increased quantity of money which was available could be brought into active circulation. To effect this, two conditions had to be satisfied. The Joint Stock Banks had to appreciate that the money they lent was safe: borrowers had to feel that there was a reasonable chance for a profitable investment.

The production of the nation considered to be essential should be made credit-worthy from a banker's point of view by some kind of Government guarantee which involved some kind of Government control. They should subsidise those exports for which there was, practically speaking, an unlimited demand at the right price. The other method of passing money into use was to induce reluctant credit-worthy borrowers to borrow. The only substantial credit-worthy borrower was the Government, and that brought them right into the question of schemes involving Government expenditure. He believed that subsidies to selected exports would be more efficacious than Government expenditure, but there was a place for both.

Prompt action needed.

Rt. Hon. L. S. Amery (**Unionist**, *Birmingham, Sparkbrook*) stressed the need for prompt and whole-hearted action by Great Britain without waiting for the possible outcome of the International Conference. He recalled that almost two years ago the Macmillan Committee assigned the cause of the trade depression to the fall in prices resulting from monetary contraction and dislocation. A great opportunity was missed at Ottawa to link up an Empire fiscal policy with an Empire monetary policy. Indeed, without the latter, fiscal policy was largely in the air, because the whole value of the Preferences agreed upon could be undermined and frustrated by changes in the monetary value of the currency of the different countries.

To take but one example: the fact that New Zealand was forced off her previous parity, owing to their not being able to bring sterling prices to a higher level in the Empire as a whole, had in effect undone the concessions which she gave the United Kingdom at Ottawa. He realised that the negative attitude which the British Government took up at the Conference was largely based on the feeling that the matter could only be settled internationally, and the Chancellor's declaration, while tentatively advocating a policy of increased prices, took the line that "the absence of a rise in gold prices inevitably

imposed limitations on what could be done for sterling." With that statement he respectfully begged to disagree entirely.

The World Conference.

In the introduction to the agenda of the World Conference there was one phrase which summed up the whole situation:—

"It is impossible to maintain an international monetary system except on the basis of an international economic situation."

They were still a very long way from an international economic system, and, therefore, they might assume that they were a very long way from an international monetary system. He trusted that no side issue, no concessions in respect of their Debt, for instance, would induce them again to put the noose of the gold standard round their necks and give the other end of the rope into the hands of the United States.

Mr. D. M. Mason (**Liberal**, *Edinburgh, E.*) argued in favour of the restoration of the gold standard, whereby they could get a legitimate rise in prices brought about by a legitimate demand.

Capt. M. H. Macmillan (**Unionist**, *Stockton-on-Tees*) urged that they should concentrate upon the method of leaving the volume of commodities constant while increasing the volume and velocity of money. A period of depression, when individuals were unwilling to invest, was the time for capital investment on the part of the Government.

Dominions and sterling.

The Chancellor of the Exchequer (**Rt. Hon. Neville Chamberlain**) remarked that when Mr. Amery said they missed a great opportunity at Ottawa to devise and to establish an Imperial monetary system as well as an Imperial economic system, meaning the linking up of the currencies of the Dominions to sterling, he did not face the immediate difficulty which must arise in such an event when the Dominions would have to grant to Great Britain the power of fixing the rate of sterling, which they would have to accept without having any power over the rate. What would suit Great Britain at a particular moment would not necessarily suit the Dominions. Therefore Mr. Amery's suggestion was not within the range of practical politics.

Continuing, Mr. Chamberlain said that they could not expect by monetary factors alone to raise prices. He agreed with those who had said that it was not enough to have plenty of money available at cheap rates—that they must, in addition, have confidence. As long as the world was in a disturbed condition when no one knew what changes were likely to take

place, or in what financial difficulties other countries might find themselves involved, they could not expect that international trade was going to resume its former volume. The idea that they could replace what they had lost in foreign trade by any artificial stimulus applied in Great Britain appeared to him one doomed to disappointment.

Stimulating industry.

It was said that the Government should now use their credit to start a new programme to stimulate industry by the commencement of public work, or the encouragement of private enterprise where that stimulus was needed to give the necessary start. That was the policy the Government had repeatedly described to the House as one they were themselves pursuing. But it would be a mistake to suppose that they could rely upon work of that kind being of sufficient value to make a real and perceptible difference in that particular problem.

"You cannot expect that this country can attain prosperity while all the rest of the world is depressed," Mr. Chamberlain observed. Therefore, he continued, they had got to have international conferences. The matters which were set out in the annotated agenda of the World Economic Conference covered most of the problems which had to be solved before they could expect to recover the prosperity of the world. There were some of them on which different countries had in the past held very different views, but he began to see at least some approach to a greater approximation of views than had existed in the past.

"While the Government," Mr. Chamberlain added, "will certainly spare no effort in doing all that it is in the power of the Government to do to stimulate trade and to raise sterling prices, yet at the same time we are not going to disguise from ourselves that the greater objective which lies before us is in the direction of international co-operation."

On a division the Motion was agreed to by 128 votes against 35.

CHINA AND JAPAN.

(United Kingdom embargo on export of arms to Far East; Effort to secure international agreement: failure of the attempt; Withdrawal of British ban.)

On 27th February, in the House of Commons, during a discussion on the Estimates for the Foreign Office in Committee of Supply, the subject of the export of arms to Japan and China during the conflict in the Far East was raised.

DEBATE IN HOUSE OF COMMONS.

Rt. Hon. G. Lansbury (Leader of the Opposition) referred to events in Manchuria. He said that for seventeen months the Japanese Government had violated its pledged word according to the Covenant of the League of Nations, and he asked that the British Government should prohibit the export of arms to Japan. Further, he asked that there should be an embargo on finance and credit.

The Secretary of State for Foreign Affairs (Rt. Hon. Sir John Simon) said that the supply of arms could only be effectively stopped by international agreement. The British Government had lost no time in trying to find out what could be done in that direction, and had communicated with some half-dozen of the principal arms-producing countries in the world. Pending international consideration, the Government had decided, subject to respect for existing contracts, that as from that day they would not authorise the issue of licences for export to either China or Japan of any article mentioned in the Arms Export Prohibition Order, 1931.

He was well aware that the decision would not in itself prevent the supply of arms to the Far East from other sources. Yet it would be the first time when any neutral Government which manufactured arms had taken positive action of this kind in reference to a distant conflict, with which they did not mean in any circumstances to concern themselves.

Japan the aggressor.

Rt. Hon. Sir Herbert Samuel (Liberal, *Darwen*) was convinced that the country would desire that in other directions, apart from the supply of arms, Great Britain should withhold aid and assistance of every kind from Japan, who had been declared to be the aggressor in this matter. As Mr. Lansbury had suggested, in respect of loans and credits, Japan would find herself subject to very severe economic strain. It might be that economic forces, combined with the moral pressure of world opinion, would after no long interval bring Japan to a more reasonable state of mind.

Rt. Hon. Sir Austen Chamberlain (Unionist, *Birmingham, W.*) remarked that in the light of the Report of the Lytton Commission and the discussions at Geneva, it seemed to him impossible to contend that the action of Japan in Manchuria was compatible with the obligations she undertook when she signed the Covenant, was irreconcilable with the terms of the Pact of Paris, to which her signature was also attached, or did not directly disavow the obligations of the Nine Powers Treaty. He could not think that the verdict of the assembled world united at Geneva would count for nothing in the settlement of the issues when that settlement came. The country

would applaud the statement of the Foreign Secretary with respect to the supply of arms.

After further debate, the Foreign Office Estimates were agreed to.

Geneva discussion.

On 6th March, **Dr. J. Hunter** (**Liberal**, *Dumfriesshire*) asked what indications there were of universal agreement on the part of the foreign countries concerned with the decision of the British Government to ban the export of arms.

The Secretary of State for Foreign Affairs replied that there was no indication of universal agreement. That left Great Britain in a situation which could not be allowed to continue. It would be the first matter taken up by the Prime Minister and himself at Geneva.*

Replying to further questions by **Mr. Lansbury** and other Members,

The Secretary of State for Foreign Affairs said the Government had always contemplated that the only permanent arrangement was one which would be universally accepted.

No international agreement.

On 13th March, in answer to **Mr. Lansbury,**

The Lord President of the Council (**Rt. Hon. Stanley Baldwin**) said that the Prime Minister and the Foreign Secretary had had the opportunity of discussing the matter with the representatives of various other countries. In their opinion there was no prospect of any international agreement upon the subject in the near future. In these circumstances no useful purpose would be served by maintaining an embargo observed by Great Britain alone, and, accordingly, the Government had decided to remove it as from that day.

"At the same time," Mr. Baldwin added, "the Government remain firmly convinced that the only satisfactory solution of a problem which is bound to recur in the future is to be found in an international agreement. Accordingly, it is their intention vigorously to pursue the conversations already begun as and when opportunity offers with the earnest desire to arrive at a form of agreement which will in the future secure uniformity of action on this important subject."

RUSSIAN GOODS (IMPORT PROHIBITION) ACT.

(Trade relations with Soviet Union; Government and arrest of British engineers at Moscow.)

On 13th April, the Royal Assent was given to the Russian Goods (Import Prohibition) Act.

* The Prime Minister and the Secretary of State for Foreign Affairs left London on 9th March to attend the Disarmament Conference at Geneva.

The Act authorises the issue of a Royal Proclamation prohibiting the importation into the United Kingdom of all goods from the Union of Soviet Socialist Republics, or of such goods as may be specified.

Goods will be deemed to be manufactured in the Union unless it is proved that 25 per cent. or more of their value at the time of exportation to the United Kingdom is attributable to processes of manufacture undergone since they last left the Union.

The Board of Trade is empowered by licence to authorise, either generally or in any particular case, the importation of any goods prohibited by virtue of a Proclamation.

DEBATE IN HOUSE OF COMMONS.

On 5th April, in the House of Commons, the Bill was debated on the Order for Second Reading.

The Secretary of State for Foreign Affairs (**Rt. Hon. Sir John Simon**) stated that the Anglo-Soviet Trade Agreement made some two years ago contained a Clause by which it was liable to be terminated by six months' notice on either side.

After the Ottawa arrangements had been entered into the British Government gave that notice, which would expire on 17th April, and made clear their desire to negotiate a new Trade Agreement. Continuing, the Foreign Secretary explained that, while negotiations were proceeding, as far as he knew in a perfectly satisfactory manner, the arrest took place in Moscow of six British engineers in the employ of Metropolitan-Vickers, Ltd. Having detailed at length the circumstances connected with the matter, he said they had to see whether there was any authority which the House would now give the Government that would at least convey beyond doubt to the Soviet authorities that it was impossible to go on discussing trade agreements with Russia in such an atmosphere.

He was himself, just as much as ever, very desirous of seeing a Trade Agreement on proper terms entered into. The real difficulty was that owing to the Constitution of Soviet Russia, owing to the fact that the Russian Government was the sole buyer, the application in a trading agreement of the "most-favoured-nation" clause was distorted and ridiculous. Russia had it in her power to stop any goods going from the United Kingdom to Russia, and she could do that without any breach of the "most-favoured-nation" clause because the only importer was the Russian State. The British Government asked by this Bill to have the same power.

Labour Party and reprisals.

Sir Stafford Cripps (**Labour**, *Bristol, E.*) moved an Amendment to the effect that no adequate grounds had been disclosed for the demand by the British Government for the

liberation of the employees of the Metropolitan-Vickers Company at Moscow without trial, or for the granting to the British Government, for the purpose of reprisals against the Government of Russia, of the exceptional powers proposed in the Bill.

He said that beyond the right to make the fullest inquiry and obtain the fullest information, international law recognised no right of interference in the internal affairs of a foreign country, unless certain specified states of affairs could be shown to have arisen with regard to the nationals of another country. Sir Stafford quoted authorities to show that until a decision had been given by the local Court it was not in accordance with the comity of nations that any interference should be embarked upon by the foreign State.

There were three conditions precedent to action such as the Government were proposing to take by the Bill. The first was that the citizens in question had exhausted all means of legal redress afforded by the local tribunals. Quite clearly that could not happen until after the trial of the cause or prosecution against them. The second was that the commission of the wrong against these individuals must be clearly established, and the third was that the denial by the local tribunals of justice must be equally clearly established. Everybody desired to protect these men to the utmost of their ability having regard to the propriety of the circumstances, but surely the House would realise that even for the men themselves it might be more dangerous to take hurried steps than it would be to leave the British Government with the ample powers they already had.

Trade with Russia.

Rt. Hon. Sir H. Samuel (**Liberal**, *Darwen*) said Liberal Members felt that any British Government would have been doing far less than their duty if they had not made most energetic representations when charges like these were made in order to secure a large measure of justice.

There might be different opinions as to whether the powers to be taken would conduce to the result required, but the matter was one for the responsibility of the Government. He did not think the House of Commons at this stage should refuse the Government the powers for which they asked. The House was entitled to assume that if the case of the arrested engineers was settled satisfactorily the embargo would not be imposed. Some people were continually bringing pressure on the Government to stop trade communications with Russia altogether. They wished to have no contact, diplomatic or commercial, with Russia. Liberals held that each nation must bear the moral responsibility for its own system.

Because they disapproved, that was no reason why they should not engage in any commercial transaction. Nations could not express their feelings of general disapprobation of certain features in the civilisation of neighbouring countries by refusing to carry on any business transactions with them.

After further debate, the Amendment was negatived by 347 votes against 48, and the Second Reading was then agreed to. On 6th April the Bill went through its remaining stages and was subsequently passed by the House of Lords.

PARLIAMENT AND EXTERNAL AFFAIRS.

(Powers of control in foreign and Imperial matters; The change in Dominion status and its effects; Foreign Secretary and consultation with Dominions; Representation of overseas Governments in London; Interchange of information: Empire Parliamentary Association; Economic co-operation in the Empire; Powers of inter-Imperial committees.)

On 22nd February, in the House of Lords, there was a debate on Parliamentary control over foreign and Imperial affairs.

DEBATE IN HOUSE OF LORDS.

Lord Ponsonby of Shulbrede, in calling attention to the decrease in this control, said the tendency still seemed to be in the direction of allowing unfettered discretion to the Foreign Secretary. Through the House of Commons the country could be instructed in their foreign relations, and it should have a very powerful voice in directing the activities of the Foreign Secretary. With respect to treaties, it was obvious that Parliament could not alter them, because alteration would mean setting up negotiations again with the countries in question. If that was true with bilateral treaties, how much more true with regard to the development they had recently seen of the decisions of international conferences. International government must involve some renunciation of their sovereignty and it should be realised that Parliament could make no change in matters settled by international agreement.

A further step towards the weakening of the United Kingdom Parliament arose in the position of the Dominions, which had been given the status of independent sovereign States. They now had Diplomatic Services of their own and had also the right to conclude treaties with foreign countries, always with the sanction of the Crown, but not of the United Kingdom Parliament. The Statute of Westminster further

established their legislative independence, and in 1932 a further stride was made at the Ottawa Conference. The new departure was that in addition to international government they had inter-Imperial government, which was overriding the Parliament of the United Kingdom.

Empire economic co-operation.

A further body had now been established—for Empire economic co-operation. This body had been set up to adjust the various tariffs and to function as a body, combined with the British Civil Service, which could operate in details without the knowledge of Parliament. Discussing the position of the British Foreign Secretary from the point of view that before arriving at any decision he had to inform, consult, and on certain occasions receive the approval of the Dominions, Lord Ponsonby asked whether anything could be more hampering in the conduct of negotiations, or in the rapid intercourse of diplomacy? The position of the Dominions was still in the melting pot. The representation they had in the United Kingdom was not uniform and not entirely satisfactory.

The experiment made by the Commonwealth of Australia of sending to London a responsible Minister of their Government was a good one. The High Commissioners did not like, and did not want, to take upon themselves the responsibility of giving decisions on behalf of the Dominions. If that was changed for a Minister Plenipotentiary of the Dominion, who could consult with the British Government and could give the opinion of his country, it would be much more satisfactory. He thought the Dominions felt the difficulty, he would not say of trusting, but of having in the United Kingdom a representative who occupied a sufficiently commanding position to speak and give decisions on behalf of his Government.

Interchange of information : Empire Parliamentary Association.

"There is," Lord Ponsonby remarked, "something in the atmosphere of the country you are in which rather alters your point of view, and, if the Dominions feel that no representative here can really be entrusted with the responsibility of giving a decision on their behalf, we must fall back on this system of very long-drawn-out delays and the hampering of the Foreign Secretary." Continuing, Lord Ponsonby said he thought the Empire Parliamentary Association had done, and was always doing, very good work in giving them valuable information with regard to the Dominions and giving the Dominions information with regard to the United Kingdom, and discussing these problems. This particular problem was discussed by them in Australia a few years ago, and a great deal of literature had been written on the subject.

Changed position.

They had now passed from the phase of parents and children. Great Britain was one of the Dominions and on a footing of equality : and yet they could not help remembering that, when it came to matters of Imperial defence and foreign policy, Great Britain was inevitably in a position where the negotiations must be carried on through her particular representative. In the realm of foreign affairs and of Dominion affairs the debates in Parliament were becoming more and more academic, and the decisions of Parliament were becoming of less and less consequence. He did not know if there was any form of Foreign Affairs Committee which could be set up in order that there might be closer contact between the Foreign Secretary and Members of Parliament, and perhaps between the Foreign Secretary and the Dominions. Because it was a difficult question, that was no reason why it should not be tackled.

Viscount Cecil of Chelwood observed that the question of the organisation of the Empire was a very important one and required very careful consideration. The truth was that their system, such as it was, had during successive years been gradually destroyed. He thought that was the inevitable course of events. But it was true that they had done nothing to put any other system in its place. The point was put very forcibly by General Smuts in a lecture he delivered about three years ago in this country. Roughly, what he said was that the process of destruction had gone on long enough and there ought now to be a period of reconstruction.

Cabinet's increased power.

In one sense the charge made by Lord Ponsonby that Parliament had less control over foreign affairs than it used to have was true, because the House of Commons as an entity had less control now than it had over any part of their public affairs. That was because of the gradual development of the Cabinet and the increased power of the Cabinet, which had taken from the House of Commons a great deal of the power it used to have. But was it true that foreign affairs were worse treated than they used to be treated? He would have thought rather that the contrary was the case. It was quite modern that Parliament should have the right to be consulted about a treaty. For what it was worth, Parliament could say that it would not have a treaty and could reject it.

The Secretary of State for War (Viscount Hailsham) doubted whether it was true that there had been a decrease in the control of the Parliament of the United Kingdom over foreign and Imperial affairs. There was agreement among all constitutional authorities that it had never been part of the

function of Parliament to decide upon the making of treaties. But modern Cabinets had fallen more and more into the habit of thinking it right to take Parliament into their confidence at the earliest possible moment, and to submit what they were proposing to do to the verdict of Parliament as soon as they were in a position to state with precision what the exact proposals were.

Dominions and foreign affairs.

He agreed with Lord Ponsonby that the effect of the new status which was given to the Dominions under the Statute of Westminster did create difficulties in the sphere of negotiation with foreign countries. It no doubt was a difficulty for the British Foreign Secretary that under the Resolutions of the Imperial Conferences the British Government was expected to give full information and full opportunity to the Dominions to express their opinion upon matters which were under negotiation, and that no arrangement could be made to bind any Dominion without its prior assent. But he did not think that if they introduced a necessity to consult Parliament in the matter they would be taking any effective steps to remedy that state of affairs.

The disadvantage was one which was inherent in the new status of the Dominions, and he agreed that it was a matter which called for consideration and discussion. He was far from supposing that they had reached finality in the matter, or that means might not be found of expediting those consultations and minimising the difficulties to which they gave rise. When Lord Ponsonby said that there had been established a new bureaucracy of super-Imperial bodies which created more control outside Parliamentary hands, he did not agree with him. He did not think they had established any super-Imperial bodies. What they had established was a number of inter-Imperial bodies, which was quite a different thing.

Powers of inter-Imperial bodies.

Just as there had been a very strong resistance on the part of Great Britain against making the League of Nations a super-State, instead of a free association of sovereign States, so equally in Imperial affairs any bodies which had been called into existence for the purpose of assisting co-operation between the different parts of the Empire had been jealously guarded against the suspicion of being given any sovereign powers, or any right to impose decisions upon the different sister Commonwealths that now made up the British Empire. He was not sure that it was fully realised how much had already been done in the direction of creating bodies for consultation and for

common action. At Ottawa they had to consider co-operation in economic matters and they asked for and obtained a full record of the number of committees of that character already in existence.

There was first the Imperial Economic Committee. There was next the Imperial Shipping Committee, the Empire Marketing Board, the Executive Council of the Imperial Agricultural Bureaux, the Imperial Institute, the Imperial Institute of Entomology, the Imperial Mycological Institute, the Imperial Communications Advisory Committee, the Mechanical Transport Council, the Imperial Forestry Institute, and the Empire Timbers Committee. There was, in addition, a number of somewhat analogous bodies.

Facilitating economic co-operation.

Referring to the committee whose creation was decided upon at Ottawa, consisting of not more than two representatives of each of the participating Governments, " to consider the means of facilitating economic consultation and co-operation between the several Governments of the Commonwealth," Lord Hailsham said it was not a permanent body. It was a body formed to give a report not later than the end of May, and that report would be considered by the several Governments.

The respective Governments would reach their own decision as to whether the recommendations were such as to command their approval. " It was hoped," Lord Hailsham remarked, " that the Governments would have time by September to consider the report and reach their own conclusions, because by September there is likely to be an opportunity for most of the Governments represented to have representatives of some kind available, more or less at the same place and time, so as to exchange views and see what conclusions emerge."

Lord Arnold referred to the question of the Debt settlement with America. If the settlement was again going to be made right outside the control of Parliament, he said, it was a very serious matter, more particularly if the settlement had a provision with regard to some kind of return to the gold standard. They did not want whoever went to America to come back and present the House of Commons with a *fait accompli*. They did not want to be told, as they were told after the Ottawa Conference, and as they had been told again and again in financial matters, that nothing could be altered.

After further debate, a Motion for Papers by Lord Ponsonby was withdrawn.

VISITING FORCES (BRITISH COMMONWEALTH) ACT.

(Legal sanction for the maintenance of discipline ; Legislation an outcome of the Statute of Westminster ; Criticisms of the Measure : protection of Habeas Corpus Act taken away.)

On 29th March the Royal Assent was given to the Visiting Forces (British Commonwealth) Act. The Measure was introduced by the Government with the following objects :—

To make provision with respect to forces of His Majesty from other parts of the British Commonwealth when visiting the United Kingdom or a Colony ; with respect to the exercise of command and discipline when forces of His Majesty from different parts of the Commonwealth are serving together ; with respect to the attachment of members of one force to another force, and with respect to deserters from such forces.

DEBATE IN HOUSE OF COMMONS.

On 13th February, in the House of Commons, on the Order for Second Reading,

The Financial Secretary to the War Office (Mr. A. Duff Cooper) said the main reason for the Measure was the fact that the Statute of Westminster had altered the relations between Great Britain and her Dominions. There were rare occasions when members of the British forces found themselves in the Dominions and there were occasions, equally rare, when Dominion forces came to Great Britain. As things existed, British forces in the Dominions and Dominion forces in Great Britain had no legal sanction for the maintenance of discipline. The Army Annual Act had now no authority in the Dominions and, similarly, Dominion forces in Great Britain had no legal sanction for the protection of their discipline in Great Britain.

This difficulty was foreseen when the Statute of Westminster was passed. It was provided by agreement between British Ministers and Dominion Ministers that the necessary legislation should be passed through the respective Legislatures in order to make the situation satisfactory. All that the Bill did was to give to the forces of the Dominions when they were in Great Britain exactly the same position as they would have if they were still in their own Dominions. It was understood that the same legislation would be passed through the Dominion Parliaments, so that British soldiers in the Dominions should have the same status as though they were at home and governed by the Army Annual Act.

Recourse to civil courts.

During the War, when American troops were in Great Britain, legislation of this kind was passed under the Defence

of the Realm Act, and it worked satisfactorily. The only difficulty raised was the point that they were depriving Dominion soldiers of recourse to British civil courts. That was true ; but they had still the right to appeal to their own courts. The difficulty of giving the soldier the right of appeal to the civil courts in Great Britain was that it would go against the whole spirit of the Statute of Westminster to allow British civil courts to interfere with the discipline of Dominion troops. If similar legislation was introduced in the Dominions it would obviously give great concern to British military authorities if they thought that British troops in the Dominions could appeal to the Dominions civil courts against a decision of the military authorities.

Mr. F. S. Cocks (Labour, *Broxtowe*) said that in their own Dominions soldiers could appeal for a writ of Habeas Corpus, but they could not do so when in Great Britain. Labour Members objected to the Bill because it took away from Dominion soldiers the protection of Habeas Corpus which they enjoyed at the present time. Anybody in Great Britain, foreigners, members of the Dominions, or English citizens, in the Army or not, had the right to appeal for a writ of Habeas Corpus. Now, for the first time, it was to be taken away from people who happened to be members of the Dominion forces.

Sir W. Greaves-Lord (Unionist, *Norwood*) argued that, under the British Constitution, they had never allowed the military authorities to disregard the ordinary civil rights of British subjects and had never allowed them to be superior to the civil courts.

The Habeas Corpus Act.

The Solicitor-General (Sir Boyd Merriman) said he yielded to no one in recognition of the importance of the Habeas Corpus Act as a pillar of their liberties, but they must try to look at the question with some sense of perspective. As far as his researches had led him in the history of the British Army, there had only been three successful applications for writs of Habeas Corpus in the last 100 years, and there had been none since the Army Annual Act was passed in its present form in 1881. It was a generally recognised principle of international law that when foreign troops came to Great Britain, or British troops went to a foreign State, by the invitation of the Sovereign, the Sovereign did to that extent forego his sovereignty over the visiting troops for the time being.

"When it is said that nobody could suppose that in a matter like this you want to treat the Dominions as if they were foreign countries, it is precisely that for which the Dominions have asked," the Solicitor-General said. "At the Imperial Conference, as I understand it, with this precedent

of the American troops before them, the Dominions, one and all, asked that a Bill in that form should be passed reciprocally as between ourselves and each of the Dominions. It is, therefore, idle to speak as if we were insulting them by calling them foreign countries. We are according them, in accordance with the principles of full Dominion status, the same privilege in this particular as we should accord to foreign troops if they were visiting this country."

On a division the Second Reading of the Bill was agreed to by 159 votes against 30.

Protection of liberty.

On 7th March, when the Bill, after receiving consideration by a Standing Committee, was further debated in the House of Commons on the Report stage,

Sir Stafford Cripps (**Labour**, *Bristol, E.*) moved an Amendment to exempt from the provisions of the Bill proceedings instituted by writ of Habeas Corpus. The object, he said, was to preserve what had hitherto been considered to be the inalienable right of every person in the United Kingdom to challenge the cause for their imprisonment. The writ of Habeas Corpus had been described many times as being the great bulwark of the liberties of the people.

The Solicitor General said the point of constitutional importance was the propriety of acceding to the request of the self-governing Dominions, whose constitutional status, after all, was recognised rather than granted by the Statute of Westminster, that the same privileges should be accorded to their visiting forces as were by the comity of nations accorded as between Sovereign States. By the comity of nations any foreign troops coming to the United Kingdom by the invitation of the British Sovereign were accorded exclusive jurisdiction over their own business. He submitted that the propriety of granting the request of the Dominions, when they had granted everything else to the Dominions, seemed to outweigh altogether a very small infraction of the principle underlying the Habeas Corpus Act.

On a division the Amendment was negatived by 232 votes against 71. On 9th March the Bill was read a third time and was subsequently placed on the Statute Book.

ARMY ESTIMATES.

(An increase in expenditure; Territorial Army camps to be resumed; Strength of the military forces; Progress of mechanisation; The Singapore Base.)

On 9th March, in the House of Commons, the Army Estimates were debated. The Secretary of State for War (Viscount Hailsham), in a Memorandum on the subject, said :—

The Estimates for 1933 amounted to £37,950,000. Owing to the fact that some of the reductions made in 1932 were of a temporary and transitory character to meet the special circumstances of the financial crisis, they had risen by £1,462,000, although they were still less by nearly £2,000,000 than the Estimates for 1931.

It was necessary to give the Territorial Army an opportunity of resuming their annual training in camp if the decline in recruiting was to be arrested and the military value of the Second Line Army was not to be permanently impaired.

Arrears of work on programmes of barrack improvement had to be overtaken; the training of the Regular Army had to be brought back to more normal standards; expenditure was required on coast defences; replacement of stocks postponed in 1932 must be undertaken.

STRENGTH OF THE ARMY.

The total number of officers and men to be voted for the Regular Army remained at 148,700, the figure of 1932. The strength, inclusive of British troops in India, would be approximately 5,000 below establishment on 1st April, 1933, as against over 8,000 on 1st April, 1932, but the British troops in India would be up to establishment.

The restrictions which, for financial reasons, had been in force since August, 1931, had rendered it impossible to accept all the eligible recruits who offered themselves. It was anticipated, however, that by 1st April, 1933, some 3,500 men in excess of the outflow for 1932 would have been enlisted, while during 1933 the number of soldiers leaving the Colours would be approximately 2,500 less than the anticipated intake of recruits.

The strength of the Army Reserve at the beginning of the new financial year would be about 125,000 and would fall to about 120,000 by the end of the year. Recruiting for the Supplementary Reserve during 1932 improved and the strength was expected to rise from about 19,600 on 1st April to about 20,000 by the end of the year.

The strength of the Territorial Army (exclusive of Permanent Staff) on 1st January, 1933, was 6,901 officers and 120,167 other ranks, a decrease of 27 officers and 7,621 other ranks in the twelve months.

DEBATE IN HOUSE OF COMMONS.

The Financial Secretary to the War Office (**Mr. A. Duff Cooper**) moved to go into Committee on the Estimates. He did not suppose there was any pacifist, however extreme his views, who would say it was a sound method of proceeding towards disarmament to render such armaments as they retained inefficient. It was not necessary to apologise for or to defend the size of the British Army as it existed to-day. According to ex-President Hoover's estimate, the British Army was insufficient at present to carry out merely the police duties for which it was responsible in the British Empire, and if the size of the Army was justified, then nobody could criticise those who spent such money as was necessary to render it efficient.

Economies which detracted from the efficiency of the Army were obviously false economies. The increased expenditure did not represent any augmentation whatever in

the establishment of the Army, in the scale of munitions, or in preparations for war. It was simply to replace the cuts made in 1932 in face of the danger of national bankruptcy. They were making full provision once again for the Territorial Army to hold their annual camps in the ordinary manner, and this decision had cost the Army Estimates approximately £900,000. As far as recruiting for the Regular Army was concerned, the year 1932 had been entirely satisfactory. This year they were giving the Army its normal and full training.

Mechanisation.

Referring to the mechanisation of the Army, Mr. Cooper said they had been able to assure themselves that the light tractor, which had been adopted as the normal tractor for field artillery, was the correct machine to do that work, and they had been able to equip another field artillery brigade with this light tractor. Experiments were being made with a new four-wheeled vehicle which, it was suggested, was capable of doing all that the six-wheeled vehicle could do across country of the roughest kind. Experiments had been going on for many years with regard to the Tank Corps. It had now been decided that light and medium tanks should be employed in combination, and therefore the tank battalions had been reorganised on that basis.

Mr. C. R. Attlee (**Labour**, *Limehouse*) referred to the omission of any reference to the discussions at Geneva either with regard to quantitative or qualitative disarmament. Mr. Cooper's speech might have taken place in a time before the League of Nations existed and when no Disarmament Conference had ever been called. He could not see that conditions were in any way better than when the last Estimates were introduced: indeed, they were worse. Yet they were told it was time to re-establish expenditure on the Fighting Services. He understood that propositions were made at Geneva to abolish tanks altogether, and he wondered whether that discussion was reflected in the Estimates. As far as he could gather the Tank Corps was to be reorganised.

Singapore Base.

There was a further increase of some size in regard to the Singapore defences. He noticed in the Navy Estimates a renewal of expenditure in regard to Singapore. Apparently the Singapore base was to be gone on with and the Army was dragged in there to make certain defence preparations for the sister Service. He would like some information as to what was actually going to be done in 1933; he saw that they were going to spend £15,000. In the Labour Party's view there had been a failure to get adequate reductions in world armaments. That failure had been largely caused by the

fact that, whenever they came to discuss reductions of particular arms, they depended inevitably on the experts in those arms.

Capt. G. S. H. Watt (**Unionist**, *Keighley*) moved an Amendment urging the Government to encourage recruiting for the Territorial Army and to do everything in their power to increase its efficiency.

After debate the Amendment was withdrawn and the Motion to go into Committee on the Estimates was carried by 190 votes against 33. In Committee various of the Army Votes were afterwards agreed to.

NAVY ESTIMATES.

(An increase of £3,000,000; New Construction Programme: four new cruisers; Labour Party and expenditure on the Fighting Services; Great Britain and treaty rights.)

On 16th March, in the House of Commons, the Navy Estimates were debated on the Motion to go into Committee of Supply.

In a statement circulated by the First Lord of the Admiralty it was explained that the Estimates for 1933, like those for 1932, had been restricted by the exigencies of the financial situation and did not fully provide for all the potential needs of the Navy. The net total was £53,570,000 and exceeded the net total for 1932 by £3,093,700.

Of this increase no less than £2,355,360 was required in order to make normal progress with new construction. A large part of the normal expenditure upon shipbuilding in 1932 was deliberately retarded and heaped into subsequent years by the temporary expedient of deferring the orders for the 1931 Programme.

NEW CONSTRUCTION.

The New Construction Programme for 1933 was as follows: Four Cruisers (probably one *Leander* and three *Arethusas*); One Leader and eight Destroyers; Three Submarines; Three Sloops; One Convoy Sloop; One Coastal Sloop; Small Craft.

The Cruisers constituted the fourth and final instalment of the Replacement Programme due for completion by 31st December, 1936, under the terms of the London Naval Treaty.

It was hoped that it would be possible before long to resume the interchange of ships between the Royal Navy and the Royal Australian Navy, which had been suspended for financial reasons.

DEBATE IN HOUSE OF COMMONS.

The First Lord of the Admiralty (**Rt. Hon. Sir B. Eyres Monsell**), in moving to go into Committee on the Estimates, said they were building to a rigid Programme, of which this was the fourth instalment, and the increase of a little over £3,000,000 was entirely automatic. As in 1932, they were

taking no new air flight in the Fleet Air Arm, but two of the routine flights were in such a bad state that it was quite imperative to re-engine them with air-cooled engines. The increase in the Estimate for the Fleet Air Arm of £64,000 was more than accounted for by these engines. If it had not been for certain automatic reductions they had had, such as the decrease in the price of fuel, and the real co-operation of the Navy, both afloat and in shore establishments, in helping them to economise, the Estimates would have had to be considerably greater.

He would like the British taxpayer to take some comfort from the fact that nearly the whole of the increased sum for New Construction was going in wages to people in Great Britain. One of the Cruisers would be in replacement of His Majesty's Australian ship *Brisbane*, and the question of the replacement of the *Brisbane* was under discussion with the Commonwealth of Australia at the present time. He had hoped very much to ask leave of the House to build a sailing ship for training purposes. He was not doing so because, apart from the question of finance, he found that a large number of senior officers in the Navy were opposed to this form of training. Personally he reaffirmed his belief in sail training, not merely because it would teach a man to sail a ship, but would make him a seaman, and all that that implied.

Labour Party's views.

Mr. G. H. Hall (**Labour**, *Aberdare*) said that the increases in the Estimates for the three Fighting Services this year amounted to no less than £4,581,000. The Labour Party maintained that the Fighting Services, in common with all other Services, should submit to the reductions which were imposed in order to deal with what they were told was a grave financial crisis.

Taking into consideration the difficulties with which the nations were faced, and having regard to the fact that the Disarmament Conference was still meeting at Geneva, would it not be a gesture to that Conference to have some relaxation regarding the laying down of the Cruisers? The Prime Minister and the Foreign Secretary were making an attempt to save the Conference. He doubted whether their hands were strengthened as a result of the increase in the Estimates of the three Fighting Services in Great Britain.

Rt. Hon. G. Lambert (**Liberal-National**, *South Molton*) regretted that there was to be an increase in the Estimates, but the defence of the country was really the most important question. The British public were willing to pay for that defence providing they got their money's worth. Referring to the Singapore Base, Mr. Lambert said there was a total

Admiralty expenditure of £7,750,000 and commitments of capital expenditure would, altogether, be something like £10,000,000. The country had a right to ask as to the future of Singapore, which had had this enormous amount of money spent upon it.

Disarmament.

Rt. Hon. Sir H. Samuel (**Liberal**, *Darwen*) said that last July the Disarmament Conference arrived at a unanimous Resolution which pledged all the States to favour a simultaneous reduction in all three arms—land, sea, and air. With regard to the Navy, the Conference requested that the Great naval Powers should enter into consultations with a view to effecting great reductions. They were now in March, and so far as he was aware they had had no account of what had been happening in those consultations. There should be some indication of how these Estimates were related to the policy of the Government as expounded at Geneva.

The Civil Lord of the Admiralty (**Capt. Euan Wallace**) gave an assurance that the Estimates not only as regarded New Construction, but everything else in them, represented no departure whatever from their established Programme. They were not speeding up, they were not going outside their strict rights under the Treaty of Washington and the London Naval Treaty. It was only by including in this year's Programme the four Cruisers which remained to them under the proposals of the Treaties that they could hope to have them completed by the end of December, 1936.

Personnel.

Capt. P. Macdonald (**Unionist**, *Isle of Wight*) moved the following Amendment:—

"That, in the opinion of this House, it is essential that special attention should be paid to the provision of ample qualified personnel, both on the active and reserve lists of the Royal Navy, with an adequate margin for drafting and training, and to the maintenance of the high standard of training necessary to meet the increasingly responsible duties caused by modern naval developments."

He said that whatever might be said for the co-ordination of the Navy and Air Force, the main work of protecting trade routes must rest upon the Navy. The London Naval Treaty placed no restriction upon personnel. The United States from 1914 to 1932 increased their personnel by 59 per cent.; Japan by 75 per cent.; and Italy by 32 per cent. Great Britain decreased her personnel by no less than 37 per cent. until to-day she was on the same basis as Japan, whereas according to the Naval Treaty the Japanese Navy should have been at a ratio of 3 to 5 compared to the United Kingdom. He asked whether the Admiralty were sufficiently considering

the necessity of maintaining a personnel as well as ships and guns.

Comdr. A. Marsden (**Unionist**, *Battersea, N.*), in seconding the Amendment, said he wished more money could be spent on fuel and munitions, because training was everything. He thought that an extra £300,000 spent in that way would be of far more advantage than large sums now being spent on reconditioning capital ships.

The Parliamentary Secretary to the Admiralty (**Lord Stanley**) asked the House not to pay too much attention to actual numbers. Efficiency was determined by the quality and not by the quantity of the men in the ship. Full weight was given to the highest standards of training and of fighting ability when the complement of their ships was fixed. They were now, as regarded personnel, down to the low limit and this year there had to be a small increase. The figures at the end of the financial year 1932-33 would be 89,350; by the end of the next financial year for which these Estimates had been framed they went up by nearly 1,000.

The Amendment was withdrawn, and the House having gone into Committee a number of Votes were agreed to.

AIR ESTIMATES.

(Another reduction in Air expenditure; The disarmament problem: British proposals; Avoidance of competitive development; Great Britain's place among the Air Powers: fifth in the list; Civil aviation progress: coming weekly service between England and Australia.)

On 14th March, in the House of Commons, a debate took place on the Air Estimates. The Secretary of State for Air (Marquess of Londonderry) supplied information regarding the Estimates in a Memorandum issued before the debate.

The net total of the Estimates for 1933, he stated, stood at £17,426,000 and the gross at £19,638,600. The net total was not comparable with the 1932 figure of £17,400,000, and the apparent increase of £26,000 actually concealed a reduction of nearly £340,000, since expenditure in excess of £360,000, hitherto borne on the Vote for Colonial and Middle Eastern Services, had been transferred to Air Votes.

This further substantial reduction in air expenditure could only be justified in the light of the continuing need for exceptional measures of economy, and the postponement of a number of important services had again been unavoidable. As in 1932 every precaution had been taken to ensure that the economies effected should not react adversely on safety or unduly impair efficiency.

AIR POLICY.

Reference was made to the policy of the Government in relation to Air Disarmament which, it was pointed out, was fully stated in

Command Paper No. 4189, issued last November. The Memorandum said:—

"The practical and immediate proposals put forward for a general reduction in the size of the leading air forces to the British level and thereafter for an all-round further reduction by one-third and for a limitation in the size of military aircraft would, if accepted, produce substantial economies in expenditure on air armaments and, more important still, would avert the danger of their competitive development. The modest Home Defence programme of 1923 is held in suspense for another year, a decision which is a further earnest of the whole-hearted desire of His Majesty's Government to promote disarmament and to bring about a reduction in the world's air forces on an equitable basis.

"In the meantime the Royal Air Force remains at a figure of strength substantially less than that of other great nations, despite the rapidly growing importance of air power to the British Empire with its far-flung responsibilities."

The strength of the Royal Air Force, it was added, remained at 75½ regular squadrons, including the equivalent of 13½ squadrons in the Fleet Air Arm. The Home Defence Force still embodied only 42 of the 52 squadrons of the original programme, and of these 42 thirteen were non-regular.

CIVIL AVIATION.

The net total of the Vote for civil aviation was £490,000, which represented an increase of £17,000 on the provision in 1932.

"This increase," the Memorandum stated, "is due to the inclusion of £30,000 for the projected extension of the existing Indian air service to Australia. It is hoped that, in the absence of unforeseen delays, regular communication by air between this country and Australia will be established by the late summer or early autumn. Plans for a weekly service have been approved in principle and are now under discussion between His Majesty's Governments in the United Kingdom and in Australia and the Government of India.

"The provision for subsidy payments to Imperial Airways, Ltd., under the existing agreements in respect of their European, Indian and African air services amounts to £511,000 gross and £365,000 net.

"The permission accorded by the Persian Government to the Company to operate the air service to India across Persian territory finally expired on 30th September, 1932, and since that date the service has followed a route along the Arabian coast of the Persian Gulf. The change has involved certain expenditure on ground organisation and other services, to meet which a total sum of £12,000 will be required in 1933."

DEBATE IN HOUSE OF COMMONS.

The Under-Secretary of State for Air (**Rt. Hon. Sir Philip Sassoon**), in moving to go into Committee of Supply on the Estimates, stated that 10 regular squadrons were still required to complete the modest Home Defence programme approved as long ago as 1923. The decision to hold this ten-year old programme in suspense for another year was a practical proof

of the whole-hearted desire of the Government to promote a successful issue of the deliberations of the Disarmament Conference. In terms of first-line strength the Royal Air Force stood only fifth on the list of Air Powers, although at the end of the War they could with justice claim to take first place. While air expenditure in the United Kingdom had shown a steady decline since 1925, other nations had very largely increased their outlay on air services over the same period.

It was most earnestly to be hoped that the deliberations of the Disarmament Conference would result in a satisfactory agreement for the limitation and reduction of air armaments which would remove the menace of their competitive development. Nevertheless, while air forces existed, air power was as vital to their great Empire as sea power, and they could not afford to neglect it. The measures of air disarmament which they earnestly desired to see effected were such as would leave civilised countries with the minimum strength of aircraft necessary to ensure, first, national safety at home, and, secondly, the maintenance of law and order and the protection and development of communications in more backward territories overseas. For these latter purposes air power had finally established itself as an instrument which was at once humane, economical, and incomparably effective.

Commercial air transport.

Dealing with civil aviation, Sir Philip referred to the past year as a period of definite progress. As regarded the future, the question of establishing a regular weekly air mail service between England and Australia in extension of the England-India service had been the subject of active discussion with the Commonwealth and Indian authorities.

A provisional arrangement had been come to with the Government of India regarding the operation of the Indian section of the route, and, unless unforeseen difficulties occurred, it was hoped that the service would be commenced in the late summer or autumn. Meanwhile, the service to the Cape was increasing both in regularity and in popularity. It was hoped before very long to reduce materially the time taken in transit and also to increase the facilities offered by feeder lines along the main route. So far, therefore, as concerned British commercial air transport the year had been one of real advance, notwithstanding such difficulties as the diversion of the Indian route between Basra and Gwadar from the Persian littoral to the Arabian side of the Persian Gulf.

Mr. N. Maclean (**Labour**, *Glasgow, Govan*) said they would all agree that the representatives of the British Government at Geneva had shown a considerable degree of sincerity in

their suggestions to the Air Committee of the League of Nations regarding international control and the manner in which it might be brought about. Unfortunately, there seemed to be too much discussion and no policy had yet been agreed upon between the respective nations.

Already Great Britain stood as the fifth Power, and the proposal which had been made was to reduce the air forces of the respective countries to the same strength as the British Air Force and then to reduce the air forces by a further one-third.

International control.

The Labour Party believed that was a step in the right direction, just as international control would also be a step in the right direction. It was madness for civilisation to leave such an infernal machine as aviation under the control of various countries who, on various pretexts, might declare war against another country, and thereupon send a fleet of aeroplanes to hurl death and destruction upon the people by means of explosive bombs or poison gas. It should go out clearly and definitely that any nation which was going to make use of the air service for war purposes against another nation would be declared an outlaw against civilisation.

Rt. Hon. Winston Churchill (**Unionist**, *Epping*) said there was not the faintest chance of the British proposals being accepted at Geneva and no one knew it better than the British Government when they made them. In the present temper of Europe could they ever expect that France would halve her air force and then reduce the residue by one-third? They were not going to get international agreement which would completely obviate the necessity of having their defence or would remove the appalling dangers which had been so freely stated.

European entanglements.

He read that the Prime Minister had been giving an ultimatum or making a strong appeal to France to disarm. Whether they dealt with the Army or the Air, they were taking an altogether undue responsibility at a time like this in tendering such advice to a friendly nation.

He hoped and trusted that the French would look after their own safety and that in Great Britain they would be permitted to live their life in their island without being again drawn into the perils of the Continent of Europe. But if they wished to detach themselves, if they wished to lead a life of independence from European entanglements, they had to be strong enough to defend their neutrality. They were not going to preserve neutrality if they had no technical equipment. Not to have an adequate Air Force in the present

state of the world was to compromise the foundations of national freedom and independence.

Mr. G. Mander (**Liberal**, *Wolverhampton, E.*) remarked that the Government had made it clear that, provided a suitable scheme of international control of civil aviation could be devised, they were prepared for the abolition of military and naval air forces altogether. He hoped the Government would press that policy firmly and energetically, pointing out the difficulties but concentrating on the necessity of something of the kind being done.

Unworkable proposals.

Rt. Hon. L. S. Amery (**Unionist**, *Birmingham, Sparkbrook*) believed the proposals the Government put before the Disarmament Conference to be so ill-thought out, so unworkable, so fraught with danger to the whole structure of the Empire, that they ought not to pass without challenge. The United States had already announced that they would not have their civil aviation internationally controlled. The United States had 11,000 aeroplanes—more than the rest of the world put together. Would Canada have her civil aviation supervised and was Australia going to put her rapidly developing scheme of civil aviation under the control of some body at Geneva? It was time that in these matters the Government should bring forward honest proposals which they believed could be carried out.

After further debate, the Motion to go into Committee was carried by 249 votes against 35, and a number of Votes were afterwards agreed to.

INTER-IMPERIAL TRADE.

(The Canadian Tariff Board: right of access of British traders; Standard of Empire content for Preference purposes: British Government Order; Colonies and Preference; Shipment of Canadian wheat through American ports: consignment condition to be adhered to; Modification of Trade Agreement with Canada.)

On 7th February, in the House of Commons, replying to **Mr. W. Mabane** (**Liberal-National**, *Huddersfield*) and **Mr. H. Graham White** (**Liberal**, *Birkenhead, E.*),

The Secretary of State for Dominion Affairs (**Rt. Hon. J. H. Thomas**) stated that the constitution of the Canadian Tariff Board was announced by the Canadian Government on the previous night. The names of the members were: The Hon. George Herbert Sedgwick, Judge of the High Court of Ontario (Chairman); Mr. Milton Neil Campbell, M.P. for Mackenzie, Saskatchewan; and Mr. Charles Herbert, B.A., of Montreal.

As regarded the right of access of United Kingdom traders to the Tariff Board, Mr. Thomas referred to Article 15 of the Trade Agreement with Canada, which contained an undertaking on the part of the Canadian Government that United Kingdom producers shall be entitled to full rights of audience before the Board when it has under consideration matters arising under Articles 13 and 14.

Mr. Mabane asked whether that meant that producers would have direct access, or would their applications have to be endorsed by the British Government before they could make them?

The Secretary of State for Dominion Affairs replied that during the Recess almost all the trades that were appealing to the Tariff Board for revision had been in consultation with the Government. Representations would be made on their behalf.

Parliamentary procedure.

On 13th February,

Mr. S. S. Hammersley (**Unionist**, *Stockport*) asked whether there was any undertaking by the Canadian Government that the recommendations of the Tariff Board would be implemented by legislation?

The Secretary of State for Dominion Affairs, in reply, said: "It is provided by Article 13 of the Canadian Agreement that on the request of His Majesty's Government in the United Kingdom, His Majesty's Government in Canada will cause a review to be made by the Tariff Board of the duties charged on any commodities specified in such request, and that such Report shall be laid before the Canadian Parliament, and that Parliament shall be invited to vary wherever necessary the tariff on such commodities of United Kingdom origin as to give effect to the principles laid down in Article 11.

"Article 14 of the Agreement further provides that no existing duty shall be increased on United Kingdom goods except after an inquiry and the receipt of a Report from the Tariff Board, and in accordance with the facts as found by that body."

Mr. Hammersley asked whether Mr. Thomas was aware that the anticipated beneficial results of the Anglo-Canadian treaty had been negatived by administrative action and that apparently there was no redress?

The Secretary of State for Dominion Affairs said that if any specific case was brought to his notice he would certainly take it up. The Tariff Board was only formed in the previous week and it was hardly fair to prejudice the issue when they had not had an opportunity of reviewing any case.

Empire content : qualification for Preference.

On 14th February,

Col. A. W. Goodman (**Unionist**, *Islington, N.*) asked whether any progress had been made by negotiations with the Governments represented at the Ottawa Conference to establish a greater degree of uniformity of standard of Empire content ?

The Secretary of State for Dominion Affairs, in reply, stated that an Order had been issued by the President of the Board of Trade, with effect from 1st April, 1933, increasing to 50 per cent. the percentage of Empire content of certain classes of goods to enable them to qualify for Preference when imported into the United Kingdom.

Col. Goodman : " Is the right hon. Gentleman not aware that the Conference recommended that uniformity should be inquired into and a decision made as soon as possible ? "

The Secretary of State for Dominion Affairs : " Yes, I am aware of that, but there is a difference as to what should be uniformity. In this case the President of the Board of Trade thought that uniformity from the British point of view should be 50 per cent."

Colonies and Preferences.

On 15th February,

Mr. D. R. Grenfell (**Labour**, *Gower*) asked whether, in conformity with the Ottawa Agreements, the Governments of the non-self-governing Colonies had been invited to accord to the signatories to the Agreements any Preference which might for the time being be accorded to any other part of the British Empire ?

The Secretary of State for the Colonies (**Rt. Hon. Sir Philip Cunliffe-Lister**) : " I issued the necessary invitation to all those Governments which granted Preference otherwise than on an Empire-wide basis, and the necessary change has now been made in every case by legislation passed by the local Legislature in the usual way."

Mr. T. Williams (**Labour**, *Don Valley*) inquired whether in pursuance of the Agreements the Secretary for the Colonies had invited the Governments of the Colonies and Protectorates concerned to accord to Canada, Australia and India the new or additional Preferences on the commodities and at the rates shown in the appropriate schedules to the Agreements ?

The Secretary of State for the Colonies replied in the affirmative. With the exceptions hereafter stated, he said, the Legislatures of all the territories concerned had endorsed the Agreements. The only exceptions to this were Malta, Ceylon (where the State Council did not think fit to give full effect to the Ottawa Agreements), and certain Malay States,

where one or two of the minor duties were still under consideration.

Canadian Wheat : American shipment.

On 16th February,

Mr. Graham White asked whether shipments of Canadian-grown wheat consigned to Great Britain from Canada had not been admitted by the Commissioners of Customs and Excise to the Preference accorded by the Ottawa Agreements Act ?

The Chancellor of the Exchequer (**Rt. Hon. Neville Chamberlain**) : " Certain shipments of Canadian wheat which arrived in this country from the United States of America have failed to qualify for Preference under the Ottawa Agreements Act because satisfactory evidence that the wheat was in fact consigned to the United Kingdom from Canada was not produced, but I am not aware of any case in which Preference has been refused on Canadian wheat shown to the satisfaction of the Commissioners to have been definitely consigned to the United Kingdom from Canada. . . The Customs will always be ready to consider carefully any evidence which may be produced to them with the object of showing that the statutory conditions governing the grant of Preference have been complied with."

Mr. C. E. R. Brocklebank (**Unionist**, *Liverpool, Fairfield*) : " Is it not a fact that surprise was expressed at Winnipeg at the decision ? "

The Chancellor of the Exchequer : " I cannot say whether surprise was expressed or not. All I can say is that there has been no change of policy in the matter."

Consignment condition not to be waived.

On 6th April,

Mr. R. Rankin (**Unionist**, *Liverpool, Kirkdale*) asked whether, in view of the difficulty in carrying out the regulations now required by the Customs to obtain Preference for Canadian wheat shipped through American ports, the Government would consider the desirability of altering these regulations so as to enable all wheat of proved Empire growth consigned by any route to the United Kingdom to be admitted free of all Customs duty ?

The Chancellor of the Exchequer : " Under the Ottawa Agreements Act, 1932, Canadian wheat is admitted free of duty, provided that it is shown to the satisfaction of the Commissioners of Customs to have been consigned to the United Kingdom from a part of the British Empire. The mere transit of such wheat through United States ports *en route* to the United Kingdom does not debar the wheat from Preference, provided that it is shown to have been definitely consigned from Canada to this country.

"I would remind my hon. Friend that consignment from a part of the Empire has been a general condition of the grant of preference ever since the Imperial Preference system was introduced in 1919, and I am afraid that I cannot accept his suggestion that this condition should now be waived in the case of particular goods."

India and Film Industry.

On 6th March, answering **Mr. R. Davies** (**Labour**, *Westhoughton*),

The Secretary of State for India (**Rt. Hon. Sir S. Hoare**) said that as a consequence of the Ottawa Agreements the Indian import duty on United Kingdom raw films had been reduced to 15 per cent., that on other raw films remaining at 25 per cent. The Government of India had also abolished a Customs concession which was until recently accorded to films printed abroad from Indian negatives.

Mr. Davies asked whether it was not true that, in spite of the Ottawa Agreements, there was a 15 per cent. Customs duty against the United Kingdom?

The Secretary of State for India replied that it would be seen that in consequence of the Ottawa Agreements the duty had been reduced to 15 per cent.

Empire Timber.

On 7th March,

Sir W. Davison (**Unionist**, *Kensington, S.*) asked whether a contract under which Timber Distributors, Ltd., was importing a large quantity of Russian timber at low prices was likely to frustrate the value of the Preference given to Canadian and other Empire timber under the Ottawa Agreements?

The President of the Board of Trade (**Rt. Hon. W. Runciman**) said that the contract referred to was discussed with the directors of Timber Distributors, Ltd., who were made fully aware of the position under Article 21 of the United Kingdom-Canadian Agreement. He had made it clear that if there was any infringement of the stipulations that Article would remain in force.

United Kingdom-Canada Trade Agreement.

On 12th April,

Rt. Hon. G. Lansbury (**Leader of the Opposition**) asked whether negotiations had been taking place with the Canadian Government for a modification of the Trade Agreement concluded at Ottawa and, if so, with what result?

The Secretary of State for Dominion Affairs replied that at the request of the Canadian Government consultations as provided for in Article 23 of the United Kingdom-Canada Trade Agreement had taken place in regard to the variation of certain of the provisions of the Trade Agreement relating to the Customs tariff treatment of United Kingdom goods. It had now been agreed between the two Governments that Schedule E of the Trade Agreement should be varied and added to in certain respects.

The Canadian Government, having regard to Article 17 of the Trade Agreement, had agreed that the fixed value of the pound sterling for Exchange Dumping Duty purposes should be 4.25 dollars instead of 4.40 dollars until further notice.

Empire Marketing Board.

On 27th March,

Dr. W. H. McLean (**Unionist**, *Glasgow, Tradeston*) asked what were the results of approaches made to local authorities by the Empire Marketing Board with a view to securing that their purchases out of public funds should be limited, so far as practicable, to articles of home or overseas Empire production or manufacture?

The Secretary of State for Dominion Affairs: "The Empire Marketing Board have approached county councils and county borough councils in England, Wales and Northern Ireland and county councils and burgh councils in Scotland. As an instance of the results, I may mention that the tender forms of some 1,500 institutions have been forwarded by local authorities to the Board in order that suggestions might be made for their revision to the advantage of Empire products.

"In the opinion of the Board producers in the Empire both at home and overseas are greatly indebted to the local authorities throughout the country for the very notable lead which they have given in this matter."

HOME AND EMPIRE SETTLEMENT BILL.

(Proposed amendment of Empire Settlement Act; Settlement in the United Kingdom and the overseas Dominions; Abolition of the "fifty-fifty" principle; Appointment of an Empire Settlement Board.)

On 24th February, in the House of Commons, the Home and Empire Settlement Bill was read a second time. The Measure seeks to amend the Empire Settlement Act in various particulars.

It proposes to substitute for Section 1 of the Act a Clause empowering the Secretary of State to make, or co-operate in, schemes for the settlement of persons in the United Kingdom or the overseas Dominions or Colonies.

He may, for that purpose, act either alone or in association with the Government of any Dominion or Colony, or with public authorities or private organisations.

A scheme may be either (A) a development or a land settlement scheme; (B) a scheme for facilitating settlement in or migration to any part of the overseas Dominions or Colonies by assistance with passages, initial allowances, training, or otherwise.

The liability of the Secretary of State to make payments or contributions is not to extend beyond 15 years after 1st July, 1933. The aggregate amount of expenditure is limited to £3,000,000 per annum.

Provision is made for the appointment of a Board of five persons, to be described as the Empire Settlement Board, to carry out, under the control of the Secretary of State, the provisions of the Bill.

DEBATE IN HOUSE OF COMMONS.

Mrs. S. A. Ward (**Unionist**, *Cannock*), in moving the Second Reading, said she did not subscribe to the view that the Empire Settlement Act had failed, but she believed that much more might have been done in the way of Dominion settlement. Under the Act 400,000 people had been settled overseas, and it was beyond dispute that never before had settlers gone overseas under such favourable conditions. Much valuable information had been gained by association with voluntary migration bodies and many valuable lessons had been learned on the highly technical problems of migration.

The Empire Settlement Act was to continue for 15 years, and therefore would have to be reviewed in any case not later than 1937. She believed that this was the crucial moment to review the Act so that they could start right away getting people back to the land in Great Britain, and thus be prepared for the time when the Dominions would again open their doors to them. Any kind of land settlement to be workable must go hand in hand with definitely organised markets and rationalised production. They must rationalise production on an Imperial basis if they were going to make agriculture pay in Great Britain and also make it possible for agriculture in the Dominions to become a living.

Mr. A. A. Somerville (**Unionist**, *Windsor*), in seconding the Motion, explained that the Bill was not offered as a solution of the unemployment question: but it was held that if the problem of migration was properly attacked it would offer more and more the means of solving that question. The Bill was an invitation to the Secretary of State to provide himself with an instrument more efficient and more adequate for dealing with the most vital problem in the Empire. Having given an historical survey of migration schemes from the year 1816, down to the passing of the Empire Settlement Act, Mr. Somerville made some comments on the provisions of the Bill.

One of the chief amendments of the Act of 1922 which it was proposed to make was to place at the disposal of the Secretary of State the management of the entire credit of

£3,000,000 a year without the provision that any expenditure he incurred on migration must be met by an equal expenditure on the part of the Dominion concerned. That provision had led to many difficulties. The creation of an Empire Settlement Board was most earnestly desired by nearly all those interested in the working of the migration system. It was hoped that similar Boards would be created in the Dominions, so that the Board at home would have an opposite number in each Dominion, and the question might be dealt with on a comprehensive scale.

Lines of procedure.

Referring to the work of such a Board at the outset, Mr. Somerville said that one of the questions for consideration would be settlement by chartered companies. In this connection they could have something on the lines advocated by Mr. St. Clare Grondona in "Britons in Partnership," in which he had given the scheme in both outline and detail. Another most attractive scheme would be found in "Outward-ho!" by Mr. James Leakey, a former Socialist leader. Briefly, the principle of that book was the establishment by counties of garden cities in chosen districts. They had their Letchworths and Welwyns successful in England.

Why not Letchworths and Welwyns in the Dominions? Those garden cities would have the great advantage that it was not merely land workers who would be necessary, but workers of all types. Another great work to be taken in hand by the Board would be that of getting into touch with the voluntary societies. Those societies had done splendid work in the past, but it had ceased for the present and the machinery was getting rusty. This was a favourable moment to start thinking out and initiating a great scheme for Empire development, because a new era had opened at Ottawa. The vast vacant spaces called for population: they must be populated by someone, and let it be English.

The "fifty-fifty" principle.

Mr. W. Lunn (**Labour**, *Rothwell*) observed that he did not know of a Committee which had gone into the question of migration which had recommended the waiving of the fifty-fifty principle entirely in Empire settlement. If the Dominions were to take what had been described as "the pick of the basket" from the United Kingdom, select the best men and women, they must do something to assist. Nothing much was likely to be done in the matter of migration to the Dominions for many years to come.

Canada had considerable unemployment and no desire for immigrants. The same observation applied to Australia—

those already settled in Australia encountered many difficulties —and New Zealand had not for many years been welcoming people from Great Britain. He doubted whether there would ever be the same necessity for human labour overseas as there had been in the past. He would like to see that part of the Bill providing for the settlement of people on land at home carried into law. They had more than 3,000,000 unemployed in the country and there was no possible hope for them to get back to work.

Government's attitude.

The Secretary of State for Dominion Affairs (Rt. Hon. J. H. Thomas) said he observed with interest the suggestion that there was an opportunity to reorganise agriculture on an Imperial basis. That was one of the problems the Government were tackling at the moment. It would be a mistake for the House to assume that the Empire Settlement Act of 1922 had been a failure. It was not generally known that since the passing of the Act, and on the fifty-fifty basis, during the past ten years no fewer than 500,000 people had been assisted to go abroad. These people were not only sent to the Dominions, but they were looked after, cared for and given assistance. Nothing did more harm than to assume that their interest in migration was merely in dumping their unemployed upon the Dominions. Nothing of the kind was true.

But the figures showed the tremendous importance of the question in relation to the present economic position at home. In 1923, the balance of migration showed that the number of people leaving the United Kingdom for Canada was 75,866. For the first nine months of 1932 the balance was 12,160 the other way. In the case of Australia, in 1926 the net balance was 36,000 from the United Kingdom, and for the nine months of 1932 there was an adverse balance of 3,287. For New Zealand, in 1926 the figure was 14,000 leaving the United Kingdom, and, for the nine months of 1932, 1,840 returning. South Africa never showed large numbers of migrants, but, even in that case, in 1926 nearly 3,000 people left the United Kingdom, and last year, in the nine months, there was a balance of 2,932 the other way.

Position of Dominions.

The Dominions, like the United Kingdom, were suffering from the effects of the world depression. If the Ottawa Agreements tended to make the Dominions more prosperous and resulted in the Dominions being able to take people from the United Kingdom in anything like the proportion they took them before, it would be the best justification for what the Government called their Ottawa policy.

Rt. Hon. Earl Winterton (Unionist, *Horsham and Worthing*) asked whether it was not the case that if the world prices of primary products were such that wheat and wool could be produced at a profit in Canada and Australia it would probably have an immediate result on migration?

The Secretary of State for Dominion Affairs said that the evidence in daily conversations with the Dominions showed that to be true. Continuing, he stated that he gave support to the Bill, but he wanted it to be ventilated in Committee. "At the present time, in view of the conditions which I know to exist in our Dominions," he remarked, "I am daily sending letters in answer to inquiries from people, saying that I do not advise them to go now, because it would be foolish, and would do the cause of migration and our country harm, to send people unless you were satisfied that they were going to have opportunities of earning fair wages."

He added that he believed the time would come when there would be leaving the shores of the United Kingdom, and would be welcomed in the Dominions, large numbers of people who would be an asset to the Dominion to which they went.

Value of the Board.

Sir Robert Hamilton (Liberal, *Orkney and Shetland*) agreed thoroughly with the suggestion that a Board should be established to co-ordinate and control the efforts of the various bodies that were interested in land settlement whether at home or abroad. It was a whole-time job and they could not expect people who were able to give only a short period to it, or the Secretary of State overwhelmed in matters of great importance, to carry schemes through in a way that could a Board which was devoted to it.

Brig.-Gen. Sir Henry Croft (Unionist, *Bournemouth*) said the Bill was a clear indication of a new line of departure where they could really get busy in organising settlements both in Great Britain and in the Dominions. He suggested that it was no use peddling with the question, and that it was possible to go ahead with large-scale migration. "You have," he said, "to move 1,000,000 of your people in the next five or six years, and undoubtedly it can be done. This great country, which moved 7,000,000 people during the Great War all over the world, is capable of moving 1,000,000 of its sons if there is territory to absorb them, and if they have the good-will of the Dominions under whose rule those territories exist."

After further debate, the Second Reading of the Bill was agreed to, and the Measure was referred to a Standing Committee for consideration.

EMPIRE MIGRATION.

(Flow-back from the Dominions to the United Kingdom: 26,034 in twelve months; Expenditure under Empire Settlement Act.)

On 14th February, in the House of Commons, in reply to a question on migration,

The Secretary of State for Dominion Affairs (Rt. Hon. J. H. Thomas) said that for the year ending 30th September, 1932, there was an inward balance of migration from the Dominions to the United Kingdom of 26,034, made up as follows:—

Canada and Newfoundland	17,644
Australia...	3,847
New Zealand	1,641
British South Africa	2,902

He added that if they wanted to find a real solution for their unemployment problem, the best evidence yet forthcoming was supplied by these figures to show that they ought to try to do all they could to cement and develop the Empire. That was the useful solution.

Empire Settlement Act expenditure.

Replying to **Mr. A. E. G. Fuller (Unionist,** *Manchester, Ardwick*),

The Secretary of State for Dominion Affairs said that the expenditure by the British Government under the Empire Settlement Act, 1922, to 31st December, 1932, was as follows:

Financial Year.	£
1922-23	35,464
1923-24	424,479
1924-25	423,622
1925-26	569,875
1926-27	1,128,896
1927-28	1,282,906
1928-29	1,139,620
1929-30	884,238
1930-31	485,228
1931-32	149,056
1932-33 (nine months to 31st December, 1932)	50,287

Detailed information was not available as to the amount of the expenditure incurred by other Governments, but under the terms of the Act any expenditure by the British Government must be incurred in respect of agreed schemes, and must not exceed in any case half the expenses of the scheme.

GREAT BRITAIN AND IRISH FREE STATE.

(The dispute on financial matters; Receipts from duties on imports from the Free State; Irish Government and Suspense Accounts: new decision; British offer of arbitration or negotiation renewed.)

On 7th March, in the House of Commons, there was a series of questions and answers respecting relations with the Irish Free State. Replying to **Rt. Hon. Winston Churchill (Unionist,** *Epping*),

The Secretary of State for Dominion Affairs (Rt. Hon. J. H. Thomas) said that the sums withheld by the Irish Free State in connection with the Land Annuities and other payments amounted to £1,750,000 by 15th July, 1932, when the Special Duties came into force. The sums withheld between that date and 28th February, 1933, amounted to £2,910,000. The approximate total amount collected up to 28th February in respect of the Special Duties and the duties under the Import Duties Act, 1932, on goods imported from the Irish Free State was £2,123,000.

Mr. Churchill asked whether Mr. Thomas was satisfied with these figures?

The Secretary of State for Dominion Affairs: "I shall certainly not be satisfied until the British taxpayer gets what is due to him."

Rt. Hon. G. Lansbury (Leader of the Opposition) inquired what was the actual amount received from the penal duties that were inflicted?

The Secretary of State for Dominion Affairs replied that there were no penal duties, and it would be a profound mistake if there were any such impression. The duties imposed were the only means open to the British Government of obtaining what was due to the British taxpayer.

Arbitration question.

Mr. Lansbury asked whether there had been any recent communication from the Free State as to the financial dispute?

The Secretary of State for Dominion Affairs read a letter he had received on 3rd March from the High Commissioner for the Free State as follows:—

"You will remember that I wrote to you on the 4th of July of last year, confirming what I had already told you in conversation, namely, that the sums received from the Land Annuities and other charges were being set aside by the Irish Free State Government in separate Suspense Accounts in anticipation of arbitration.

"My Government now consider that no useful purpose can be served by the further retention of these monies in the Suspense Accounts. They

have, therefore, decided to use them to finance normal Exchequer requirements, and they desire me to inform you accordingly."

Continuing, Mr. Thomas stated that he had replied, under date 7th March :—

"The United Kingdom Government have received this intimation with regret. Their offer of arbitration or negotiation still remains open, and they cannot be understood to acquiesce in the action now announced."

The issue.

Mr. Lansbury inquired whether Mr. Thomas would consult the Cabinet as to the advisability of reconsidering the whole question of the terms of arbitration, as the issue now appeared to outsiders to be so narrow, being concerned only as to whether both Governments could not agree on some man in the world to be chairman of the board of arbitration. Neither nation was gaining anything, but both were being injured; and in the end someone would have to settle the matter.

The Secretary of State for Dominion Affairs said no one would suggest for a moment that any Member of the Government or the House desired the present state of affairs, but it was not a narrow issue. Apart entirely from the financial question, there was also the political aspect which was involved in the violation of the Treaty. He did not for a moment say that there was no man in the world who might be chairman of the tribunal, and equally he resented the suggestion that there was not a man within the Empire who was capable of acting as chairman.

Desire for friendly settlement.

Mr. Lansbury understood that the only outstanding question was where they should select the chairman of the arbitration tribunal.

The Secretary of State for Dominion Affairs said that no greater indication could be given of the British Government's desire for a friendly settlement than the reply he had given that day that the offer of arbitration or negotiation still remained open. There were times and occasions, there were circumstances, when they must not simply humiliate themselves.

Mr. Lansbury: "I do not propose to pursue the matter further, except to say that it is a well-known fact that the right hon. Gentleman, in making that offer, knows perfectly well that the one obstacle to its acceptance is that he himself lays down a condition for the arbitration tribunal which he knows the Irish Free State cannot accept."

The Secretary of State for Dominion Affairs: "So that it shall be quite clear, let me say that I did not lay down that condition. The condition I laid down is that I am prepared on behalf of the Government to confirm and offer to the Irish Free State the arbitration which was unanimously endorsed by the Imperial Conference, to which the Irish Free State were parties."

INDIAN CONSTITUTIONAL REFORM.

(Motion to set up Joint Select Committee ; The Government's proposals ; Statement by Secretary for India ; Criticisms of the scheme.)

On 27th, 28th, and 29th March, in the House of Commons, a debate took place on Indian Constitutional Reform. It arose on the following Government Motion :—

"That, before Parliament is asked to take a decision upon the proposals contained in Command Paper 4268, it is expedient that a Joint Select Committee of Lords and Commons, with power to call into consultation representatives of the Indian States and of British India, be appointed to consider the future government of India and, in particular, to examine and report upon the proposals in the said Command Paper."

The White Paper.

The proposals set out in the White Paper and to be reported upon by the Committee include the following :—

A Federal Legislature of two Chambers, composed of elected representatives and representatives of Indian States appointed by their Rulers. One Chamber is to be styled the Council of State and the other the House of Assembly.

A Federal Executive, consisting of the Governor-General, representing the Crown, assisted by a Council of Ministers responsible to the Legislature. The Ministers will be chosen and summoned by the Governor-General, and will hold office during his pleasure.

The Governor-General will control personally, in responsibility to the British Government and Parliament, the administration of the following Departments of State : Defence, External Affairs and Ecclesiastical Affairs. In the administration of these Reserved Departments he is to be assisted by not more than three Counsellors.

GOVERNOR-GENERAL'S "SPECIAL RESPONSIBILITIES."

Apart from his exclusive responsibility for the Reserved Departments, the Governor-General will have a "special responsibility" in respect of :—

The prevention of any grave menace to the peace or tranquillity of India.
The safeguarding of the financial stability and credit of the Federation.
The safeguarding of the legitimate interests of minorities.
The securing to the members of the Public Services of any rights provided for them by the Constitution Act and the safeguarding of their legitimate interests.
The prevention of commercial discrimination.
The protection of the rights of any Indian State.
Any matter which affects the administration of a Reserved Department.

The "discretionary powers" of the Governor-General in regard to the Federal Legislature include: Dissolving, proroguing and summoning it; withholding assent from Bills or reserving them; taking action despite an adverse vote, and legislating by Ordinance in an emergency.

In the event of a breakdown in the Constitution, the Governor-General can assume to himself all powers necessary to carry on effectively the government of the Federation.

The Council of State will consist of 150 members elected from British India, 100 appointed by the Rulers of States and ten nominated by the Governor-General. The composition of the House of Assembly will be 250 members representing constituencies in British India and 125 appointed by the Rulers of States.

PROVINCIAL LEGISLATURES.

Eleven Provinces will become autonomous units, the government of each being administered by a Governor representing the King, aided by a Council of Ministers responsible to the Legislature of the Province.

The scheme for the Governor-General's responsibilities and powers will, with certain modifications, be applicable to the Governor in relation to his Ministers and Legislature.

Members of the Provincial Legislative Assemblies will be in all cases elected and no official will be eligible for election. In three Provinces * the Legislature will be bi-cameral: in the remainder it will consist of a single Chamber. Provision is made, however, whereby, subject to restriction, an Upper Chamber where it exists may be abolished or created where it does not exist.

The following matters are placed outside the competence altogether of both Federal and Provincial Legislatures: Legislation affecting the Sovereign or the Royal Family; sovereignty or Dominion of the Crown over any part of British India; the law of British nationality, and the Army, Air Force and Naval Discipline Acts and the Act embodying the Constitution of India. (For Reserved Departments *vide* p. 251.)

DEBATE IN HOUSE OF COMMONS.

The Secretary of State for India (Rt. Hon. Sir Samuel Hoare), in moving the Resolution, said the Government wished the Committee of both Houses to give them the great value of their advice before the House would be asked to come to a final decision on the merits of the scheme. He submitted that Parliament would be most unwise if it failed to take into account the continuous history of the last century and the fact that, year after year, they had led India to believe in the continuous bestowal of new instalments of constitutional progress. The one main conclusion that emerged more clearly than any other from the Report of the Simon Commission was the acceptance of the fact that great changes were now inevitable in the government of India.

It was essential that no changes that they proposed, still less any changes that Parliament enacted, should go to

* Bengal, the United Provinces and Bihar.

weaken the Indian Executive, either at the Centre or in the Provinces. Everywhere anarchy was one of the greatest disasters in the world: in the East it was the unforgivable sin. Giving reasons why a comprehensive scheme had been produced instead of first bringing into operation Provincial autonomy and later dealing with the Centre, he spoke of the value attached to the accession of the Indian Princes to any system of Indian Government. If they were to have the support of the Indian Princes it was necessary to embark on proposals that would cover the Centre as well as the Provinces. Moreover, political opinion in India was almost unanimous in favour of a comprehensive scheme.

Complexities of the problem.

It was the most complicated scheme that had ever been proposed as the Constitution of any country in the world. The reason was not the muddle-headedness of the Government, but the complexities of the Indian problem. The object had been to give Indians the widest possible opportunities for their own self-government and self-development. The safeguards that necessarily took so prominent a place in the White Paper were designed just as much in Indian interests as in British interests. As to the Federation, the Princes would, of course, be free to enter or not as they wished: but the effective accession of a sufficient number of States was a fundamental condition of the whole of the Government's proposal.

The Government had designedly chosen the type of Federation which transferred the main balance of power to the Federal units. The great sub-continent of India was much too big and too diverse a unit to be managed by a highly centralised Federal Government. One of the great advantages of a Federal scheme for India was the opportunity it would give to the great Provinces to develop on their own lines. Centralisation had been pushed too far in recent years in India. He hoped to see development in India very much on regional lines with some of the great Provinces working, it might be, in close association with the States which bordered upon them, and he believed that this decentralisation might well be a proposal that would give a great body of new life to Indian development.

The safeguards.

If the proposals for the constitution of the Federal Legislature and of the Provincial Legislatures were analysed, he thought there would be agreement that it would be almost impossible, short of a landslide, for the extremists to get control of the Federal Centre. He put so wide an interpretation on British interests in India that he claimed they were joint

interests between themselves and Indians. The Government could not agree to a repudiation of all the obligations into which they had entered for protecting the weak from the tyranny of the strong, avoiding anarchy, and defending religious minorities from persecution.

All those obligations he claimed to be included in the general term "joint British and Indian interests." Those were the interests it was proposed to safeguard in the manner set out in the White Paper. He did not believe any substantial body of opinion was going to state that at no time could there be responsible government in India, nor did he believe that there was any substantial body of opinion either in Great Britain or in India that considered that safeguards of some kind were not necessary in the interests of Indians themselves. There was no similarity whatever between the Irish and the Indian case. The Irish Treaty broke down not because of safeguards, but because there were no safeguards. After examining the safeguards in detail, Sir Samuel said that in their proposals the Government had at least attempted to face the facts and to ignore none of the difficulties. He could at present see no better scheme.

Labour Party's attitude.

Mr. C. R. Attlee (**Labour**, *Limehouse*) said the Labour Party stood by the declaration made at its Blackpool Conference in 1927 to the effect that :—

> "We reaffirm the right of the Indian peoples to full self-government and self-determination and, therefore, the policy of the British Government should be one of continuous co-operation with the Indian people with the object of establishing India, at the earliest possible moment and by her consent, as an equal partner with the other members of the British Commonwealth of Nations."

The Labour Party believed that the new Constitution should contain within itself provisions for its own development. It should contain the principle laid down in the Irwin-Gandhi Pact that such safeguards as were necessary should be in the interests of India and should be agreed on in co-operation with the leaders of Indian opinion. It should adopt the principle that the reserved powers should not be such as to prejudice the advance of India through the new Constitution to full responsibility for her own government. The Labour Party stood by the principle that no settlement could be reached without the co-operation of all sections in India and therefore asked for the immediate release of all political prisoners not guilty of violence. He feared that there was very little hope of getting full co-operation in India on the basis of the proposals of the White Paper.

They had there a Constitution in which, at the Centre, it was proposed to start a limited amount of responsible government, but it was hedged about by safeguards, and the difficulty he had was in finding responsibility under the safeguards. Those safeguards were predominatingly for the interests of Great Britain.

Dominion status.

The whole idea of Dominion status entirely disappeared from the White Paper even as the ultimate goal. A second thing which entirely disappeared was any idea of a progressive advance to full responsible government. He was not going to suggest that there were not things of value in the White Paper. There was the conception of Federation, there was the freedom of the Provinces from the Centre : but in the essentials, which were those which were going to call for Indian co-operation, the document failed. The Labour Party would serve on a Joint Select Committee and do their utmost to contribute to a solution of the problem, but they could not accept the Government's proposals as a solution.

Rt. Hon. Sir Herbert Samuel (**Liberal**, *Darwen*) said that the form of the Motion commended it to the Liberal Party. At this stage it was the duty of the House of Commons to show that the solid mass of responsible British opinion was behind these proposals in the main, and that the House would help the Government to get them through. It was an important factor that non-official European opinion in India was in the main in favour of these proposals. He did not agree with Mr. Attlee that Dominion status disappeared, even as an ultimate goal. On the contrary, he thought this Measure would bring Dominion status very close. Mr. Attlee also stated that no reference was made to any further advance towards fuller self-government.

That would come by experience and according to the working of the new Constitution. As it worked with success, so the safeguards would disappear more into the background, or into desuetude, and a further advance would be made towards a fuller measure of real self-government.

Abdication of authority.

Major-General Sir Alfred Knox (**Unionist**, *Wycombe*) remarked that the opposition to the proposals came from within the Conservative Party, which accounted for 460 Members in that House, and it was that Party which must bear the whole stigma of the failure of these reforms, as fail he was sure they would. Conservative Members who were against the scheme were determined to oppose this abdication of authority in the Centre by every means in their power. If the Joint Select Committee, in its final conclusions, said it agreed, they would go on fighting. They would try to rouse the nation and

country against it, because they believed it was not in the interests of the people of India or in the interests of Great Britain.

Rt. Hon. Sir Robert Horne (**Unionist**, *Glasgow, Hillhead*) argued that they were bound to consider a representative Government for India in some shape or form, and that it would be far better to have no safeguards at all than to have ineffective safeguards. There was nothing to be said for granting a Constitution with safeguards which irritated and were not effective. Referring to the participation of the Princes in the Federation, Sir Robert remarked that it was supposed that they would bring a Conservative element into the Government and that it would be the best safeguard.

That was the theory. The question was whether it was founded upon fact and realities. It seemed that they might start the Confederation with the Princes having only 65 votes in a House of 310, and in the other case only 50 votes in a House of 210. If that was their first safeguard it seemed to him a very weak one.

Stabilising element.

Continuing, Sir Robert called attention to a Motion passed by the Chamber of Princes a few days previously in which the Chamber placed on record " its strong opinion that the entry of the Princes into the Federation depends upon the inclusion in the Constitution and the Treaties of Accession of the essential safeguards for which the States have consistently pressed." The Princes would only be of use as a stabilising element in the Constitution if they brought them in with the feeling that they were being properly treated and their interests were not being injuriously affected. Whatever attitude the Government were taking on this matter, it was at least worth while bringing the Princes into the Confederation in a position of strength and under conditions in which they felt contented.

The Secretary of State for Foreign Affairs (**Rt. Hon. Sir John Simon**) referred to the work of the Statutory Commission of which he was Chairman and said that he was the last person to advance any dogmatic view on these tremendously difficult questions. He pointed out that the Commission declared for a solution which, at any rate in the first instance, would involve the establishment of what was called autonomy in the Provinces. They pronounced against the offer, at the same time and on analogous lines, to establish self-government at the Centre. They took the view that it was exceedingly improbable that for, at any rate, a considerable time to come the Indian Princes and the Indian States would be prepared to come into the greater Indian Federation.

The essential question.

The proposal in the White Paper that there should be a development of self-government at the Centre depended entirely upon whether certain conditions could be fulfilled and were fulfilled in respect of the Indian Princes. That was the essential question which now faced them. If it were true that they had an opportunity now of helping to develop this greater India, was it to be rejected because of the condition which the Princes clearly indicated, or were they to face the risk that many sober-minded men thought might be involved in so tremendous an experiment? For his part, he wanted to see the prospects of this new development of a greater India most thoroughly investigated, and the opportunity of these great Indian Princes coming in and playing their part freely tested, before he was prepared to reject the whole scheme. Speaking of the police, Sir John said that in India this was a Provincial service, and he was convinced that it was wholly impracticable to centralise its administration.

The Under-Secretary of State for India (**Mr. R. A. Butler**) said that the objective of the financial safeguards was the maintenance of the credit and stability of the Federation. It was their confident hope that the future Indian Ministry would jealously protect that credit and they were sure that the new Indian Government would recognise its vital interest in so doing. On the question of the franchise, Mr. Butler remarked that the relative merits of indirect and direct election would surely form one of the most valuable points for the consideration of the Joint Select Committee. Those who went to India on the Franchise Committee were convinced that direct election was the better system. As regarded the Princes, his information was that the general body, including a number of important Princes who were not associated with the recent proceedings in the Chamber, stood by their previous declarations in favour of Federation.

Labour Amendment.

Mr. Morgan Jones (**Labour**, *Caerphilly*) moved an Amendment to the effect that it should be the duty of the Joint Select Committee :—

> To devise a scheme which, by giving effect to the repeated pledges of the British Government to raise India to the status of an equal partner in the British Commonwealth of Nations, would command the assent of the people of India.
>
> The Amendment also expressed the opinion that persons now under arrest in India for political offences involving no moral turpitude should be released.

The hon. Member contended that the House of Commons, through Ministers in successive Governments, was overwhelmingly pledged to the proposition that the Indian people

should possess Dominion status. Could it be assumed or pretended that the White Paper was a redemption of the pledges which had been given? The scheme would endow the Governor-General and the Governors with authority with which they ought not to be endowed. The fact that they were so endowed would reduce the measure of responsibility which the people of India would themselves feel for their own self-government.

Rt. Hon. Winston Churchill (**Unionist**, *Epping*) said they were confronted with proposals which marked the definite decline and even disappearance of British authority in India. Despite misgivings, Members who opposed the scheme were sincere in doing all in their power to help Indians to a greater share in the responsibilities of government, and they might well begin in some of the Provinces provided that the delegated power could be resumed without serious disturbance if it was found to work to the injury of the people of India. If they thus agreed to Provincial self-government, it was not because they thought it would succeed. But if it failed at least the disaster was local, not general; it was subordinate not supreme.

Value of Provincial experiment.

As long as the central Government of India was intact, secure, unitary, it would always be possible to help a Province which had fallen into disorder or in which the administration had scandalously degenerated. If, on the other hand, the Provincial experiment succeeded over the whole of India or in a particular Province or in some Provinces, they would have to admit that a tremendous argument had been established for a further advance. If they were provided after 10 or 15 years with a considerable number of prosperous, orderly, contented, loyal Provincial units, nothing could stop an arrangement being made to weave those units into the higher synthesis of a Federal organisation. On the one hand the Government's scheme offered autonomy in the most sweeping terms; on the other it set up autocracy in an extreme form. It left those two opposite principles to struggle together within the heart and brain of the Government of India.

Rt. Hon. Earl Winterton (**Unionist**, *Horsham and Worthing*) urged that they should try to devise a permanent system of government for India which subsequent Governments in the United Kingdom, whether of the Right or the Left, would be unlikely to abolish. It would be deplorable that the nature and form of Indian constitutional government should become for long years a tilting-ground in the controversies of British political Parties. To give Provincial autonomy with an unchanged Central Government would be to give far less

security to India than the Federal Constitution proposed by the Government, for the simple reason that it would mean continual friction between the Provinces and the Centre. The proposals in the White Paper represented the best scheme that could be put forward in the circumstances, and it was free to be considered by the best means open to the House of Commons.

An impossible alternative.

Sir Robert Hamilton (**Liberal**, *Orkney and Shetland*) felt confident that the House and the country would be pursuing the safest course in taking the risk of all that was involved in endeavouring to set up that great Federation. The alternative that had been put forward was either to stand still and do nothing, or a half-hearted alternative to try out responsibility in one or two selected Provinces, quite regardless of the fact that that was an impossibility having regard to the present state of affairs. It had been definitely agreed by the whole of political opinion in India, and had been accepted in Great Britain, that they must make an advance both in the Provinces and at the Centre together.

Rt. Hon. G. Lansbury (**Leader of the Opposition**) said that the very inception of modern relationship with India had always been based on the assumption that sooner or later India would be governing herself. After remarking that the Government were keeping in prison men who, if they were called into conference on this subject, might even now help them to find a solution, Mr. Lansbury said he was confident that unless they had the consent of the great mass of organised opinion in India and the co-operation of Congress they would not be able to administer whatever laws they were pleased to pass. It should be made crystal clear whether the proposal in the White Paper meant that ultimately, as soon as was ever possible, the people of India, under the new Constitution, would have the same status, the same rights, the same duties as any other member of the British Commonwealth.

A new India.

The Lord President of the Council (**Rt. Hon. Stanley Baldwin**) said there was a yeast at work in the whole of the East and India which could not be isolated. It was not the India of their childhood, it was not the India of their young manhood: it was a new India, and that was the thing with which they had to reckon. The period of maternal government of India had gone: it went nearly 20 years ago and it could not come back. They were now in a period when, gradually and by degrees, more and more responsibility was being put on Indians themselves. He would not be speaking honestly if he did not say that in his view both dangers and difficulties

lay ahead. But, convinced as he was of that, he was still more profoundly convinced that the difficulties and dangers that would be around them if they did not take this step would be infinitely greater.

On a division the Amendment was negatived by 475 votes against 42. The Motion to set up the Joint Select Committee was afterwards carried by 449 votes against 43.

DEBATE IN HOUSE OF LORDS.

On 4th, 5th and 6th April, in the House of Lords, a Resolution in terms similar to that passed by the House of Commons was the subject of debate.

The Lord Chancellor (Viscount Sankey), in moving the Resolution, said that for upwards of seventy years Indians had been admitted to take some part in the government of the country. England had taught them, rightly or wrongly, the value and desirability of representative institutions. After all that had been said and all that had been done during the last 25 years, was it not their duty to do their best to develop responsible government in India ? That there must be some change was a principle upon which they were all agreed : the only difference of opinion was as to the extent of the change. It was said quite truly that the scheme for an All-India Federation was unprecedented : that there existed no other such form of government. The same remark was often made about their English Constitution. And yet it moved.

It was suggested that the matter had been unduly hurried. This charge could not be substantiated. There had been the Statutory Commission ; the Round-Table Conference, which was recommended by the Commission, and its Committees held 160 meetings spread over a period of more than two years. During that period the Government of India and the India Office were giving daily consideration to the subject. The proposals were canvassed in many debates in both Houses of Parliament, in many discussions outside Parliament, and frequently in the Press.

Simon Report.

Why was it necessary to go beyond the recommendations of the Simon Report ? In one sense they were not doing so. They were only attempting what the Commission itself envisaged as the proper solution, namely, an All-India Federation, although the Commission in the state of their then information considered it to be a distant ideal. After describing the main proposals of the Government, Lord Sankey said that whatever course they pursued they would find themselves confronted with some risk. To grant complete independence was a risk : to do little or nothing was a risk : to accept these

proposals was a risk. But it was with empires as with individuals—those who would not risk could not win. They even might lose what they had. The scheme was not only a scheme which could be worked, but one which would be worked. At first possibly by only a section of the Indian people, but eventually by all of them.

Lord Snell, on behalf of the Labour Party, urged the necessity of co-operation between the British Government and the leaders of Indian opinion. They should seek to win the leaders of that opinion at every stage to such constitutional changes as were to be made. The Labour Party's criticism of the White Paper as it stood was that it appeared that solemn pledges had not been honoured. Not only was Dominion status not granted to India, but there was no promise that it ever would be granted. The wisdom of granting Dominion status was open to question, but that they should keep their pledged word was open to no question, and they might have to hear angered Indian representatives say that they had been misled, if not betrayed.

Labour Party's complaint.

The Labour Party's complaint was that Dominion status appeared to be ignored even as a goal of endeavour. That omission would give aid and comfort to the extremists in India, and would make more difficult the task of the enlightened and moderate statesmen of India who wanted to arrive at a statesmanlike conclusion. Further, it would seem that there was no assurance that this scheme would ever be carried out. No date for its coming into operation was fixed, and the people of India knew that there existed in Great Britain a powerful political group of ex-administrators who had the avowed intention of impeding it at all stages and, if possible, destroying it. The complaint about the safeguards was that they were not merely absolute, but final; that they did not allow for growth ; that they took from the principle of self-government its very spirit and meaning.

Lord Ampthill said it was as certain as anything could be that with the present state of affairs no conceivable scheme of reform could escape discontented and bitter criticism in one quarter or another. This seemed to him to be a reason for making a somewhat slower advance until there was a larger measure of agreement among those whom they hoped to benefit. The present attitude of the Princes towards Federation afforded abundant justification for caution and delay in certain respects. Further reasons for a more cautious advance were that the scheme of the White Paper would cost a great deal more money than India could afford at the present time and that political changes would have a much better chance

of success if they were inaugurated after the present period of economic depression was over.

Support of commercial community.

The Marquess of Linlithgow, who recalled to the House the fact that he visited India as Chairman of the Royal Commission on Agriculture, said that an overwhelming proportion of the European commercial community was prepared to support a great advance of self-government in India. When he first went out to India he was instinctively opposed to any very rapid extensions of the reforms. Before he had completed his task he had come to the view, which he held as firmly now, that they were bound to go forward with this tremendous experiment, and that, having gone as far as they had done, the greater safety lay rather in bold advance than in overcaution. Provided that the political development was not advanced at such speed as to place it completely out of tune with India's existing economic condition, there seemed good hope that the stimulus provided might result in ordered economic progress.

The Marquess of Salisbury remarked that the analogy which it was sometimes sought to establish between the Indian Constitution and the British Constitution filled him with despair. It was because this Indian Constitution was purely artificial, was established for the first time, striking at the very root of all that was most valuable and most vital in Indian life, that there was a difference. Surely it was not surprising that a truly conservative Party hesitated before embarking upon a task which its very advocates described as gigantic and even stupendous. He urged that they should go into the Joint Committee in a spirit of caution—conservative caution. Just as those who were responsible for the Irish Treaty and the loss of Ireland would never be forgiven, so those who lost India would never be forgiven.

End of British rule.

Viscount Burnham said the introduction of the next Government of India Bill would mark very probably the beginning of the end of British rule in India. It was common ground with all who had had to deal with what were called Indian reforms that no system of popular government had a chance of success that was not founded on the good-will and co-operation of the greater part of the many communities which divided India among them. Could anybody say that the White Paper had so far received any measure of approval or agreement anywhere in India? No doubt they stood pledged by numerous assurances to the gradual development of self-governing institutions in India, but the time and pace of the advance had always been left entirely open.

The Marquess of Dufferin and Ava observed that they all knew there were great risks involved in handing over the police to Indian control. Indian opinion, however, was going to fix on two key subjects which were going to determine its acceptance of these reforms. In the Centre it was going to fix on responsibility for finance and in the Provinces on the handing over of law and order. If they did not intend to transfer law and order in the Provinces it would be far better to abandon the whole scheme. He felt that in this matter they had to accept the finding of the Simon Commission.

The British connection.

Lord Lloyd argued that a policy founded on the White Paper was not likely to bring order or content to the people of India. His main criticism of the White Paper was that it weakened and did not strengthen the connection between the Mother Country and India. They were told that this scheme was a scheme of self-government with safeguards. It was a perfect sham to tell people they had self-government if they had not the police or the Army under their control. There was no reality in self-government without that transfer and there was no security for anybody if they made it. As regarded safeguards, all through the whole period of Egyptian reform they never found one single Egyptian Minister who accepted a single safeguard which Great Britain offered when they gave them the policy of 1922. They took the independence: they refused the safeguards. He prophesied that they would find in India exactly the same course pursued by the Nationalists.

The Marquess of Reading remarked that no one had suggested in the debate that there should be merely a policy of stand-still. This meant that all of them were agreed that there must be a measure of advance in the government of India. They were all agreed that there should be Provincial autonomy, and they were anxious above all to bring about the Federation of All India. The only questions at issue at the moment were those of pace and degree. It had been assumed that they were going to have in the future a constant conflict between the authorities who administered the safeguards and those who were entrusted with responsible government. That was really quite a wrong picture to present. If it happened, then the whole thing was a failure. He believed the system would work.

The White Paper.

Lord Ponsonby of Shulbrede said that the emphasis in the White Paper seemed to be all on the safeguards and not sufficiently on the grant of self-government. The Labour Party wanted to see a hope given that at a certain date and

in certain contingencies Dominion status would be accorded to India. The whole of the machinery of safeguards ought to be used for adjusting differences and not thwarting any progressive move.

The President of the Board of Education (Lord Irwin) declared that going forward towards a measure of responsibility was the only way to meet the situation that had developed. It was no answer to say that the reforms associated with the names of Mr. Montagu and Viscount Chelmsford had failed. When discussing their pros and cons, whether they had done well or ill, there was a great deal to be put on the other side. The criticism to which the White Paper had been subjected in India in no way shook his conviction that, if and when a scheme on these lines were passed, plenty of responsible Indians would come forward to work that scheme. He said without hesitation that every one of the safeguards in the White Paper was demonstrably in the interests of India. Either the safeguards would not be required, in which case responsibility was not limited, or they would be required, in which case all reasonable opinion would think it was right that they should be exercised.

The Motion was agreed to without a division.

FINANCIAL SITUATION IN NEWFOUNDLAND.*

(Assistance from the United Kingdom and Canada; Grant-in-Aid voted; A British Commission to investigate the position in Newfoundland.)

On 7th March, in the House of Commons, a Supplementary Estimate for £166,570 for a Grant-in-Aid to Newfoundland was discussed in Committee of Supply.

DEBATE IN HOUSE OF COMMONS.

The Secretary of State for Dominion Affairs (Rt. Hon. J. H. Thomas) explained that in connection with the economic difficulties of the world no Dominion was more affected than Newfoundland. Great Britain gave them the assistance of a financial adviser, but in spite of all the economies effected in 1931, they found themselves in December, 1932, entirely unable to meet their commitments due in January. The British Government took the view, and the Prime Minister of Canada, Mr. Bennett, who happened to be in England at the time, agreed with them, that it would be a bad thing for a

* *Vide* also under "Newfoundland."

default to take place. They sought to arrive at an agreement whereby, jointly, they were prepared to meet the situation at once and prevent a default in January. He was entitled to pay tribute to the Canadian Prime Minister and the Canadian Government for so readily responding.

It would be unfair and unwise not to explain that they were not only taking an unprecedented step, but one that naturally might have repercussions. It was agreed, therefore, between Canada, Newfoundland, and themselves that the British Government should appoint a Commission to proceed to Newfoundland to investigate the whole situation. The Commission was *en route* for Newfoundland, and their instructions were to report in time for the British Government to consider the situation before June, when the next payment by Newfoundland was due. It would not have tended either to the unity or the strength of the British Commonwealth if in an emergency of that kind the British Government had failed to respond to the appeal which was made.

Canada's share.

In reply to a question, Mr. Thomas said that Canada was taking a fifty-fifty share of the responsibility.

Mr. D. M. Mason (Liberal, *Edinburgh, E.*) thought the grant-in-aid was right and proper. This was a time when they were suffering in all parts of the world, and if they were able, by nursing certain debtors who were in distress, to save what they had already lent that was surely the path of wisdom rather than of recklessness. He suggested that a very stringent Sinking Fund should be provided, because they should not be reckless in making advances to anyone without provision for repayment.

The Secretary of State for Dominion Affairs said in fairness to the people of Newfoundland he was able to say, from all the information he had, that no body of people had struggled harder than they had done under very difficult circumstances. "I want to make it clear," Mr. Thomas added, "that if it were assumed for a moment that the action which we took in the circumstances . . implied an obligation to meet similar circumstances in any other Dominion, it would be a position which we could not for a moment undertake. . . I also assure the House that the position will be considered in the light of the circumstances which arise from the Commission's investigations."

After further debate, the Supplementary Estimate was agreed to.

THE BUDGET.

(Chancellor of the Exchequer's proposals ; Beer duty reduction ; No cut in Income Tax ; Minor taxation changes ; Suspension of Sinking Fund ; Exchange Equalisation Account ; Policy of balanced Budget to be maintained ; The economic situation and its causes.)

On 25th April, in the House of Commons, the Chancellor of the Exchequer made his annual Budget statement in Committee of Ways and Means.

He summarised the result of the last financial year as follows :—

Expenditure	£777,000,000
Revenue	745,000,000
Deficit	£32,000,000

His estimate of Revenue and Expenditure for the present year, excluding self-balancing items, was :—

Revenue	£698,777,000
Expenditure	697,486,000
Surplus	£1,291,000

Following is a list of the taxation changes proposed in the Budget :—

Income tax.—No alteration of the standard rate, which remains at 5s. in the £, but reversion to the system of payment in two equal half-yearly instalments.

The plan, now superseded, of demanding three-quarters of the tax on 1st January and one-quarter on 1st July was instituted in the emergency Budget of September, 1931, during the financial crisis.

Beer.—Decrease in the duty to enable the price to be reduced by a penny per pint. The brewers have undertaken to increase the strength of beer and to encourage a greater use of British-grown barley.

Heavy oils.—In the case of fuel oil, gas oil and lubricating oil, a Customs duty of a penny a gallon is imposed, with a non-recurring Excise duty of a penny a gallon on existing stocks in excess of 10,000 gallons.

Heavy road vehicles.—Substantial increases in duty, with separate scales for vehicles using coal gas or heavy oil as fuel.

Co-operative societies.—Proposals to be announced later for amendment of the law to secure payment of additional income tax by co-operative societies.

Imported matches.—Duty increased from 4s. 4d. to 4s. 9d. per gross on boxes containing 21-50 matches, with proportionate increases on boxes of other sizes.

Mechanical lighters.—Duty increased from 6d. to 1s. on British lighters, and from 6d to 1s. 6d. on foreign lighters.

British sparkling wines.—Duty increased from 1s. 6d. to 7s. 6d. per gallon.

Estate and Excess Profits duties.—Rate of interest on duty outstanding reduced to 3 per cent.

Stamp duties. Duty on share capital of companies reduced to 10s. per £100.

Silk and artificial silk .—To come under the machinery of the Import Duties Act.

DEBATE IN HOUSE OF COMMONS.

The Chancellor of the Exchequer (Rt. Hon. Neville Chamberlain), in " opening " the Budget, said he thought the out-turn of the past financial year, achieved as it had been in the teeth of all the shocks and strain to which the financial position of the country had been subjected, might well afford them more solid satisfaction than they derived from the contemplation of some of the surpluses which were earned with so little effort in earlier and more prosperous times. Without the payment of £28,900,000 to the United States the deficit would only have been £3,300,000. Moreover, it included £17,250,000 for Sinking Fund. They had a net redemption of Debt of £14,600,000, and, if they excluded the American Debt, they had in the past year a surplus of current revenue over current expenditure of approximately £11,250,000.

In 1933-34 they should, under the Agreements with the United States Government of 18th June, 1932, and 4th June, 1932, be liable to make payments amounting to $193,500,000, equivalent at the present rate of exchange to £51,000,000 sterling. Against that they should receive in Reparations £32,500,000, in Allied War Debts £19,500,000, in Dominion War Debts, Relief Debts, etc., £12,500,000, making a total of £64,500,000. None of these figures, whether representing assets or liabilities, could be said yet to be in a fixed or final form. Therefore he proposed to adopt the same procedure as last year and make no provision for payments to America or for receipts from other countries to themselves.

Saving in expenditure.

Dealing with expenditure, Mr. Chamberlain said the real saving to-day as compared with the estimated position of two years ago amounted to £113,000,000. Of that, £52,000,000 was due to the saving on interest and £61,000,000 to economies in other directions. As regarded revenue, he had to reduce his estimates in the case of both sugar and tobacco on account of the increasing cost of the respective Imperial Preferences which diminished his revenue, but at the same time were fulfilling the purpose for which they were given, namely,

increasing Empire trade in these products. He was afraid he must budget for a full year's yield of the Special Duties on imports from the Irish Free State, because there was nothing to give him encouragement to look for a speedy termination of the unfortunate dispute which was responsible for their origin. He estimated the yield at £3,500,000.

From the General Tariff, which this year would include a full year's revenue from the Ottawa Duties, instead of only a few months, he anticipated he would receive £24,500,000. Referring to the Exchange Equalisation Account, the Chancellor claimed that it had stood the test of experience, and that during the last year, in spite of some rather severe financial storms, the exchange rate had remained comparatively steady. He believed that traders in Great Britain and Governments in other countries whose currencies were either linked with sterling or closely followed it, appreciated that the Account had played an important part in maintaining that stability.

One sometimes heard the view expressed that it would be better to leave sterling to follow what was called its natural course.

But the value of a currency which was not anchored to the gold standard and was left to follow a natural course would display very wide fluctuations, partly due to seasonal causes. During the last few months they had found themselves in the presence of a new phenomenon distinct either from seasonal fluctuations or from speculative operations, and yet in no way arising from or related to the permanent value of sterling. It had taken the form of a removal of funds from many other countries into Great Britain because it was considered to be the safest place of deposit. Money which came here in those conditions was obviously bad money, because at any time it might, and at some time would, take flight back again whence it came.

Exchange Account to be increased.

Although on the whole they had succeeded in preventing any violent fluctuations in the exchange, the resources of the Exchange Equalisation Fund had at times been severely strained. He decided some time ago that it would be necessary to make an addition to the resources of that Fund.

He was not proposing this year to make any provision for the redemption of Debt. In ordinary times the vast volume of their indebtedness imposed upon them the necessity of redeeming it at a rapid rate and, of course, in the crisis it was essential to maintain a reasonable Sinking Fund as one of the measures necessary to restore confidence. But confidence had now been restored. The country had carried

through great Debt operations in the face of immense difficulties, and since 1931, without any marked change in the level of commodity prices, had brought down the yearly burden of internal Debt from £276,000,000 to £224,000,000.

The result of the conversion of the War Loans had been nearly to obliterate the obligatory Sinking Funds: they stood no longer at £32,000,000, but roughly at £7,500,000. He did not think that even the strictest financial purist would quarrel with him for borrowing that small sum to meet his purposes in the present year.

Times of stress.

In times like these of unemployment and stress on all sides, and a trade depression, they could use their money more wisely and more profitably than in the redemption of Debt, provided, of course, that they made generous provision for it when good times came again.

There had been a considerable amount of agitation—he might almost call it a drive—in favour of deliberately unbalancing the Budget in order to take a substantial slice off the Income Tax, but he was not prepared to take that course. No Finance Minister, as far as he knew, had ever deliberately unbalanced his Budget when he possessed the means of balancing it. No Finance Minister would willingly abandon the primary bulwark against extravagance, or forget that an unbalanced Budget might presently have to be balanced again. He found that Budget deficits repeated year after year might be accompanied by deepening depression and by a constantly falling price level.

Of all countries passing through these difficult times, the one that had stood the test with the greatest measure of success was the United Kingdom. He did not accept the position that financially they were in peril if they continued to be guided by sound and well-tried principles of policy.

The unemployed.

Rt. Hon. G. Lansbury (Leader of the Opposition) said the Labour Party thought that any money the Chancellor had to give away should have been given to the relief of the unemployed. Nothing that he had proposed in this Budget and nothing he did in last year's Budget had in any way improved trade and industry. That was due to the fact that neither the Government nor their supporters faced the social and economic problems of the times. When he was told that the balancing of Budgets was the thing that would restore trade and industry he could not accept it. The present Budget would leave the mass of the working people exactly as they were, and in all probability a little worse.

The Budget Resolutions were discussed in Committee on 26th and 27th April.

Mr. C. R. Attlee (**Labour**, *Limehouse*) said that they were moving to economic isolation. They had stopped trade with Ireland as much as they could and they had stopped trade with Russia. It looked as if this might be known as the "stop trade Government." The Budget was a confession of the bankruptcy of the capitalist system. That system could only flourish on the basis of profit making and there was not sufficient opportunity of making profits to tempt capitalists to set industry going. The Government were not doing what was needed in planning society on an intelligent basis in order that the people of the country could take advantage of the abundance of supplies in the world. That was the real condemnation of the Budget.

The economic situation.

Rt. Hon. Sir H. Samuel (**Liberal**, *Darwen*) congratulated the Chancellor upon having stood firm against those evil advisers who would deliberately unbalance the Budget and, gambling upon the prospects of the future, relieve the Income Tax payer out of funds which he had not got in hand. Now that they were off the gold standard and their currency was not firmly attached to any basis, deliberately to budget for a deficit would be an exceedingly unsafe course to pursue. When they took the picture of their national finances and of the economic situation as a whole they saw that the hopes of immediate recovery which were held out to them by Members of the Government during last autumn and winter had not in fact been fulfilled. The fact was that the depression continued absolutely unabated. It was due to the fact that world trade was blocked and had diminished by two-thirds in the last three years.

After further debate the Budget Resolutions were agreed to by the Committee.

BROADCASTING.

(Government and the B.B.C.; Question of political controversy; Labour Party and a Select Committee Inquiry.)

On 22nd February, in the House of Commons, a debate took place on the subject of broadcasting.

DEBATE IN HOUSE OF COMMONS.

Mr. C. E. G. Emmott (**Unionist**, *Glasgow, Springburn*) moved a Resolution expressing the opinion that it would be contrary to the public interest to subject the British Broadcasting Corporation to any control by Government or by

Parliament other than the control already provided for in the Charter and the Licence of the Corporation; that controversial matter was rightly not excluded from broadcast programmes, but that the Governors should ensure the effective expression of all important opinion relating thereto; and that only by the exercise of the greatest care in the selection of speakers and subjects could the function of the Corporation be fulfilled and the high quality of the British broadcasting service be maintained.

Mr. R. K. Law (**Unionist**, *Hull, S.W.*), in seconding the Resolution, said that obviously the first function of broadcasting was to provide entertainment for the masses of the people. The second and more important function was the provision of educational facilities. If it were the main purpose of the Corporation to provide elementary education on a large scale there might be a case for further control by Parliament, but it was rather the purpose to provide adult education. The Corporation had become in the few years of its existence a kind of university, as it were—the university of the common man.

Plea for a Select Committee.

Sir Stafford Cripps (**Labour**, *Bristol, E.*) moved the following Amendment:—

"That in view of the growing importance of broadcasting in the life of the community, particularly its actual and potential influence in the realm of political controversy, it is expedient that a Select Committee be appointed to review the work of recent years and make recommendations."

He said that there were three great difficulties which the House should set up a Select Committee to consider. First, there was the question of the extension of factional Ministerial statements which, if it continued, would mean the continual outpouring of Ministerial statements over the ether, without any reply. Secondly, there was the selection of political issues by the Corporation. It could not be doubted that transmission by broadcast was now one of the most potent political forces in the world and if political issues were to be selected for the country they ought to be selected in the House of Commons and not at Broadcasting House. Thirdly, there was the selection of political personalities by the Corporation.

If the Corporation had the selection of the political persons who were to speak over the microphone it was very easy for them to make a politician overnight by giving him an audience of 5,000,000 or 6,000,000 people. It did not necessarily follow that because a politician had a good broadcasting voice he was the best person, either from the country's or the Parties'

point of view, to be selected and be given that vast publicity. There were other matters which would naturally arise before a Select Committee, including the question of industrial controversy.

A great listening constituency.

The Postmaster-General (Rt. Hon. Sir Kingsley Wood) said that at the end of January there were nearly 5,250,000 broadcasting licence holders. If they added to that number the great body of their fellow-countrymen resident in foreign countries who regularly listened to the British broadcasts and also the rapidly increasing number of their fellow-subjects who now heard the voice of London in all parts of the Empire, they had a listening constituency of many, many millions. Having referred to the decision in Parliament in 1926 that broadcasting in Great Britain was not to be run as a State institution, Sir Kingsley described the establishment of the Corporation as "a bold and interesting experiment." The whole design was not to prohibit ultimate Parliamentary control, but to limit Parliamentary interference and to accord to the Corporation reasonable liberty of action as trustees of the service in the national interest.

So far as controversial broadcasts were concerned, including political broadcasts, there was to-day no ban or bar by the Government. Broadcasts on the eve of a General Election had been a matter, of course, of special arrangement between the Parties. But the general principle applied, so far as controversial and political broadcasts were concerned, was that it was in the interests of the nation that there should be, not a licence for subversive doctrines or propaganda against the functions of good government, but reasonable liberty for the expression of free opinion and thought. Minorities should have their place. Individuals, perhaps not at the moment attached, or only lightly attached, to any particular Party, should be chosen if they had a useful contribution to make.

No Ministerial censorship.

It was contrary to the public interest that the Postmaster-General should be the censor of British broadcasting or that a Minister of the Crown should have the responsibility for the day-to-day working of that service. It was remarkable, on the whole, that so little exception had been taken to the presentation of the British broadcasts. It could be claimed without exaggeration that Great Britain led the world in broadcasting. Canada, Australia and New Zealand had adopted systems closely approximating to their own. The policy of the Corporation had been not only to provide entertainment, but to contribute cumulatively to good citizenship

by the broadcasting of fine music and of information over as wide a field as possible.

Rt. Hon. G. Lansbury (Leader of the Opposition) said the case of the Labour Party was not that the Corporation did not allow discussions of a controversial character. The Corporation did, but, when it came to the spokesmen of the Government broadcasting highly controversial matter, the Labour Party said that the Opposition had a right to reply. The propaganda that came over the wireless was always tendencious when it was political on one side or the other. It was utterly impossible for people holding strong views on important subjects to be other than dogmatic in the views they put across. The microphone could destroy any new Party in the State if it was in the hands and under the control of the Government.

Political education of the people.

Rt. Hon. D. Lloyd George (Independent Liberal, *Carnarvon Boroughs*) said it was generally accepted that they must admit political controversy on the broadcast. He did not think that the present conditions were satisfactory. After referring to the lessened attention devoted to political speeches by the Press, Mr. Lloyd George remarked that he did not know of any other agency by which, under present conditions, the vast issues upon which the life of the country depended could be presented except the British Broadcasting Corporation. It was no use having a few speeches during an election. They must gradually educate the people and give them an opportunity of knowing what the position was.

Rt. Hon. Winston Churchill (Unionist, *Epping*) remarked that upon the question of political controversy turned the practical utility of broadcasting for the future. When they had a National Administration of all the choicest spirits of the age, pulsating with energy, aglow with inspiration, with an appetite for activity, such a Government had certainly no need to shrink from the sharpest contact with criticism. Indeed, it was, of all Governments, the one that should take the plunge and open the broadcast freely to political controversy from every quarter and of every kind. It would be far better to have sharply contrasted views in alternation than to have the copious stream of anonymous pontifical mugwumpery with which they had been dosed so long.

Empire broadcasts.

Capt. P. Macdonald (Unionist, *Isle of Wight*) referred to the Empire Broadcasting station which was started a short time previously at Daventry, linking Great Britain with every part of the Empire. The experiment, he said, was in its initial stages and, in order to make it a success, it was essential that

it should have the whole-hearted co-operation not only of the Dominions, but of the Colonies as well. They could only have that co-operation if they gave the Dominions and Colonies a programme which they wanted at a time when they were best able to receive it. If he had any criticism to offer it was that there was no member of the Board of Governors of the Corporation who could be said to have a special knowledge of Empire affairs.

The Postmaster-General had an opportunity to add to the Board, or to replace some less suitable member by a member who really represented Empire opinion and had a knowledge of the conditions in the different parts of the Empire. There had been a certain amount of criticism of the programmes which had already been sent out, but that criticism was bound to come while the enterprise was in its experimental stages. The Corporation was bound to meet with difficulties and with opposition, but he strongly urged it to press on with this great experiment.

After further debate, the Amendment was negatived by 203 votes against 27 and the Resolution was then agreed to.

AGRICULTURAL MARKETING BILL.

(Power to regulate imports of agricultural produce ; Link with agricultural marketing schemes ; Reorganisation of branches of the industry ; Regulation of sales in the United Kingdom ; Schemes for the development of secondary products.)

On 13th and 20th March, in the House of Commons, the Agricultural Marketing Bill was debated on the Order for Second Reading.

The Bill authorises the Board of Trade to make an Order regulating the importation into the United Kingdom of any specified agricultural produce if an agricultural marketing scheme is in force or has been prepared.

The Order will only be made if it appears to the President of the Board of Trade, after consultation with the Ministers concerned with agriculture in England, Scotland, and Northern Ireland, that, without it, the reorganisation of the branch of the industry in question by means of an agricultural marketing scheme cannot be fully effected.

The Board of Trade will be required to have regard to the interests of consumers of the product and to satisfy itself that the Order is not at variance with any treaty, convention, or agreement with another country.

REGULATION OF SALES.

Where provision has been made to regulate the importation of an agricultural product, an Order may be made regulating sales of that product by persons producing it in the United Kingdom or by Boards administering agricultural marketing schemes. The Order may determine :—

(1) The kinds, varieties, or grades of the product which may be sold.

(2) The quantity of the product, or of any kind, variety, or grade of it, which may be sold.

A Market Supply Committee for the United Kingdom is to be established. Its duty will be to review generally the circumstances affecting the supply of agricultural products in the United Kingdom and to recommend the steps to be taken for regulating it.

Provision is made for the submission by Boards administering agricultural marketing schemes and of development schemes for organising the production of secondary products. These development schemes are to be administered by Development Boards.

DEBATE IN HOUSE OF COMMONS.

The Minister of Agriculture (Major the Rt. Hon. Walter Elliot), in moving the Second Reading, said he believed it was possible for agriculture to give a lead to the twentieth century State in organisation and development, so that it might pass from being the least organised of industries to the most adequately organised. The Bill had developed out of the Agricultural Marketing Act, 1931. Since that Act became law the crisis had not diminished : the depression had not passed off. It was interesting to know that the principle of quantitative regulation was agreed to by the Cabinet as a whole long before there was any suggestion that the Ottawa Agreements were going to bring about the resignation of certain most important Ministers.

The quantitative regulation of bacon imports, which was one of the main reasons of the Bill, was agreed to by declaration of policy of 11th February, 1932, subscribed to by Sir Herbert Samuel and Sir Archibald Sinclair. At the Ottawa Conference further movements into the arena of quantitative regulation had to be undertaken. They had accepted in advance that they should attempt the quantitative regulation of imports into the United Kingdom and they pledged their word at Ottawa that they would see it carried through. The Bill had a legislative background of industrial planning and of co-operative organisation. It was ten times as difficult to sell as to produce and they had to be sure that when British farmers had produced their products, it was possible for them to sell those products at a remunerative price.

Labour Amendment.

Mr. T. Williams (Labour, *Don Valley*) moved a reasoned Amendment for the rejection of the Bill, which, he said, failed

to make any sort of arrangement for a national reorganisation committee with power to plan ahead. There was piecemeal planning, but no sort of effort at national planning and it could only be concluded that the Government found themselves at the last moment lacking the courage to do what they knew to be necessary, not only to restore agriculture to prosperity, but to safeguard the consumers and do a great work for many of those who were unemployed. They were handing over the consumers body and soul to the importers and middlemen.

Rt. Hon. Sir Francis Acland (**Liberal**, *Cornwall, N.*) said the Bill left a great deal in doubt, but it stabilised one thing for certain, and that was the whole system of quota restrictions against foreign supplies. He asked whether it improved the prospects of the World Economic Conference and a settlement with the United States that as regarded the only named products in the Bill—bacon and ham—it might be intended to put heavy restrictions on imports from the United States? The principle of the Bill was that although the regulations would be unpopular with farmers they must be bribed into accepting them by restrictions on foreign supplies put on beforehand. Restrictions put on in that way would never be worth three years' purchase as long as Great Britain remained a predominatingly industrial country.

On a division the Amendment was negatived by 314 votes against 62 and the Bill was read a second time. It was afterwards referred to a Standing Committee for consideration.

Northern Ireland.

The Fifth Session of the Third Parliament, which had stood adjourned from 20th December, 1932, reassembled on 28th February, 1933. On 28th March the House adjourned until 25th April.

OTTAWA CONFERENCE.

(Benefit to farmers of Northern Ireland.)

On 7th March, in the House of Commons,

Mr. T. Henderson (**Independent Unionist**, *Shankhill, Belfast*) asked whether the Minister of Agriculture could state what benefits had accrued to farmers of Northern Ireland from the Ottawa Conference.

The Minister of Agriculture Rt. Hon. Sir Edward Archdale), in reply, said: "One of the objects of His Majesty's Government at the Ottawa Conference was by agreement with the Dominions to secure a rise in the wholesale price level of agricultural products in the United Kingdom, particularly stock and stock products, which constitute 75 per cent. of the agricultural income of the United Kingdom. This was secured by one or other of two methods—the adjustment of existing tariffs or by the limitations of imports.

"Adjustments in the then existing tariffs on eggs and butter have been successful in maintaining the level of wholesale prices for butter at about the 1932 level, and in effecting an improvement in the wholesale prices for eggs.

"With regard to meat and meat products, agreements were entered into with regard to the limitation of imports. Pending the necessary legislation and reorganisation, voluntary agreements have been made with foreign and Dominion countries sending bacon, beef, mutton and lamb to the United Kingdom, which have resulted in the curtailment of imports by 15 to 20 per cent. of the quantities imported in 1931-32. As a consequence of these arrangements, the wholesale prices of pork, beef and mutton have shown a very substantial improvement in recent months.

"For example, the price of pork has risen from 38s. per dead cwt. at the beginning of November to over 52s. per dead cwt. at the end of February.

"Store cattle prices have increased on the average by about 2s. per live cwt. between November and February, while in the case of fat cattle there has been an increase of about 8s. per cwt., or 25 per cent. in the average prices ruling in Belfast in February as compared with November.

"Every sheep breeder in Northern Ireland is aware of the very substantial rise in sheep prices which has occurred as the direct and indirect consequence of the restriction on the importation of mutton and lamb agreed to at the Ottawa Conference."

Mr. Henderson asked if the Minister would explain why it was that the farmers all over the country were stating that they derived no such benefit and that the conditions were worse since the Conference took place?

The Minister of Agriculture: "All the farmers have not said that; only some have."

SHIPBUILDING.

(Proposal for Government to subsidise wages.)

On 14th March, in the House of Commons, a debate took place on the following Motion, moved by Mr. Nixon, viz.:—

That, in the opinion of this House, owing to the failure of the Prime Minister to redeem his various promises to relieve unemployment, and to the fact that there are now close on 40,000 men totally unemployed in Belfast, the Government should encourage shipbuilding by offering to shipping companies 45 per cent. of any wages paid to men working on any new ships which may be laid down and constructed in Belfast for two years as from the 1st April, 1933, and that a relative portion of the money now paid as unemployment benefit, distress relief, etc., be set apart and used for this purpose.

DEBATE IN HOUSE OF COMMONS.

On 14th March,

Mr. J. W. Nixon (**Independent Unionist**, *Woodvale, Belfast*), in moving the Resolution, said he wanted the House to accept the principle

of paying or subsidising shipbuilding, and he submitted that they would save as much on the Unemployment Fund as they would be out. It would cost nothing. He did not care whether they took 45 per cent. or 30 per cent.

A very strong argument would be put up against him, that if they subsidised one industry why not subsidise every other industry. Their two main manufacturing industries were linen and shipbuilding. The reason why he would not subsidise the linen industry was that it had certain Parliamentary benefits. It had the benefit of protection. It also had benefits by virtue of the country being forced off the gold standard.

In 1932 the total amount paid out in unemployment benefit and distress relief exceeded £2,500,000. That was all spent on what was practically non-productive. There was little spent on distress relief. He had been told that, on a ship that cost a million pounds, wages paid in Belfast would be about £600,000. The other £400,000 would be for steel plates, electrical works, and such things as were brought from across the water. Materials and workmanship would not come into the scheme at all. He had been told that in regard to a ship worth a million, if subsidised to the extent of 45 per cent. or less, their contribution would be considerably less than £300,000. One million would subsidise four great ships and, if they were laid in Belfast, small firms would be getting sub-contracts, and the men now in receipt of unemployment benefit would be employed on those ships. At the end of the year, instead of their bill for unemployment benefit being £2,500,000, it would be probably only £1,500,000. He did not think it would cost the Government of Northern Ireland anything at all.

Government's efforts to assist shipbuilding.

The Prime Minister (Rt. Hon. Viscount Craigavon) said he intervened because he would not like the House to think that the Government were negligent in regard to the matter of shipbuilding. He did not think that even yet hon. Members understood how much the Minister of Finance was doing to help shipbuilding in the city. During the past two years more than 50 per cent. of the Minister's time had been taken up in trying, in the first instance, to get the shipbuilding difficulties cleared up, and then in endeavouring to get a fair share of work which must come eventually into their yards.

The principle of a subsidy.

Maj. J. H. McCormick (Unionist, *St. Anne's, Belfast*) said the Motion asked for the principle of a subsidy which the House had stood against as far as private employers and private companies were concerned. Mr. Nixon had stated that the principle of the subsidy had been acted on by the Government in various instances, and that the Corporation and urban bodies and so on had expended large sums of money in public improvements. That set up the principle of the subsidy, and it was right in its way—whether the money came from the Unemployment Fund or from the Exchequer. It was bolstering up the finances of private companies. The House was with Mr. Nixon in the principle of trying to get some return for the sums paid out in unemployment benefit. But they could not debate the Motion as it stood without considering the possible results of granting subsidies to companies.

He thought the shipping companies who had the advantage of the Loans Guarantee Act, and who contemplated building ships, had got the assurance that they would get those ships, and that the loans the Government guaranteed would see that wages, material, etc., were provided. The Motion stated that the shipping companies were to be given the benefit of 45 per cent., or practically half the cost of wages. Why not give it to the shipyards that were building ships and other things? The shipyards then would be in a position to estimate for the shipping companies on more favourable terms.

The part of the Motion which appealed most to him was the utilisation of money now paid for idleness through unemployment benefits and for distress work.

Shipping subsidy: Government attitude.

The Minister of Finance (Rt. Hon. H. MacD. Pollock) said that in 1925 or 1926 the Government had the question investigated, that was, as to the extent to which they would be justified in offering a subsidy to shipbuilders or shipowners, as suggested by Mr. Nixon, and had come to the conclusion that it was impracticable.

Mr. Nixon did not imply that the money diverted from unemployment relief to shipbuilding would be lost. The whole trend of his argument was that the money could be usefully employed which, if his suggestion could be carried out, would probably be true. But when they analysed the matter on the basis of the figures which were produced, the Minister said he was afraid they would be presented with very serious difficulties. He asked the House to picture the effect of such a revolutionary proposal on the British Government and on British shipowners and shipbuilders. The British Government had resisted over and over again the most frantic appeals that had been made to them to finish the big Cunarder lying on the stocks in the Clyde. If they flew in the face of the whole Imperial policy they would land themselves in such a difficulty that he could hardly picture what the probable results would be.

Foreign competition.

Regarding foreign competition in shipbuilding, the Minister said that he thought the British had been too complacent, but how were they to combat it? Was it to be a race between Governments as to which would offer the biggest subsidy? The British Government had opposed it on the ground that such competition would be disastrous internationally, and they based their policy on the inducements which thought they could offer foreign Governments to discontinue the principle of providing subsidies and resort to equal competition. The United States Government particularly provided a subsidy of an extraordinarily large amount, so much as £10,000 on a voyage of six weeks' duration.

Loans Guarantee Act.

It would be impossible for them in their limited area to start a competition which would only have disastrous results to themselves, and in the end perhaps even increase unemployment. That was the position their Government took up. Their Loans Guarantee Acts were intended to force work, and those Acts had in the past forced work, and the prospects ahead went to indicate that they would be similarly effective

in the future. It was the only thing they could do with reason and safety. The British Government did not like it, but at the same time they did not place an embargo upon them.

At the conclusion of the debate the Motion was negatived by 18 votes against 3.

LOANS GUARANTEE ACT.

This Act received assent on 28th March. It extends to the 31st March, 1935, the time within which guarantees may be issued by the Ministry of Finance under the Loans Guarantee Acts.

DEBATE IN HOUSE OF COMMONS.

On 7th March, in Committee, on the Money Resolution,

The Minister of Finance (Rt. Hon. H. MacD. Pollock) said the one outstanding feature was that their shipyards in common with most of the shipyards in Great Britain, were at the moment practically empty and, in the opinion of the Government, the present time was inopportune to think of removing from the Statute Book any means of helping to remedy the position. Happily there were signs that their shipyards might not, throughout 1933, present the same derelict appearance, and without wishing to appear too optimistic, he thought he was justified in saying that the prospects in 1933 were such as to lead them to hope that with the help of the credit facilities which were the subject of the Resolution, additional employment might be secured.

Amount of guarantees.

It would have been noted that from the quarterly returns for the period ended 31st December, 1932, that of the guarantees which had been given, amounting in the aggregate to £12,131,247, a sum of £3,330,100 had been repaid, leaving guarantees outstanding of £8,801,147. There remained, approximately, £4,000,000 available for any guarantees that might be necessary for the Government to extend during the year that lay ahead of them.

The Resolution was agreed to and the Bill ordered to be brought in.

Lost shipbuilding orders.

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

Mr. J. Beattie (Labour, *Pottinger, Belfast*) said he thought the Government had mishandled the Loans Guarantee Act in that they had failed to bring to Northern Ireland the business suitable to the needs and requirements of the masses of the people. In 1931 and 1932 the Soviet had placed the following shipbuilding orders abroad: In Germany, 27 steam and motor trawlers, 25 tugs, 7 launches; in Italy 2 series of trawlers, 5 in each.

Maj. J. H. McCormick (Unionist, *St. Anne's, Belfast*): "Are they paid for?"

Mr. Beattie: "Yes, they are paid for. Imagine shipbuilding orders going to Italy, although shipbuilding has its home in Great Britain and Northern Ireland. When was Italy able to compete with the builders of Northern Ireland?"

The Minister of Finance: "There was a subsidy."

Mr. Beattie: "There was no subsidy given Italy. It was because the Northern Ireland Government refused to give an extension of time as to credit facilities that Italy got the order for these ships. . ."

Continuing, Mr. Beattie said they had had some experience of the Act in connection with Holland shipbuilding. It was fresh in his memory that the s.s. *Statendam* was covered by the Act, but it was also fresh in his memory that that vessel had gone sailing down the Lough to Holland to be finally completed there by the workers of a country that never gave one farthing of a guarantee towards the building of that ship. The whole responsibility for that ship going to Holland lay on the Government of Northern Ireland.

Mr. Beattie referred to other orders which had not come to Northern Ireland, and said the amounts made a total of fifteen vessels of all kinds, value for upwards of half a million of money.

Under these Loan Guarantees he claimed that all work should be done in Northern Ireland. On every ship that they had covered by their Loans Guarantee anything from 25 to 40 per cent. of the work had been done in Great Britain. Why was that allowed?

In conclusion, Mr. Beattie said he intended to support the Bill in order to give the Government another trial and to see what results would come from their efforts on behalf of the shipbuilding and engineering industry of Northern Ireland.

Terms of Russian orders.

The Minister of Finance said they had had representatives from the Russian Soviet in Belfast in respect of contracts for the building of ships amounting to a considerable sum of money, but the terms they were prepared to offer were not, by any means, satisfactory. They had proposed that no money should be paid for a period of two years; that 100 per cent. of the cost of the ships should be advanced; that following the first payment in two years the great bulk of the money should not be paid for seven years.

Continuing, Mr. Pollock said they had built ships in Belfast for other countries as well as for Britain, and they had been built under the Loans Guarantee Acts. But Russia was so widely apart from anything that was offered by any country that they had any dealings with, that the business committee which operated and investigated and recommended, or otherwise, to the Government were satisfied that the Russian terms were totally unacceptable, and that the Government were not justified in undertaking the risk.

Materials from Great Britain.

Dealing with the question of materials the Minister said that the whole of the refrigerating machinery that they had installed in a number of large ships must come from across the Channel because they had no firms in Northern Ireland who specialised in anything of the kind. The plates, the iron and the steel and a very considerable proportion of the material entering into the construction of ships in Belfast must necessarily come from Britain.

They had a large clientele for Belfast-built ships. None of the companies of any account had recently built ships in England. The White Star, the Union Castle, the Royal Mail, the Dempster line, were

closely associated with Harland and Wolffs, and these companies had given rise to the hope that from some of them during 1933 would come orders sufficient, at any rate, to take away from them that horrible nightmare feeling that the slips in Belfast were practically empty.

The Minister of Commerce (Rt. Hon. J. M. Barbour) said the operations of the Acts were not confined to shipbuilding, but were extended to all cases of a capital nature which would promote the employment of labour in Northern Ireland. He would like to give a definite assurance that the Committee that investigated these proposals and also the officials of the Ministry who took on the working out of the details did go most thoroughly into all such matters as to the rate of interest paid on the loan. They, of course, only guaranteed the loan. The nature of security afforded varied very much indeed in accordance with the circumstances. It was the object not only of the Committee but also of the officials of the Ministry to see that in every way the Ministry was properly secured.

The Motion was agreed to and the Bill was read a second time.

CANADA.

Dominion.

The following Summary deals with further proceedings of the Fourth Session of the Seventeenth Parliament which opened on 6th October, 1932, and is in continuation of the Summary given in the last issue of the JOURNAL (*Vol. XIV., No. 1*).

RECIPROCITY WITH THE UNITED STATES.

(Resolution for reciprocal exchange of natural products.)

On 20th February, in the House of Commons, Mr. Duff moved the following Resolution :—

That, in the opinion of this House, it is expedient that the Government of Canada reopen negotiations with the Government of the United States with a view to bringing about a satisfactory reciprocal trade agreement arrangement between Canada and the United States, whereby the natural products of Canada, that is, the products of the sea, the farm, the mines and the forests, including fish, lumber, wheat, cattle, etc., should have free entry into the United States in exchange for the admission of certain goods from the United States which, in the interests of both countries, may be admitted into Canada, free from customs tariffs.

DEBATE IN HOUSE OF COMMONS.

Mr. W. Duff (Liberal, *Antigonish-Guysborough, N.S.*) outlined the history of reciprocity, especially as affecting the fishing industry, and stated that as a result of agitation on the Atlantic coast for the discontinuance of the *modus vivendi* privileges to United States' fishing vessels, it was decided in 1923 that licences should not be continued after the end of that year. From that date until the present time no *modus vivendi* licences had been issued, and United States' vessels were now restricted to entering their bays and harbours for the purpose of obtaining wood, water, shelter and repairs, but for no other purpose. He was strongly in favour of opening their ports to United States' fishing vessels for as many years as they wanted to do business with them. In 1919 their total exports of fresh codfish amounted to 31,154 cwt. of which only 2,226 cwt. went to Empire countries, not including Great Britain, while they sent to the United States 28,928 cwt. Their total export of dried codfish amounted to 697,794 cwt., of which 75,789 cwt. went to Empire countries, and practically none to Great Britain. To the United States they shipped 267,474 cwt. With Canadian fisheries in their present condition, there was only one salvation, and that was for the Government to make a trade agreement with the

United States so that their fish might go into that country. Great Britain was too far away and had her own source of supply. The United States must realise that the duties they had placed on fish, both in the Fordney-McCumber and the Smoot-Hawley tariffs, had not helped the fishermen of the United States, while they had been detrimental to those of Canada.

The Prime Minister (Rt. Hon. R. B. Bennett), discussing reciprocity, referred to the Agreement of 1911, and said that he had been opposed to it because any agreement which created a channel of trade that might be terminated without notice, or by one party without considering the interests of the other, was fatal to the interests of both. Canada rejected the proposal. In the meantime, the Democratic Party having come into power and President Wilson's policy being that of lower tariffs, they had access to the American market for their wheat, cattle and many other commodities which were highly satisfactory to Canadian producers.

The Prime Minister proceeded to refer to the offer contained in Mr. Fielding's Budget in 1923. Instead of taking advantage of it, the tariff of the United States was raised against Canada higher still.

Mr. Duff was asking the Government to take a step which he should not ask it to take at the present moment. If he was prepared to accept the statements made by the President-elect, that by reciprocal agreements he proposed to advance the trading interests of the United States, any action taken by the Canadian Parliament would be premature. The hon. Gentleman would best serve the interests he desired to promote by withdrawing the Motion, in order that it might be made apparent to all that Parliament was still in the position it was in 1879; that there was an earnest desire on the part of the people to take advantage of the markets afforded by the most populous community in the world. But there was a conclusive reason why at this time they should not adopt any Resolution which would involve the possibility of being taken as a division of opinion: a draft agenda for the monetary and economic Conference had been issued, and among the items was "tariff and treaty policy." All they could do was to follow the course followed by successive Governments and indicate clearly their willingness to negotiate on terms that were fair and reasonable.

Mr. A. E. MacLean (Liberal, *Prince, P.E.I.*) was sorry that the Prime Minister did not see fit to adopt the Resolution, thus making it known to the United States that Canada was willing to trade under some carefully thought out agreement beneficial to both countries. If they believed that there should be lower tariffs, why should not Canada take the lead

and make her position clearly felt at the World Conference? The United States were the natural market for the Maritime Provinces.

Hon. C. Stewart (Liberal, *Edmonton W., Alta.*) wondered what would happen if the President-elect should send an invitation to the Government to consider a reciprocal trade agreement. What would the Prime Minister offer not only to the United States but to any other foreign country wishing to enter into an agreement with them? He would experience difficulty because of the cast iron provisions in the Trade Agreement with Great Britain. The improvement in trade with Great Britain was so small that it was hardly noticeable. If the Government approached the United States with a fixed policy of that kind, the possibilities of reciprocity would be very small.

Mr. J. H. Myers (Conservative, *Queen's, P.E.I.*) pointed out that while exports to the United States had declined, during the last six months of 1932 their exports to the United Kingdom totalled $116,487,568 as against $102,433,809 for the first half of the year. They had found the United States' market very fickle, and that was what the Canadian exporter was afraid of. Similarly, in regard to the other British Dominions, during the last six months of 1932 their exports to Empire countries totalled $137,209,418 compared with $126,483,054 for the same period of 1931.

Rt. Hon. W. L. Mackenzie King (Leader of the Opposition) said that the sooner they sought to bring about such an agreement the better. If the Prime Minister had been consistent he would have asked that the Resolution should carry unanimously so that when the World Economic Conference took place all would know the position of the Canadian Parliament. An opportunity was being presented to-day such as had not been presented since 1911. The President-elect had indicated that he was prepared to make reciprocal agreements with any countries prepared to make such agreements with the United States.

The Prime Minister: "But not with respect to natural and farm products."

Mr. Mackenzie King said that his terms were broad enough to include almost everything if a mutually satisfactory agreement could be reached.

The Chancellor of the Exchequer in Great Britain had made the statement, in order to obtain support for the United Kingdom-Canada Agreement, that unless it went through, Canada would seek to bring about a reciprocal agreement with the United States. There was no such alternative. Canada was quite as able to trade with Great Britain and the United States as Great Britain was to trade with Canada and other

countries. What were the difficulties likely to confront the Government when the World Economic Conference took place? The first obstacle in the way of a reciprocal agreement between Canada and any other country would be the Trade Agreements arrived at during the Imperial Conference. If the Prime Minister really wished to trade with the United States the first step he would have to take would be to have the Treaty with Great Britain modified. In Great Britain they had been discussing the possibility of at least one other country finding a market for its cattle in the United Kingdom. There was no doubt that the British had scored a point over the Canadian Ministers in that the British statesmen took good care to see that what they were giving to Canada could, for the most part, be given to any other country in the form of reciprocal agreements, while Canada by binding herself for five years to maintain a certain margin of preference had tied her hands.

Mr. G. G. Coote (**United Farmers'**, *Macleod, Alta.*) said that the policy of the Government in keeping their currency at such a high level in the United States, and consequently keeping the pound at such a relatively low level in Canada, made it almost impossible to market their cattle in Britain. Therefore they should seek every possible opportunity of negotiating with the United States to see if it was possible to secure entry to their market in more favourable terms.

SINO-JAPANESE DISPUTE.

(Statement of Canada's position presented to Assembly of League of Nations.)

On 24th February, in the House of Commons,

The Prime Minister (**Rt. Hon. R. B. Bennett**) stated that on 18th February the Canadian Advisory Officer had been instructed by cable to make the following statement at the Assembly of the League of Nations, which was to meet on 24th February :—

His Majesty's Government in Canada have learned with regret that the efforts to effect a settlement of the Sino-Japanese dispute carried on under Para. 3 of Article 15 of the Covenant have not been successful. They recognise that with the exhaustion of its efforts for conciliation the Committee of Nineteen was bound to proceed to the preparation of a Report in accordance with the provisions of Para. 4 of Article 15. The Report, which is now before the Assembly, represents the unanimous and considered judgment of an informed and impartial Committee, jealous of preserving the peace of the world.

The Canadian Government have, from the inception of the dispute, supported every effort to secure its solution by peaceful means; they have scrupulously refrained from word or deed that might have jeopardised the prospects of peaceful settlement, and they have withheld judgment on the facts and merits of the dispute, in the belief that premature or injudicious comment might have prejudiced the success of our collective efforts to restore that good understanding between China and Japan upon which the peace of the Far East depends.

In accepting the Report of the Committee of Nineteen, the Canadian Government desire to express their appreciation of the loyal and patient perseverance with which the Committee has pursued its anxious task. The public opinion of the world, in which they believe lies the final and effective sanction for the maintenance of the integrity of international agreements, has watched the Committee's exploration of every possibility of a peaceful settlement between the parties to the dispute, and it has recognised reluctantly that its efforts have been unrewarded.

The Canadian Government believe that in the recommendations of the Report will be found a solid basis for the peaceful development of the Far East, and they earnestly hope that the parties to the dispute may eventually accept a *régime* embodying such recommendations and thereby reconcile their conflicting claims and interests in so far as reconciliation is humanly possible.

It is not necessary to emphasise the gravity of the decision which the States Members of the League must take to-day. The faith of the world in the possibility of peaceful settlement has been shaken and, if it is destroyed, the structure of security built up on the foundation of scrupulous respect for international covenants will be undermined. As that structure shows signs of strain, the prospects of reducing the world's burden of armaments are endangered and the task of achieving international economic co-operation is magnified.

For these reasons he must vote for the adoption of the Report.

Rt. Hon. W. L. Mackenzie King (**Leader of the Opposition**) said that on their side of the House they were in hearty accord with the tenor of the sentiment just read.

Mr. J. S. Woodsworth (**Labour**, *Winnipeg N.C., Man.*), while regretting that certain action had not been taken earlier, endorsed the statement.

GERMAN SITUATION.

(Security of Canadian subjects.)

On 2nd March, in the House of Commons, on the Orders of the Day,

Mr. S. Factor (**Liberal**, *Toronto W.C., Ont.*) asked if the Government had received any information concerning the very serious situation in Germany. There were Canadian residents in Germany, or interested in property in Germany. Was the Government taking any steps to secure their safety?

The Prime Minister (**Rt. Hon. W. B. Bennett**), in reply, stated that the Government had no knowledge of the matter.

It had no representative in Germany. Any information received would be through the British authorities, but no such information had been received.

TRADE RELATIONS WITH RUSSIA.

On 31st January, in the House of Commons,

The Prime Minister (Rt. Hon. R. B. Bennett), in a statement on trade relations with Russia, said that a Trade Agreement was negotiated in 1921 between the United Kingdom and the U.S.S.R. On 22nd August and 26th December, 1921, the Government of the United Kingdom was informed that Canada desired to participate in the arrangement. Effect was given to this decision by an exchange of Notes (3rd July, 1922), and the British Trade Agreement was applied to Canada. Subsequently a Russian trade delegation was established in Canada.

A general Treaty of Commerce was negotiated in 1924 between the U.S.S.R. and the British Government, but in November, after the Labour Government had been defeated, the new Foreign Secretary (Sir Austen Chamberlain) indicated that the Government found themselves unable to recommend the Treaty to the consideration of Parliament, so that Anglo-Russian commercial relations continued to be governed by the Trade Agreement of 1921. Following like action by the United Kingdom, Canada formally recognised the Soviet Government in March, 1924.

In May, 1927, a search was made of the offices of the Anglo-Russian trade organisation in London and as a result the Trade Agreement between Russia and Great Britain was terminated. Canada took the same position as the United Kingdom. Mr. Mackenzie King, then Prime Minister, announced that Canada had taken independent action and declared itself free from the obligations of the Agreement, and that this action was being taken " on our own initiative as a result of the evidence we have before us," as well as on " the statement of the British Prime Minister in Parliament," which " leaves no doubt as to propaganda being conducted by the agents of the Soviet."

In 1930 a temporary commercial agreement was entered into between the United Kingdom and the Government of the U.S.S.R., pending the conclusion of a formal treaty of commerce and navigation. By Chapter 3 of the Statutes of that year Parliament conferred upon the Governor-in-Council power to place an embargo against goods imported from any country which was not a party to the Treaty of Versailles. On 27th February and 10th December, 1931, pursuant to the powers

thus conferred, Orders-in-Council were passed, the effect of which was to prohibit the importation of coal, wood pulp, pulpwood, lumber and timber of all kinds, asbestos and dressed furs from the Soviet Union. Having regard to the provisions of the temporary Trade Agreement entered into by the United Kingdom with the Soviet in 1930, effect could not be given to Article 21 of the Trade Agreement between the United Kingdom and Canada. In consequence, the British Government, on 17th October, 1932, notified the Soviet Government of the termination of the Agreement on 17th April, 1933. The British Government at the same time intimated their willingness to open negotiations with the Russians for a new Agreement. It was not suggested at any time during the discussions at the Imperial Conference that Great Britain should cease to trade with Russia. On the contrary, the British representatives made it perfectly clear that trading operations on a large scale had been carried on and that credits had been established which were renewed shortly after the conclusion of the Conference. Similarly, except for the articles covered by the embargo, there has never been any restrictions on trading between Canada and Russia, except that in 1931 Russia placed an embargo against the importation of any commodities from Canada.

Later in 1932 a private arrangement was made between an aluminium company in Canada and the Soviet Government, under which a certain quantity of aluminium was purchased and paid for by petroleum. In consequence of the embargo against the importation of Russian coal, employment had been afforded to Welsh and Scotch miners to the extent necessary to produce, for importation into Canada during 1932, 1,399,086 tons of anthracite coal.

In December he had received wireless Press messages that an Agreement had been concluded between Canada and Russia for the exchange of Canadian cattle, hides, and other commodities for Russian petroleum and coal. There was no foundation for such reports. A Mr. Serkau had conceived the idea of doing a barter business with Russia, but had produced no evidence that he had any agreement with the Soviet Government. After reading certain correspondence between Mr. Serkau and the Minister of Agriculture (Hon. R. Weir), the Prime Minister said that no Canadian Government would seriously consider a proposal to provide credit facilities for a syndicate of vendors and at the same time guarantee that the alleged purchaser, the Soviet Government, would discharge its obligations to the vendors.

On 3rd February, in Committee of Supply,

Mr. G. G. Coote (United Farmers', *Macleod, Alta.*) thought they were neglecting a great market in not having trade agents

in Russia. Lately they had heard a great deal about the bartering of Canadian cattle and hides for Russian oil. If they had a trade agent in Russia it would be possible to negotiate such deals. He might be able to barter some of their wheat which they were unable to sell for kerosine and lubricating oil, of which Russia had a surplus.

Mr. T. F. Donnelly (Liberal, *Willow Bunch, Sask.*) asked what steps the Government had taken to promote trade with Russia.

The Minister of Trade and Commerce (Hon. H. H. Stevens) thought they should bear in mind that all exports and imports of Russia were under the direct control of the Government and that during the past five years Russian purchases had almost invariably been based on long-term credits. The Government had not considered it advisable that they should place the country's credit behind the financing of sales of goods to Russia. There was nothing to prevent anyone who desired to buy or sell goods to Russia from doing so, with the exception of coal, pulpwood, furs and lumber. The main object behind Russian exports was the securing of foreign credit, not necessarily to get for the product a price that would pay a legitimate cost of production with profit internally. They did not consider it advisable to sacrifice to the Russians the British coal markets in Canada. If they lifted the embargo on Russian coal, it would result in the complete displacement of British anthracite.

VISITING FORCES (BRITISH COMMONWEALTH) ACT.

This Act, which was assented to on 12th April, deals with matters affecting the administration and discipline of His Majesty's Forces when visiting Canada or serving together.

The purpose of this Act is to make provision for the discipline and internal administration of Visiting Forces from other parts of the Commonwealth when present in Canada with the consent of the Canadian Government. The United Kingdom *Army and Air Force Annual Acts*, passed subsequently to the Statute of Westminster, no longer have the force of law in Canada, and it is necessary to base the discipline and internal administration of such Forces upon Canadian legislation. It is also necessary to provide for the relations of Visiting Forces to the civil power and civilians, for deserters, for attachment of personnel and mutual powers of command, and to provide temporary measures for the continuance of existing arrangements with regard to naval discipline and co-operation in naval matters.

The enactment of legislation by all the members of the Commonwealth was recommended by the Conference on the Operation of Dominion Legislation, 1929.

Section 3 of the Act gives to Visiting Forces of other parts of the Commonwealth the customary extra-territorial immunities with regard to internal discipline and administration. Section 4 enables the Governor-in-Council to authorise the furnishing of the aid to the Civil power to Visiting Forces; gives legal authority for the detention and custody of prisoners; entitles, in so far as the Governor-in-Council directs, the Visiting Forces to exemption and immunities similar to those enjoyed by Canadian Forces, and penalises offences against Visiting Forces. (The effect of this Section is to place Visiting Forces in substantially the same legal position that they were in prior to the Statute of Westminster, the foundation, however, being Canadian legislation, instead of the Army Act.)

Section 5, together with corresponding Sections which are being enacted in the United Kingdom and other parts of the Commonwealth, affords a statutory basis for the continuance of the co-operation with regard to deserters formerly secured by the general application of the Army Act and other Defence legislation of the British Parliament.

Section 6 deals with the attachment of personnel and mutual powers of command and, in regard to combined operations, makes it legally possible to have a single command, subject to the consent of the Governments of the component Forces.

Section 7 provides for the application of the Act to Forces raised in Mandated Territories, Colonies and Dependencies (power being reserved to the Governor-in-Council to make the necessary modifications).

Section 8 ensures the continuance of the existing position with respect to naval discipline.

DEBATE IN HOUSE OF COMMONS.

On 2nd March,

The Prime Minister (Rt. Hon. R. B. Bennett), introducing the Bill, explained that in consequence of the passing of the Statute of Westminster it became essential that questions arising out of the visiting of Forces from one of the Dominions to another should be dealt with by legislation passed by the Parliaments of each of the Dominions and of the United Kingdom. This legislation was similar to that enacted by the other parts of the Empire.

On 6th March, on the Motion for the Second Reading,

Rt. Hon. W. L. Mackenzie King (Leader of the Opposition) assumed that the provisions of the Bill were all subject to the provisions of existing Statutes which governed the placing of the Canadian Forces at the disposal of His Majesty outside of Canada. He would not like it to be assumed that in adopting the term "Commonwealth Forces" they were creating some new form of centralised Imperial Forces.

In Committee,

Mr. Mackenzie King asked whether, under Section 6, assuming that another portion of the Empire was engaged in war, it would be possible for the Minister of Defence to place

at the disposition of the Forces of that part of the Empire members of the Canadian Forces ?

The Prime Minister replied that there was no derogation from the powers of their own Parliament nor any interference with its most complete autonomy and control. It had no war application.

Mr. Mackenzie King said that the Government, apart from express authority from Parliament, should not have authority to place Canadian Forces under a single command in any other part of the Empire or other part of the world.

The Prime Minister stated that the words in the explanatory note, " the consent of the Governments of the component Forces," meant the consent provided for by the Statutes of Canada which laid down the only method by which Forces could be dispatched out of the country, which was with the consent of Parliament. If another country permitted its Forces to come to Canada and Canadian Forces were serving with those of another country, Section 4 provided that any member of the other Force should have the like powers of command over the home Force as if he were a member of the home Force of relative rank. It was merely for the purpose of establishing some co-operation in Defence matters.

Mr. Mackenzie King submitted that under the wording of this Act the Governor-in-Council could take the military, naval or air Forces and place them at the disposal of His Majesty in other parts of the Empire, and not at the instance of Parliament. It was most important that it should be understood that the Forces of Canada were not to be placed, by virtue of anything in this Act, at the disposal of His Majesty without Parliament so authorising.

The Prime Minister pointed out that the Militia Act placed a limitation upon the power of the Governor-in-Council. If Forces were sent beyond Canada it must be for the defence of Canada, and Parliament must meet within fifteen days.

Hon. J. L. Ralston (**Liberal**, *Shelbourne-Yarmouth, N.S.*), on Section 6, said that they had persistently contended that there should be no unity of command without consent. The provision was that automatically there was union of command the moment the Minister of Defence gave his consent to the combination. Subsection 5 provided that the relative ranks of members of the home Force and of other Forces should be such as might be prescribed by regulations made by His Majesty. It did not say whether His Majesty was to be advised by the Government of Canada or by that of the United Kingdom. They should have some say in deciding on the relative seniority of ranks of officers who made up the combined Force.

On 23rd March,

The Prime Minister explained that this meant His Majesty's Government in the Dominion that might be affected. As His Majesty's advisers in several Dominions were affected, they must agree in order that any action might be taken. Hence it was not His Majesty in Canada or in Australia, but His Majesty who was common Sovereign of all the Commonwealths.

Previously, the Prime Minister stated that in the debates in the British House the Solicitor-General (Sir Boyd Merriman) had declined to make certain changes suggested because the Bill had been already enacted in South Africa. In the House of Lords certain objections were taken as to the effect of the legislation being to deprive the British courts of jurisdiction which they had always asserted, but the House did not feel disposed to make the Amendment suggested.

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

NEWFOUNDLAND.*

(Question as to union ; Appointment of Royal Commission.)

On 30th January, in the House of Commons, on the Orders of the Day,

Hon. J. L. Ralston (**Liberal**, *Shelburne-Yarmouth, N.S.*) asked whether there had been any correspondence with the Government of, or with Parties in, Newfoundland with regard to the possible political union or arrangements with that Dominion ?

The Prime Minister (**Rt. Hon. R. B. Bennett**) replied that there had been no correspondence. Last fall, after a conference had taken place, he thought a personal letter had been written by him to the Prime Minister of Newfoundland stating that if the matter were to be considered, ample opportunity would be afforded for discussion, but there had been no communication of an official character.

On 22nd February,

The Prime Minister stated that His Majesty had been pleased to appoint the following to be a Royal Commission for the purpose of examining into the future of Newfoundland, and in particular of reporting on the financial situation and prospects therein : The Rt. Hon. Lord Amulree, C.B.E., K.C., nominated by His Majesty's Government in the United Kingdom, Chairman ; Mr. C. A. Magrath, nominated by His Majesty's Government in Canada ; Sir William Stavert, K.B.E., nominated by His Majesty's Government in Newfoundland.

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* *Vide* also under " United Kingdom " and " Newfoundland."

IMPERIAL ECONOMIC CONFERENCE.

(Question as to Empire content.)

On 31st January, in the House of Commons, on the Orders of the Day,

Hon. W. D. Euler (**Liberal,** *Waterloo N., Ont.*) asked for information as to the truth of a statement in the Press, that after 1st April Empire goods, in order to obtain free entry into Great Britain, must have a 50 per cent. Empire content in labour and materials.

The Prime Minister (**Rt. Hon. R. B. Bennett**) replied that at the Ottawa Conference the discussion as to Empire content had been carried forward for some time and various suggestions had been made. Generally speaking, 50 per cent. was regarded as a reasonable Empire content, and the British Government concluded that they would fix 50 per cent., effective from 1st April, as sufficient Empire content to entitle goods to the benefit of the preference. That referred, however, not to all goods, but to a limited number. They agreed that each country could probably decide for itself what would be a reasonable content, and the matter would be further considered at the meeting of the Committee on Co-operation which would be convened on 14th February.

DUTY ON BRITISH IMPORTS.

On 6th March, in the House of Commons, on the Orders of the Day,

Hon. W. D. Euler (**Liberal,** *Waterloo N., Ont.*) drew attention to a Press article, stating that when Great Britain went off the gold standard wholesale prices in that country were 7 per cent. lower than Canadian prices, an increase of about 14 per cent. Would the Government give consideration to the propriety of altering the basis for duty on British imports from the old par value of $\$4.86\frac{2}{3}$ to conform with the alteration of prices ?

On 7th March,

The Minister of National Revenue (**Hon. E. B. Ryckman**) replied that it would be unwise to consider any alteration until exchange quotations were more stabilised. Compared with September, 1931, there was a slight increase in wholesale prices in Great Britain. If prompt action had not been taken by the Government in 1931, to continue to value the pound for Customs purposes at $\$4.86\frac{2}{3}$, the result would have been that the tariff against Great Britain up to about 20 per cent.

would have been wiped out, and in some cases the British exporter would have been receiving a bonus. Action could have been taken by way of special surtax or quota system as had been done by other countries faced with unfair competition from countries whose currency had become depreciated, but they had adopted the more moderate course of endeavouring to maintain the *status quo*, with this slight exception—that having regard to the fact that there had been an increase in commodity prices in Great Britain variously estimated from 7 to 10 per cent., they had decided that although regular duty would be assessed on the basis of $\$4.86\frac{2}{3}$ to the pound, special or exchange dumping duty would only be collected on a basis of $4.40,* which represented approximately a discount of 10 per cent. from the par value. Since that time, representations had been made both to increase and lower the figure, but it had been fair and reasonable to the interests affected.

THE BUDGET.

(Trade balance ; Inter-Empire trade ; Financial conditions ; Revenue and Expenditure, 1932-33 ; Estimates for 1933-34 ; Taxation proposals ; etc.)

On 21st March, in the House of Commons, the Minister of Finance presented the Annual Financial Statement.

World conditions.

The Minister of Finance (**Hon. E. N. Rhodes**), alluding to world economic conditions, said that the Ottawa Conference had succeeded in effecting a measurable relaxation of trade restrictions within the huge trading area of the Empire and pointed the way to similar action on a broader scale. The third quarter of 1932 was a period of noticeable improvement in world industry, but it had not been maintained. During the last few weeks there had been a recurrence of banking troubles in the United States. The present crisis was international, and the remedy must be sought in international co-operation. Therefore he looked forward hopefully to the World Economic Conference which was expected to meet in London in the near future and to which they proposed to give their whole-hearted support. He was hopeful that a programme could be worked out for the relaxation of exchange controls, for the stabilisation of currencies, and for a stimulation of the rise in the level of wholesale prices. The success of the Conference assumed a simultaneous settlement of the War Debt question and some appeasement of political fears as a

* *Vide* also p. 298, "Customs Tariff."

result of progress in disarmament discussions. Industrial production and the volume of business in Canada had followed very closely that of other leading countries. Fortunately, there had been a moderate improvement in wheat prices.

Trade.

In 1932 Canada ranked fifth among the great trading nations, after having been seventh in 1931. There had been a progressive improvement in the balance of trade :—

	Imports.	*Exports.*	*Balance.*
Eleven months ended :—			
28th February, 1931...	$831,232	$760,703	—$70,524
29th February, 1932...	521,056	546,547	+ 25,491
28th February, 1933...	373,421	443,661	+ 70,240

Although the tariff Agreements arising out of the Economic Conference had been in force only a few months, significant developments of the utmost importance to their trade with Empire countries was indicated. In the ten months ended 31st January, 1933, imports from the Empire were 29·13 per cent. of total trade, as compared with 25·23 per cent. for the previous corresponding period.

INTER-EMPIRE TRADE OF CANADA.

	Ten Months ended 31st Jan., 1932.	*Ten Months ended 31st Jan.,* 1933.
Imports from United Kingdom	$ 87,509,816	$ 73,629,042
Exports to United Kingdom ...	153,776,204	160,610,678
Imports from British Empire...	122,448,561	101,939,909
Exports to British Empire ...	192,824,941	193,115,066

In imports from the United Kingdom, the chief gains had been in textiles, coal, manufactures of iron and chemicals. In exports important increases were being registered in many products of the farm, mine and factory. An increase had occurred in both imports from and exports to Australia. A feature of the import trade had been the growing importance of the West Indies as a source of supply of semi-tropical fruits and vegetables.

Financial conditions.

After Great Britain had departed from the gold standard the export of gold from Canada was prohibited except under licence, and the gold production of the mines was purchased by the Government at the world price. Next to South Africa, Canada was now the largest producer of gold, and the importance of the industry lay primarily in the support which it had given to their exchanges and the national credit. During the past year Canada had been the only country that had been able to borrow in the public markets of the United States.

Let the sponsors of inflation never forget that one inevitable result would be a flight from their dollar. Against policies which might lead to such dangers the Government had resolutely set its face. Their dollar had been allowed to find its own level and had been fluctuating about half-way between the United States dollar and the pound. In so doing it might be working out a not unsatisfactory compromise between those of their national interests which would be benefited by close relations with sterling and those which would be seriously harmed by a heavy discount in terms of New York. When the opportune moment arrived, they proposed to offer a conversion loan to the public. The Government also proposed to appoint a Royal Commission to study the organisation of their entire banking and monetary system and to consider the arguments for and against a central banking institution.

Revenue and Expenditure, 1932-33 ; Debt.

Income tax alone would yield the sum estimated. The Customs Tariff ranked first as contributor to the Treasury, but its yield was substantially below that of last year. The total Revenue was $315,290,000, which was $18,549,000 less than for the previous year ; ordinary Expenditures were estimated at $364,425,000, which was $8,080,000 less. On unemployment, expenditure would be $35,603,000, while loans to the Provinces for financing public works and direct relief expenditures totalled $8,873,009. The total expenditures for the year amounted to $417,990,000, a reduction of $30,000,000 on 1931-32.

The Dominion was required to provide $60,058,506 for deficits on the National Railways, whose total funded debt amounted to $1,263,000,000. The deficit on ordinary account was $53,608,000, and there was a total addition to the Debt of $156,122,000. In regard to indirect liabilities mention might be made of the assistance rendered jointly with the Government of the United Kingdom which enabled Newfoundland to meet interest obligations due on 1st January last. The commitment of Canada related to the guarantee of a bank loan of $625,000.

The net Debt amounted to $2,599,089,000.

Estimates, 1933-34.

The Revenues were estimated at $287,230,000 and the Expenditures for the ordinary services of Government at $369,429,000. It was proposed that the original allotments to Departments would be so modified that 10 per cent. or $14,000,000 would be withheld. After making this allowance, Ordinary Expenditures would be $68,000,000 in excess of Revenues estimated at present rates of yield. If business conditions did not improve, estimated revenues would not

cover special Expenditures for unemployment relief or the Canadian National Railways deficit, but it was the considered view of the Government that the reduction in Expenditures for the ordinary public services and the proposed increases in taxation represented as drastic a fiscal programme as should be contemplated at the moment.

Taxation.

Income Tax.—It was proposed to raise the rate on incomes of corporation and joint stock companies to 12½ per cent., and to remove the exemption of $2,000 on such incomes. In respect of the tax on personal incomes, the statutory exemption, where heretofore $2,400, would be reduced to $2,000, and where heretofore $1,200, would be reduced to $1,000. The exemption for dependent children would be lowered from $500 to $400. The exemption for parents, grandparents, brothers and sisters was to be the actual amount expended up to a maximum of $400. A new Schedule of rates would be inserted in the Act applicable to all incomes in excess of the exemptions and allowances (*e.g.*, the tax on incomes of $2,500 would be raised from $2 to $15 and on incomes of $1,000,000 from $476,658 to $527,131.50).

A tax of 5 per cent. was to be imposed at the source on all interest or dividends paid by Canadian debtors to non-residents of Canada. The Income Tax Act contained a Section providing for a credit to Canadian residents in respect of taxes paid abroad, provided that other countries granted reciprocal allowances. Similar provision was contained in the tax legislation of those countries in which there resided any considerable number of persons who would be affected by the new impost. A tax of 5 per cent. was also to be imposed on all interest or dividends received by way of bearer coupons or cheques by Canadian residents where such cheques or coupons were payable, by Canadian debtors, optionally or otherwise, in foreign currencies, and such coupons or cheques were cashed in a currency which was at a premium over par of Canadian funds.

Sales Tax.—The Sales Tax would remain at 6 per cent. Additional revenue would be derived from a limited adjustment of the exempt and partially exempt list.

Excise Taxes.—Special Excise Taxes would be levied on a number of products at specified rates (including 2 cents per pound on all refined sugar).

Customs Tariff.—The rates in their Tariff Schedules had been made having in mind parity of exchange. When the pound became depreciated it was necessary to value it for purposes of special or dumping duty at $4.40, in order to offset in part the advantage which the British exporter obtained in their markets. It was believed that under present conditions this valuation could be lowered with safety, and the value of the pound for this purpose would be $4.25.

It was proposed to establish an agricultural stabilisation fund. From it there would be paid to exporters to the British market the difference between the price actually received and the pound sterling valued at $4.60.

It had been urged in many quarters, concluded the Minister of Finance, that they should balance their Budget to the extent of providing currency for the additional expenditures to provide for deficits of the Canadian National Railways and unemployment relief. Beyond question that would be the ideal course. But to attempt to pursue it under existing conditions would not only place an unbearable burden upon the taxpayer, but would retard that recovery of business and industry which was essential to their future well-being.

Five per cent. tax on interest and dividends.

On 31st March, in the House of Commons, on the Orders of the Day,

The Minister of Finance (**Hon. E. N. Rhodes**) stated, in regard to the above proposals, that it was not intended to tax interest on Dominion or National Railway Guaranteed Bonds paid to non-residents. The exemption was granted because misunderstanding might arise in the mind of the non-resident investor who had purchased Dominion securities issued in his own country and payable in his own currency. In view of the fact that other public bodies and many private corporations had issued and sold abroad securities payable in an external currency with either the implied or stated obligation to pay without deduction, it had been decided to extend this exemption to all interest payable by any Canadian debtor to non-residents on obligations which by their terms were payable in a currency other than Canadian.

ECONOMIC CONDITIONS.

(Resolution on debts and interest rates.)

On 6th February, in the House of Commons, Mr. Speakman moved the following Resolution :—

Whereas the question of public and private indebtedness has become one of our greatest and most perplexing problems, enhanced during the past years by the extremely low price level of all primary commodities, through which this indebtedness must be in large part met and the effect of which has been to double and treble the actual burden of these liabilities ; and

Whereas this fact has been recognised in respect of certain international obligations, and has become a practical issue in respect of the public obligations of many countries ; and

Whereas no such recognition has as yet been given to the heavy

private indebtedness within this country, although these, together with the high interest rates which prevail, constitute just as heavy and impossible a burden to the individual as do the national and international obligations to the countries concerned ; and

Whereas this situation is one of the greatest factors in the present economic depression, and is one of the greatest barriers to the financial recovery of agriculture and industry and, as such, deserves and commands the immediate attention of this Parliament ;

Therefore be it resolved that, in the opinion of this House, the Government should give serious and immediate attention to the question of debts and interest rates within this country, and the possibility of their reduction, either by way of direct action, or by the submission of the entire problem to a special committee of this House, in order that the subject may be fully inquired into and, if possible, some solution found.

DEBATE IN HOUSE OF COMMONS.

Mr. A. Speakman (United Farmers', *Red Deer, Alta.*) declared that were they to follow the line of inaction which led to an indefinite perpetuation of the present situation in respect of agriculture, they might anticipate that those who were directly or indirectly dependent upon agriculture would follow that pursuit into bankruptcy. There was the question whether by any action, Governmental or otherwise, individuals, corporations or countries which had loaned money should be deprived of a part of their rights when they demanded repayment. What was loaned was potential purchasing power, and there was nothing unjust in the suggestion that in these days of public stress they should consider the question whether it would not be perfectly fair to return to the creditor the same value in purchasing power as had been advanced, together with fair interest. The demands for Reparations had been reduced until at Lausanne they had been practically wiped out. Great Britain herself had come to the conclusion, and had so notified her chief creditor, that some different arrangement must be made, and that the latest payment might be the last under present circumstances. The absorption of that portion of the national income along unproductive lines was a menace to future trade recovery. Private indebtedness was a much more urgent problem. He estimated that they had about $720,000,000 a year due in interest. The effect of the withdrawal from current purchasing power of so large a sum must be unsold goods and crashing price levels. It was not right that one class, the creditor class, should be immune in an emergency which was threatening the nation.

The Minister of Justice (Hon. H. Guthrie) said that the practical question was how they were going to proceed to reduce the debt and interest and at the same time do no wrong to any party. Most of their contracts touched the question of property and civil rights, upon which the Dominion Parliament had no right to legislate. The only legislative right of their Parliament would be to fix the rate of interest, but Parliament had expressly provided in the Interest Act that the parties themselves might agree in regard to the rate. He trusted that the Motion might pass and the whole question be referred to the Committee on Banking and Commerce.

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Mr. W. T. Lucas (United Farmers', *Camrose, Alta.*) pointed out that farm prices had been cut more than 50 per cent., while debts and other charges had remained the same. Australia had set an example worthy of consideration and had cut interest by 22½ per cent., and lowered the rate on bank deposits and loans.

Mr. F. W. Gershaw (Liberal, *Medicine Hat, Alta.*) asked where they could find a market ? The countries of Europe had high tariff barriers against their wheat. Great Britain could not take it all. For years they had looked with hope to the Orient, but they had lost it to Australia, because in 1928 Canada supplied 51 per cent. of the wheat imported by Japan and at present only 13 per cent. To-day Australia was supplying 84 per cent. Australia had depreciated her currency, when world-wide deflation was sweeping over all countries. While people in New Zealand, Australia and the Argentine could sell their products in Great Britain and found the pound worth $6 to $7, Canada was selling to Great Britain and found the pound was worth something like $3.80. How could they compete on such an unfair basis ?

Hon. W. D. Euler (Liberal, *Waterloo N., Ont.*) thought the trend must be in the direction of lower interest rates. It might ultimately be necessary to have a capital levy. Great Britain had reduced the interest on some ten billions of dollars from 5 to 3½ per cent.

The Minister of Finance (Hon. E. N. Rhodes) did not think a parallel could be drawn between Australia and Canada. The Australian debt was much larger in proportion to the population. The Australian national credit had become so impaired that their national bonds, sold in 1928 at 92½, dropped within three years to 30. They were confronted with a desperate situation which required drastic treatment. Although Australia had reduced interest charges, it was only in the case of her own nationals. To put themselves in a position comparable to that of Australia they would have to take over all the debts of the Provinces, which would thus lose their autonomy in the matter of raising additional sums by borrowing. Discussions had been had for a considerable period with responsible bodies throughout the country looking to some arrangement which would give a lead to the people in the matter of a reduction in interest charges. The Govern-

ment was entirely in sympathy with the main object of the Resolution.

Mr. G. G. Coote (**United Farmers'**, *Macleod, Alta.*) declared that Canada, in her desperate attempt to keep up with gold, had deflated her currency much more than Australia, New Zealand and other countries that they were attempting to compete with. The result was that price levels were much lower than in nearly all other countries, and the problem of the debt much more acute. He moved an Amendment that the words "a special committee of this House" should be struck out and the words "the Select Standing Committee on Banking and Commerce" substituted therefor.

The Resolution as amended was agreed to.

DOMINION NOTES AMENDMENT ACT.

This Act, which was assented to on 30th March, authorises the Governor-in-Council to suspend the operation of the sub-section of the Dominion Notes Act which provides for the redemption of Dominion notes in gold. It is a companion Bill to the Gold Export Act which became law on 13th May, 1932.*

DEBATE IN HOUSE OF COMMONS.

On 27th March, on the Motion for the Second Reading of the Bill,

Rt. Hon. W. L. Mackenzie King (**Leader of the Opposition**) believed that the Government had already been exercising the power for which it was now asking, and therefore he did not see why the Measure should be introduced at all. The introduction of a Measure of this kind, unless absolutely necessary, would seem to injure rather than aid the credit of the country.

The Minister of Finance (**Hon. E. N. Rhodes**) explained that the Bill followed legally the one passed last year which prohibited the export of gold. That it was not then introduced was due largely to the fact that the provision for redemption in gold was, in view of the fact that the gold could not be exported, an empty one. It meant merely that they recognised in the Statute laws a situation which was virtually in effect. They did not for a moment admit that a financial crisis was to be apprehended, but as a matter of proper conservation of their gold supplies for the country's purposes they asked that this Bill should be enacted, and they were only doing what had been done in Great Britain and the United States.

Mr. G. G. Coote (**United Farmers'**, *Macleod, Alta.*) said that there was no country in the world where legal tender notes were redeemable in gold and he did not see why they should continue to keep this Section of the Dominion Notes Act on the Statute books.

The Prime Minister (**Rt. Hon. R. B. Bennett**) gave figures in regard to note circulation and stated that there was a total of $175,701,103.19 promises to pay, on demand, by the Dominion. There was outstanding some $68,000,000 of money that had behind no metal coverage at all. They had gradually provided that their metal coverage should be what it now was, namely, par over $50,000,000. Twenty-five cents on the dollar in gold up to that figure was felt to meet the reasonable demands of trade and commerce. During the War the Government issued $26,000,000 of paper in payment of obligations, for which there was no coverage now.

They knew what the experience of mankind had been when they used a currency in their own country that had no convertability into any standard that was useful in discharging their obligations in other countries. Their currency could then only be used in their own country, and what it was worth in any other country was a matter of conjecture. If there was no value that could be put upon a Canadian one-dollar bill in terms of a universal standard, at once there was a direct reflection upon the value of the obligations of a country that owed money in other countries. He did not believe that the ten and a half million of people living on the northern half of their continent, side by side with the richest country in the world, could afford to depart from orthodox views with respect to financial matters when they had obligations aggregating so large an amount payable abroad.

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

CO-OPERATIVE COMMONWEALTH.

(Resolution on policy of Co-operative Commonwealth Federation.)

On 1st February, in the House of Commons, Mr. Woodsworth moved the following Resolution :—

Whereas under our present economic arrangement large numbers of our people are unemployed and without the means of earning a livelihood for themselves and their dependents ;

And whereas the prevalence of the present depression throughout the world indicates fundamental defects in the existing economic system ;

Therefore be it resolved that, in the opinion of this House, the Government should immediately take measures looking to the setting up of a Co-operative Commonwealth in which all natural resources and the socially necessary machinery of production will be used in the interests of the people and not for the benefit of the few.

* *Vide* JOURNAL, Vol. XIII., No. 4, p. 957.

DEBATE IN HOUSE OF COMMONS.

Mr. J. S. Woodsworth (**Labour**, *Winnipeg N.C., Man.*) said that the Co-operative Commonwealth Federation had been organised in August and its Resolutions stated that :—

> The object of the Federation shall be to promote co-operation between the member organisations and to correlate their political activities.
>
> We endorse the general viewpoint and programme involved in socialisation of our economic life, as these have already been outlined and accepted by the Labour, Farmer and Socialist groups affiliating.

This new organisation, continued Mr. Woodsworth, was a federation rather than a party. The farm bodies in the three western Provinces and Ontario had already voted to affiliate, and also the political Labour bodies from British Columbia to Montreal. It did not advocate a bureaucratic state of Socialism. There were certain matters that must be dealt with by the State; others that might be left to voluntary co-operative effort. They emphasised the encouragement of all co-operative enterprises which were steps to the attainment of the Co-operative Commonwealth. They must distinguish clearly between the Co-operative Commonwealth and Communism. Both believed in a new social order and economic system. The Communists were convinced that this could be brought about only by violence; they believed that it might come by peaceful methods, and that was the purpose of the organisation. The first step to be taken in bettering conditions was to adopt a planned economy. They could not proceed very far along the line of central planning without having to deal with the control of the banks, or without increasing control of public industry.

Miss A. MacPhail (**Progressive**, *Grey S.E., Ont.*) asked how they were going to increase business activity. They must draw upon social credit; they had to stop a small group of individuals having the right to issue credit against the assets of the people. They must seek to evolve taxation and financial and trade policies which would increase the consumption of goods. In the very near future they would have to take the burden of Federal taxes off the backs of the consumers, so as to increase the purchasing power of goods, and throw it upon accumulated capital.

Mr. G. G. Coote (**United Farmers'**, *Macleod, Alta.*) ardently desired to see a central bank owned by the State whose duty it would be to see that sufficient money was at all times available to allow them to distribute among their people the consumable goods which they could produce. His first suggestion was the payment of a bonus on wheat production. Last year the Australian Government paid a 9 per cent. bonus. They should have a housing programme in co-operation with some of the municipalities; a more liberal old-age pension scheme; State hospitals and medicine and State-owned hydro-electric power stations. They should change their income tax and have an inheritance tax that would take for the State all that was left beyond what was required to make ample provision for the widow and orphans.

On 2nd February,

Mr. J. R. MacNicol (**Conservative**, *Toronto N.W., Ont.*) thought that the Resolution savoured of Socialism, but the expression "Co-operative Commonwealth" was not by any means modern. It was the War that was largely responsible for the present depression. He invited the hon. Gentleman to desist from the campaign that was being carried on; it only interfered with the investment of capital and the reducing of unemployment.

Mr. W. Irvine (**Independent**, *Wetaskiwin, Alta.*) said that at a recent election in Calgary both the Conservative and Liberal candidates had joined together as against the Co-operative Commonwealth candidate, and the majority of 24,988 had been reduced to 1,800. The Resolution implied public instead of private ownership; co-operation instead of competition; production for use instead of for profit. The Government's attempted remedies were already on the scrap-heap. Had the tariff increases done anything to improve business? How could every nation in the world obtain a favourable balance of trade? If Capitalism depended on that obviously the system was doomed. The next reason why Capitalism could not be repaired was that the field for the investment of capitalistic surplus had narrowed almost to vanishing point. The third reason was that the debt structure built up under the system had been so constructed that its collapse was a mathematical certainty. They should plan their national life, and they proposed to take control by socialising the means of wealth production and the credit system. The Co-operative Commonwealth Federation guaranteed to every Canadian economic independence.

On 9th February,

Mr. G. D. Stanley (**Conservative**, *Calgary E., Alta.*) declared that the Co-operative Commonwealth Federation was Socialism and must take responsibility for what Socialism offered to the country. It insisted it was a mental or bloodless revolution, but it was a revolution; it was a turning upside down of the economic and social structure of the country.

On 23rd February,

Mr. F. W. Turnbull (**Conservative**, *Regina, Sask.*) pointed out that the Independent Labour Party was part of this organisation to which they were asked to entrust the affairs of State. They had heard that the United Farmers of Ontario

had affiliated with the Federation, but not so much about the fact that they had refused to be bound by its doctrines. The United Farmers of Alberta had not accepted its doctrines when they affiliated with the new Party. The Saskatchewan section formed a very small section of the farmers. The object of the Communists and the Co-operative Commonwealth Federation was the same, but their methods were different.

On 27th February,

Rt. Hon. W. L. Mackenzie King (Leader of the Opposition) said that according to the programme all the agencies used for the transportation of the commodities necessary to supply human needs were to be taken over and managed by the State. The thing was not possible for one moment. If State ownership and control was the answer to their problems, why could not the State at present make their national railways pay ? There was to be no more interest under Socialism, no more rent, no more profit to managers. The only thing that was to remain was that everyone would get some remuneration from the State in the form of wages. But how were those wages to be determined ? The proposal put forward was a new political platform aimed against the other political platforms. If private property was not going to be expropriated by arbitrary means, those possessed of it would be remunerated. Where was the money to come from to compensate those whose property was to be taken over by the State ? It would be impossible for the Federal Parliament, without a change in the Constitution, to control all the socially necessary means of production. Matters affecting property and civil rights were under the jurisdiction of the Provinces. A change to a socialistic State was not required in order to further public ownership, the wisdom of which depended entirely upon the particular need that it was sought to serve. What was necessary was not that they should, in order to remedy existing conditions, seek to change the whole basis of their social and economic structure, but that they should go on with their social and humanitarian legislation and with their public ownership in the directions in which they might appear desirable. The English and Scottish co-operative societies continued to carry on their business on a basis similar to that which existed under a social order based on private property. He stood strongly in favour of co-operative enterprises, not because they would lead to a socialist State but because they would help to avoid that possibility.

Liberal policy.

The Liberal Party stood for many of the measures which might be included in a socialist programme, but that was very different from standing for such a State. It would deal with the present emergent conditions through a representative national commission which would co-operate with the Provinces and municipalities in the administration of unemployment relief ; abolish the extravagant increases in the tariff and the exchange and dumping duties ; negotiate trade agreements with any countries willing to trade on a reciprocal basis ; seek to end artificial price control ; restore the Combines Investigation Act ; control investments in order to prevent exploitation of the public through the sale of unsound securities. They believed that the interlocking of directorates was one of the factors that enabled bankers to control industries and industrialists to control banks. They stood for the immediate establishment of a properly constituted national central bank, to perform the functions of rediscount and control currency issue.

At the conclusion of Mr. Mackenzie King's speech the House divided on a Motion to adjourn the debate, which was agreed to by 84 to 52 votes.

Provinces.

Ontario.

GOVERNOR'S SPEECH.

(Imperial Economic Conference ; Hydro-electric power ; etc.)

On 15th February, 1933, the Lieutenant-Governor (Col. the Hon. H. A. Bruce) addressed the Legislature. The following is a summary of his Speech.

FEDERAL-PROVINCIAL CONFERENCE.

The Speech referred to the Conference between the Federal and Provincial Governments at which consideration was given to unemployment insurance, plans for direct relief, the duplication of public services and overlapping legislation. An Agreement had been reached with the Federal authorities concerning the development of the water powers of the international section of the St. Lawrence. Upon the ratification of the Seaway Treaty with the United States they would be afforded an opportunity of pronouncing upon the proposed development.

AGRICULTURAL MARKETS.

It was a matter of much concern that extremely low prices continued to hamper the agricultural industry, a situation further complicated by the departure of Great Britain from the gold standard. The prospect of an early return to better conditions had been improved by the outcome of the Imperial Economic Conference and the work of the Marketing Board, coupled with plans for an intensive drive for British and Canadian markets. Further results were anticipated from a definite effort to stimulate the consumption of Ontario's products by their own people.

HYDRO-ELECTRIC POWER COMMISSION; GOLD PRODUCTION.

During the past year the Hydro-Electric Power Commission had met all its financial obligations and further increased its reserves, which now amounted to $62,500,000. The fact that the bonds of the Commission ranked among the premier securities of the Dominion had materially enhanced public credit.

The results of gold-mining had helped the Province to sustain the credit of the Dominion. All indications pointed to further expansion of gold production.

RADIUM; MORTGAGORS' RELIEF; ETC.

By the establishment of a plant for the development of radium products at the University of Toronto, one of the important recommendations of the Cancer Commission had been brought into operation, and the distribution of radium emanations had already been commenced.

Legislation would be introduced to afford further relief to mortgagors, particularly to those who were home owners.

The Speech also referred to the development of Northern Ontario, economies recommended by the Budget Committee, consideration of prevailing rates of interest in relation to the economic life of the community and readjustment of representation.

LEGISLATIVE ASSEMBLY BILL.

(Lifetime of Parliament.)

This Bill, which was introduced on 15th March by Mr. H. C. Nixon (**Independent**, *Brant Co.*), proposes to repeal the Section of the Legislative Assembly Act providing that the lifetime of Parliament should be five years, to restore the four-year term for the present Assembly and to provide that the five-year term shall apply to all future Assemblies.

MORTGAGORS' AND PURCHASERS' RELIEF BILL.

This Bill, which was introduced by the Attorney-General (Hon. W. H. Price), and passed the Third Reading on 6th April, repeals the 1932 Act, which provided that if interest, taxes, insurance and other disbursements due had been paid, but there was default in payment of principal, no action could be taken to enforce the provisions of any mortgage, etc., made before 4th March, 1932, nor could any proceedings that had been taken between 1st February, 1932, and 4th March, 1932, be continued without leave of a judge.

The Bill re-enacts the above provisions and also applies them to mortgages, etc., executed prior to 4th March, 1932. Relief is only extended to a mortgagor or purchaser who resides upon, owns and occupies the land or premises covered by the mortgage in respect to payments of interest.

DESERTED WIVES' AND CHILDREN'S MAINTENANCE BILL.

(Conduct amounting to "cruelty.")

The object of this Bill is to amend the Deserted Wives' and Children's Maintenance Act, under which a married woman shall be deemed to have been deserted when she is living apart from her husband because of acts of cruelty.

This Bill was introduced on 20th February by the Attorney-General (Hon. W. H. Price).

Without defining or limiting the word, the Bill sets out that a judge may consider "cruelty" as conduct causing reasonable apprehension of bodily injury, or of injury to health, without proof of actual personal violence, which renders the home an unfit place for a wife or a child.

ADOLESCENT SCHOOL ATTENDANCE BILL.

This Bill, which was introduced on 10th March by Mr. W. E. N. Sinclair (Leader of the Opposition), proposes to reduce the cost of education by abolishing the requirement that boys and girls over 14 years of age must attend school.

HIGHWAY TRAFFIC BILLS.

A Bill, introduced on 1st March by the Provincial Secretary (Hon. L. Macaulay), limits the speed of motor vehicles on any highway outside towns to 35 miles an hour, and makes other regulations in regard to driving and licenses.

A further Bill, introduced on 22nd February by Mr. W. E. N. Sinclair (Leader of the Opposition), provides that pedestrians on the King's highway shall carry a lighted lamp at night.

Quebec.

GOVERNOR'S SPEECH.

On 10th January, 1933, the Lieutenant-Governor (Hon. H. G. Carroll) delivered a Speech to both Houses of the Legislature. The following is a summary:—

The Speech referred to the crisis; if their Province was passing through it better than any other it was none the less gravely affected by it. The Government had decided to practice the strictest economy and not to add a penny to the burden of taxation or to undertake any new works which would need an appeal to their resources, save in so far as unemployment was concerned.

EMPLOYMENT AND INDUSTRY.

Notwithstanding the financial crisis, besides the considerable assistance that had been given to the unemployed, the Government had been generous to the agricultural class and their colonists. Thousands of families had established themselves on new lands and were opening them up for colonisation. The grants in 1932, for the costs of clearing the land, of ploughing and of residence, were beyond all precedents. Agricultural training, the sale of chemical fertilisers, the draining of land, and the fight against bovine tuberculosis had been greatly encouraged. This great agricultural and colonising policy could neither be abandoned nor restricted. If their resources would permit it, the Government desired to give it still wider scope, without forgetting their fisheries, which had also been largely subsidised. Neither did the Government mean to neglect public education, hygiene and the protection of their forests.

The economists had pointed out several remedies (to their problems): moratorium for the payment of debts, prohibition of certain sales on credit, agricultural credit, return to the land, assistance to the unemployed otherwise than by direct relief, facilities granted to sons of farmers to establish themselves on new lands. These were some of the questions that they would be called upon to examine with the greatest care.

SHORTER WORKING HOURS.

The Government would propose yet another remedy. It was unquestionable that the use, constantly increasing, of modern mechanism had caused an overproduction which consumers could not absorb. Neither inventive genius nor the progress which it created could be stopped. Nevertheless statistics proved

that 25 per cent. of the working class were without work. The Government believed that by diminishing the numbers of hours of work in certain industries which did not suffer from foreign competition and for such periods as circumstances justified, they could manage to give to many more of their workmen an opportunity for finding employment.

The Commission appointed to study the various problems of social insurance had finished its labours and its reports would be submitted to them. Mining operations had taken a remarkable advance. The production of gold had been particularly abundant and the prospects were most encouraging.

DEBATE IN LEGISLATIVE ASSEMBLY.

On 12th January,

Mr. M. L. Duplessis (Leader of the Opposition) declared that the Government had accentuated conditions by pushing industrialisation too far, and at the expense of agriculture, admittedly the basis of the Province. A bigger conception of colonisation was required. The Government should co-operate in full fashion with Ottawa. The problems which had to be settled required the most sympathetic of understandings between the Federal and Provincial authorities.

The Prime Minister (Hon. L. A. Taschereau) referred to the European situation, and said that with such a background it was not surprising that Quebec was suffering, yet the credit of the Province was excellent. Quebec did not believe in the remedies which were being advocated in the West ; it was satisfied with the banking system. Those who brought overseas subversive doctrines would find the Government firmly lined against them.

At the conclusion of the debate the Motion for the Address-in-Reply was adopted.

DOMINION-PROVINCIAL CONFERENCE.

(Statement by Prime Minister on unemployment insurance.)

On 26th January the Prime Minister made a statement in regard to the Conference held at Ottawa between the Dominion Government and the various Provinces.

IN THE LEGISLATIVE ASSEMBLY.

The Prime Minister (Hon. L. A. Taschereau) stated that all the Provinces had been unanimous against giving *carte blanche* to the Federal Government, to change the Constitution to deal with unemployment insurance. All the delegates agreed that the system of direct relief should be continued, but at the same time they made it possible for municipalities to make arrangements whereby certain works could be done with direct relief funds. In regard to taxation the idea was that they should eliminate duplication as far as possible and that taxation should be as uniform as possible.

Ottawa had notified the Provinces that in future agriculture and hygiene were to be considered as purely Provincial matters, and no further subsidies would be made on those accounts. The question had been raised as to the competition between railways and motor buses, and it had been decided to hold a conference on the matter later on.

Referring again to unemployment, the Prime Minister said that if the Provinces were ready to grant to the Federal Government the consent necessary to change the British North America Act, the Provinces should have complete information as to what was proposed to

be done at Ottawa, once it had the needed powers in the matter. Mr. Bennett had replied that no plan had been drawn up. The result was that the Provincial representatives had suggested leaving that item of the agenda alone. It was reasonable that before they asked the manufacturers and workmen to contribute to an unemployment insurance plan they should know what it was intended to do. The attitude taken by Quebec was the same as that taken by all the other Provinces. They did not want any one to touch the Constitution until they gave complete consent.

EMPLOYMENT OF WOMEN IN INDUSTRY.

On 1st February, on a Motion calling for the production of documents relating to the work of women and girls in factories, shops, offices, etc., Mr. Francoeur dealt with the question of the employment of women.

DEBATE IN LEGISLATIVE ASSEMBLY.

Mr. J. A. Francoeur (Liberal, *Dorion*) declared that one of the evils of the present situation was that women had entered into industry in ever increasing numbers, driving men out of employment. The inauguration of the Women's Minimum Wage Act had helped to produce good results, since it meant less preference for women. The health of women also had to be considered, since girls were allowed to go to work at 14 years of age. By providing that girls could commence factory work at the age of 21 only, it would mean economy for Governmental bodies in the matter of hospitals and other institutions, for the earlier girls went to work the more liable they were to illness later on. In Montreal young men who had lost their jobs to women were on direct relief ; the situation had become alarming.

Mr. A. Guertin (Conservative, *Hull*) suggested raising from 14 to 18 the age at which girls, and even boys, might work in factories. Young girls and married women were going to offices, factories and shops, while their husbands, fathers and brothers were unemployed.

The Minister of Labour (Hon. C. J. Arcand) pointed out that there was the all important matter of industrial technique to be considered. In the textile, clothing, tobacco, confectionery and other industries women had become a necessity. Any radical measure to restrain the work of women should be done following international agreement. It would be wise to raise the age from 14 to 16 for the admission of women to factories. By the Women's Minimum Wage Act the Government had diminished the employment of women.

At the conclusion of the debate the Motion was adopted unanimously.

EMPIRE PARLIAMENTARY ASSOCIATION.

(Formation of Quebec Branch.)

On the Motion of the Prime Minister, seconded by the Leader of the Opposition, it was unanimously decided in the Legislative Assembly on the 13th April, 1933, to form an affiliated Branch of the Empire Parliamentary Association. This decision was subsequently agreed to by the Legislative Council.

IN THE LEGISLATIVE ASSEMBLY.

On 13th April,

The Prime Minister (Hon. L. A. Taschereau) submitted the following Motion :—

That, in order to benefit from the advantages and privileges that accrue from an union or an affiliation with the Empire Parliamentary Association, the Members of the Legislative Assembly form with the Members of the Legislative Council an association called the Quebec Parliamentary Association (Association des Parlementaires de Québec); that that Association be affiliated with the Empire Parliamentary Association; and that it have as Presidents the Speakers of both the Legislative Council and the Legislative Assembly, as Vice-Presidents the Prime Minister of the Province and Leader of the Opposition in the Legislative Assembly and as secretary the Clerk of the Legislative Assembly.

That a Message be sent to the Legislative Council, praying it to join the Legislative Assembly to form the said Association.

That the Clerk carry that Message to the Legislative Council.

Mr. M. L. Duplessis (Leader of the Opposition) seconded the above Motion, which was carried *unanimously*.

The Speaker (Hon. D. Bouchard) subsequently informed the House that the Clerk of the Legislative Council had brought a Message in which the Legislative Council accepted the invitation to join the Legislative Assembly in the manner indicated in the above Motion and agreed that the Presidents, Vice-Presidents and Secretary of the Association should be as set out in the Motion.

New Brunswick.

GOVERNOR'S SPEECH.

(Imperial Economic Conference; Tariffs; Lumber industry and British market; etc.)

On 23rd February, 1933, the Lieutenant-Governor (Maj.-Gen. the Hon. H. H. Maclean) addressed the Legislative Assembly. The following is a summary of his Speech :—

The Speech commenced by referring to disturbed world-wide economic conditions and the greater degree of confidence with which they could look forward to the future. The Imperial Economic Conference was an event of far-reaching importance, not only to the Empire, but possibly to the world. The Government had taken appropriate measures to have the interests of the Province placed before the Conference with respect to the basic interests of agriculture, lumbering and fishing. Beneficial effects of the Agreements had already been felt, and, with a readjustment of exchange, the trade of the Province should be greatly stimulated.

A Dominion-Provincial Conference had been held at Ottawa to consider questions of finance, unemployment insurance and other matters of Dominion and Provincial concern. The Government, in co-operation with the Federal Government and the municipalities, had taken systematic measures to deal with unemployment and direct relief.

There had been an abundant yield of farm products during the past year, though prices were low. The lumber industry, as a result of the world-wide conditions, was still in a very uncertain condition. The cut of timber from the Crown Lands was still considerably less than last year. Indications, however, pointed to a greater demand for long lumber. The Government had taken measures to stimulate production.

DEBATE IN LEGISLATIVE ASSEMBLY.

On 28th February, on the Motion for the Address-in-Reply,

Mr. A. A. Dysart (Leader of the Opposition) urged that all expenditures should be cut to the lowest possible level and all work of a permanent nature discontinued. In regard to reciprocity, the United States was the natural market for New Brunswick products. If the Provincial Government would urge the Federal Government to enter into a reciprocal trade agreement with the United States it might be sure of the entire support of his side of the House.

Imperial Economic Conference; Tariffs.

In regard to the Imperial Conference, in the Colonial days there had been a fair volume of trade with the Old Country, and when Laurier had come into power he had removed barriers to enable trade to flow through natural channels, and the preference had been maintained under Borden, Meighen and King and had increased trade to about $190,000,000. But with the advent of the present Administration the whole tariff structure had been increased to undreamed of proportions, until to-day trade with the Mother Country had decreased to about $70,000,000. They could not pull themselves apart from Confederation, and if the policy laid down by the Federal authorities was detrimental to their section of the Dominion, then they were penalised to that extent. Bolstering the tariff had taken place at a time when it should have been the reverse; the only way they could increase trade was to lower the tariff barriers. The Manufacturers' Association had dictated the policy of the Bennett Government at the Conference, and the policies had not been designed to assist the Maritime Provinces in moving their products to the market.

They had lost their potato market: the American and Cuban markets had been closed, and the prospect of getting into the English market was not very bright. The direful conditions in the lumber industry of the Province were in a large measure due to the Government's mistaken policy in connection with the pulp and paper industry; pulpwood was being used to feed the paper mills of the United States and provide employment for the people of that country.

The United States were the natural market for New Brunswick and it was only natural that trade should flow north and south.

On 1st March,

The Prime Minister (Hon. C. D. Richards) was in favour of lowered trade barriers as a means towards increased world trade and associated himself in part with Mr. Dysart's plea for reciprocity with the United States and also with the world in general. It was not the time for new taxation, and it was their whole thought to avoid the income tax, and he was very glad he was able to announce a short time ago that it would not be imposed.

As far as the Provinces were concerned, they had no official status at the Imperial Conference and any representations that were made had to be made through the Ministers at Ottawa. Every possible action had been taken to see that the interests of the Province had been properly presented.

The Provinces of New Brunswick, Nova Scotia, Quebec, Ontario and British Columbia, which were concerned particularly in the lumber

industry, were in co-operation, and their cases had been presented as one case before the Conference. They had hoped that they would be able to obtain a preference of 20 rather than 10 per cent. To bring about consideration of Canada as a means of supply for lumber in the Old Country the annulment of the " most-favoured-nation " Treaty with Russia was a very important step in advance.

Mr. W. S. Anderson (**Liberal**, *Northumberland Co.*) stated that no general improvement could result until the lumber industry improved. He was surprised that the exchange situation was not artificially rectified. He did not call it inflation to go down on the sterling exchange.

Mr. H. M. Groom (**Conservative**, *Charlotte Co.*) said that the Province had already benefited from the Imperial Conference. Cattle, poultry and wheat had been shipped as a direct result.

On 2nd March,

Mr. C. T. Richard (**Liberal**, *Gloucester Co.*) thought that the Maritime Provinces were favourably situated for manufacturing, but had not succeeded in that respect. They should not expect too much from the Imperial Conference; New Brunswick's great natural market was the nation to the south. It would be more profitable to give money to aid new settlers than to dole it out in direct relief.

Lumber industry and British market.

The Minister of Lands and Mines (**Hon. L. P. D. Tilley**) declared that Russia, with starvation wages and forced labour had dumped her products on the world's markets, forcing down prices and increasing the dole in other countries. It was due in part to this situation that Canadian lumbermen had sought at the Imperial Conference (A) an embargo against Russian lumber entering Great Britain; (B) failing an embargo, a quota; (C) a 20 per cent. preference in place of the present 10 per cent. which expired on 1st November, 1932, but had since been renewed. Great Britain bought annually from all markets something over three billion feet board measure of long lumber, soft and hardwoods. Canada could supply about 700 million feet which could be increased eventually to a billion and a half feet annually. Loss of Canada's lumber markets was chiefly due to the $4 per thousand Customs and Excise duty imposed by the United States and world depreciated prices brought about by the low prices quoted by Russia to British buyers.

The English timber journals had mentioned the fact that Swedish and Finnish exporters prior to the sale of 870,000,000 feet of Russian timber to British Timber Distributors, Ltd., had endeavoured to raise the price of lumber shipments to Great Britain to a living wage price. What happened? These countries were only able to sell one or two cargoes. Then the British broker held back, because he heard that a new deal was going through with Russia. No country could compete with Russia. Notwithstanding Article 12 of the Conference, a new deal with Russia was consummated for the purchase of 870,000,000 feet, and now Russian sales set the world's timber prices. Now, however, the tide had turned. Operations in 1933 and 1934 would, he firmly believed, be materially increased, and by 1935 the Canadian industry would be back practically to normal conditions. The reasons were, firstly, that the pound had gone up in value; every fraction it improved helped the Canadian exporter. If the dollar and the pound were equal value the

Canadian exporter would be about $4 per thousand better off than at present in his sales to Great Britain. After 1st May the British Government had announced it would give preference to purchases of Imperial lumber for Government contracts, while the London County Council had already established this principle.

The Province had helped the lumber industry and unemployment by (A) reducing stumpage on spruce, fir and hardwood; (B) reducing stumpage on pulpwood, etc.; (C) waiving stumpage on hardwood cut on Crown Lands for firewood for unemployed relief.

At the conclusion of the debate the Address-in-Reply was adopted without division.

British Columbia.

HOSPITALS AID BILL.

(Duty on restaurant meals.)

The object of this Bill, which was introduced by the Minister of Finance and Minister of Industries (Hon. J. W. Jones) on 4th April, 1933, is to impose a duty on restaurant meals in order to assist hospitals.

The Bill provides for the imposition on consumers of a duty of 5 per cent. on the price payable for each meal (of 50 cents or more) taken in a restaurant in order to aid hospitals. The person paying for the meal is to pay the duty to the restaurant-keeper, who is to receive the duty as agent for the Crown. Employees of the restaurant taking meals therein are exempt (*Clause* 3).

In calculating the duty any fraction of a cent is treated as a cent, and where a person pays for more than one meal the duty is to be calculated on the total payable.

For the cases where board is charged without distinguishing between meals and sleeping accommodation, the price of the latter shall be deducted from the total and the duty paid on the balance (*Clause* 4).

Every restaurant-keeper shall furnish to guests and keep such accounts in respect of the duty as prescribed by the regulations (see below); and he shall make returns and remit all duty monthly to the Minister of Finance (*Clause* 5).

The duties received shall be paid into the Consolidated Revenue Fund and corresponding sums shall be payable upon vouchers signed by the Provincial Secretary in aid of hospitals, subject to conditions prescribed by the " Hospital Act " (*Clause* 6).

The Lieutenant-Governor-in-Council may make regulations for carrying out the provisions and for the production and inspection of all books and documents kept by restaurant-keepers, and for imposing penalties for non-payment of duty or non-compliance with the provisions or regulations (*Clause* 7).

" Hospital " is defined as any institution founded for the reception and treatment of persons injured or diseased in body in which they are treated wholly or partly at their own expense or by charity, and which institution is receiving aid from public moneys.

" Restaurant " means any premises, hotel, lunch-room, railway train, ship, etc., where food is served for money, but not private boarding-houses, educational or charitable institutions, public or private hospitals or nursing-homes.

The Bill was read a second time on 5th April.

AUSTRALIA.

Commonwealth.

The following summary deals with further proceedings of the First Session (Third Period) of the Thirteenth Parliament which re-assembled on 31st August, 1932, and ended on 2nd December, and is in continuation of the summaries given in the last issue of the JOURNAL (*vide Vol. XIV., No. 1*). *Parliament re-assembled on 8th March, 1933, and proceedings of the present Session will be dealt with in subsequent issues.*

OTTAWA AGREEMENTS ACT.

(Opposition views ; Meat duty or quota ; Reduction of Tariffs ; Tariff Board ; New Zealand Agreement.)

The provisions of this Act and of the Agreement which the Act approves, entered into at Ottawa between the Governments of the United Kingdom and the Commonwealth of Australia, were outlined by the Minister in his Second Reading speech, a summary of which, with the debate in the House of Representatives, was given in the last issue of the JOURNAL.*

DEBATE IN THE SENATE.

On 17th November, 1932,

Senator the Hon. J. Barnes (Leader of the Opposition) said that for 25 years Australia had been loyal to the heart of the Empire to the extent that they had given preference with respect to 90 per cent. on goods imported from Great Britain and other Dominions. In return they had received a preference of only 12 per cent. on the goods they had exported to various parts of the Empire. Therefore, Britain had been amply compensated for the preference that Australia had received.

Detrimental to Australia.

Surely the people of Australia had other ambitions than to be mere hewers of wood and drawers of water for others. They had industries that must be built up to provide employment for their own people. If he could be led to believe that this Agreement would help Great Britain and at the same time give to Australia the benefits that were claimed for it by the Government,† he should support it whole-heartedly.

* *Vide* Vol. XIV., No. 1, p. 99.

† For statement of Government's case for the Agreement, *vide* JOURNAL, Vol. XIV., No. 1, pp. 99-109.

But he was firmly convinced it would do nothing of the kind ; that, on the contrary, it would open up markets for Great Britain in Australia and add to their unemployed army.

The only policy.

Senator the Hon. R. D. Elliott (*Vic.*) said that the policy represented by Ottawa was the only one which, if full advantage be taken of it by Australia, would place the necessary purchasing power in the hands of the people and give even industrialists an opportunity to create the employment they all so much desired. The well-being of a country depended upon the continuous production of new wealth from the soil, and the Ottawa Agreement afforded for the creation and distribution of that wealth an opportunity which could not exist without a close unity between the different sections of the British Empire.

Meat.

Regarding meat, Senator Elliott said that until the British farmer was given the first right to cater for the British home market, the agricultural resources of the United Kingdom would not be strengthened, and only by strengthening the United Kingdom could they strengthen Australia. Until something in that direction was done, they should not establish their meat industry in Australia on a sound footing. They must force the people who controlled the meat industry in the United Kingdom to look to British and Dominion sources for their supplies ; and that could not be done by any quota system, particularly when it applied only to frozen meat. It could be done only by the imposition of a duty on meat entering the United Kingdom.

On 18th November,

The Vice-President of the Executive Council (Senator the Hon. A. J. McLachlan) said that while it was an accepted principle of their form of government that one Parliament could not bind its successor, it was hoped that the good-will which had made the Ottawa Agreement possible would not render facile the abrogation of the Agreement before its expiry.* During the War Australia had entered upon its nationhood—it was now about to express that nationhood in what might be termed an intermediate sphere of international relationship within the British Commonwealth of Nations, a sphere, he hoped, in which treaties and their obligations would be considered binding according to all the sanctions of international law, notwithstanding that they purported to be made with partner members of the British family of nations.

* *Vide* statement by Mr. Scullin (Leader of the Opposition), JOURNAL, Vol. XIV., No. 1, p. 111.

Obligation to reduce Tariffs: New Zealand Agreement.

On 23rd November,

Senator the Hon. Sir Hal Colebatch (*W. Aust.*) said he would vote for the Bill because he believed that its passage would cast upon the Government and Parliament an obligation to reduce Customs duties, at all events against British imports.

He had noticed a very striking difference between the Australian and New Zealand Agreements. In the Article corresponding to Article 10* about the opportunity that was to be allowed to the British manufacturer, the New Zealand Agreement said,

"will place the United Kingdom producer in the position of a domestic competitor."†

Was it deliberately intended that New Zealand should give to the British manufacturer greater concessions than Australia was prepared to give? Did the two Agreements mean the same? If so, why were they differently worded?

Appeal for honest interpretation.

He appealed to the Government to give an honest and complete interpretation, not merely to the letter, but also to the spirit of the Agreement for two reasons; one was that only by doing so could they give to the primary industries of Australia the relief which they needed to enable them to return to prosperity; and the other was that those of them who still had faith in the British Empire as counting for something in a disordered world, would feel that if faith was not kept, if there were to be charges of breaches of the Agreement, it would have been far better had the Conference never been held or if it had disbanded after admitted failure.

Tariff Board.

Senator the Hon. M. P. O'Halloran (Deputy Leader of the Opposition) said that while the Australian Delegates at Ottawa had been prepared to concede to representatives of British manufacturing industries the right of audience before the Tariff Board, they had not insisted upon a similar right of audience being granted to Australian industries that might be affected by British tariff decisions. That was a point which required some explanation.

Fresh negotiations suggested.

By opposing the Second Reading, the Senate would convey a definite instruction to the Government not to

* For text, *vide* JOURNAL, Vol. XIV., No. 1, p. 108.
† *Vide* JOURNAL, Vol. XIV., No. 1, p. 146.

destroy the principle of Imperial preference, but to enter into fresh negotiations on the basis of granting definite preferential duties on specific British goods in return for concessions by Great Britain on specific exports from Australia. That would leave them free to determine the extent to which they could engage in trade with other countries, and generally would smooth the way for trade to flow more freely. Such a policy would be of great benefit not only to Australia, but also to Great Britain, and would assist in sustaining in Australia that standard of living for which they had fought so long, and for which they would continue to fight even more vigorously in the future.

Meat duty or quota.

The Minister for Defence (Senator the Rt. Hon. Sir George Pearce), in winding up the debate, said it would be ridiculous to assume that Empire countries could in the near future supply the whole of Britain's meat import requirements, and it was equally ridiculous to suggest that the Agreement did not provide for increased imports from the Dominions to take the place of a portion of the imports at present supplied by foreign countries. It was not true to assert that a duty of any reasonable amount upon foreign meat would be more effective than the system of restrictions in diverting trade from foreign countries to the Dominions. The United Kingdom was practically the only world market for meat, and the foreign countries at present supplying meat to Great Britain had neither an alternative market nor a readily available alternative form of production. It was clear, therefore, that any duty, unless it were prohibitive, would only have a limited effect and the extent of its effect would be uncertain. On the other hand, the system of restrictions was certain and definite in its effect.

The New Zealand Agreement.

Regarding the reference by Senator Colebatch to the difference in the language employed in the relative Articles in the New Zealand Agreement, Sir George said that, owing to the different methods of tariff-making in the various Dominions, it was not possible to have identically similarly worded Agreements. The Agreements doubtless had been drawn up to cover the conditions existing in the particular Dominions with which the United Kingdom was making them. If the New Zealand Agreement conferred on the United Kingdom greater benefits than were conferred by the Australian Agreement, the responsibility for it was on the New Zealand Government. The Commonwealth Government's policy, he added, had been stated at the last elections, and was stated now, to

be one of a competitive as opposed to a prohibitive tariff. That policy was expressed in the Agreement.

A Motion that the Bill be referred to a Select Committee, moved by Senator Barnes, was rejected by 22 votes to 7 ; and the Bill, as reported in last issue of the JOURNAL, was finally passed by the Senate without amendment on 29th November, 1932.

EXPORT OF MEAT.

(Restrictions in the United Kingdom.)

On 8th November, in the House of Representatives,

The Prime Minister (Rt. Hon. J. A. Lyons) made an announcement regarding the marketing of Australian meat in the United Kingdom.

He said that wholesale prices of all classes of meat had declined to ruinous levels during 1932. It was the recognition of that fact that had made possible the preferential arrangement reached at Ottawa. But the restrictions upon foreign beef, mutton and lamb did not commence until 1st January, 1933.

Since the Ottawa Conference the market had become progressively worse. The British Government had made arrangements for the following restrictions on shipments of meat from foreign countries during the months of November and December of this year, compared with the quantities shipped in the same months of last year :—

Mutton and Lamb—20 per cent.

Chilled Beef—10 per cent., to be increased to 20 per cent. if, within the next two or three weeks, meat prices do not rise to the level of June, 1932.

Bacon—20 per cent.

Australian shipments restricted.

In consideration of the British Government introducing these restrictions upon imports of foreign meat, the Commonwealth Government had agreed that Australian shipments of mutton and lamb during November and December should not exceed 90 per cent. of the shipments during the corresponding months of 1931. The Commonwealth Government believed that the limitation of supplies to reach the United Kingdom during the next few months was essential if the existing stocks were to be cleared and the glut terminated. It was certain that its collaboration with the British Government in the manner he had indicated was in the best interests of Australian meat producers.

FINANCIAL RELIEF ACT.

(Remissions of taxation ; Assistance to primary producers.)

This Act was assented to on 5th December. It provides for the remissions of taxation, assistance to wheat-growers and other measures of relief forecasted by the Prime Minister when making his supplementary financial statement on 10th November.*

The main provisions are as follow :—

The Land Tax is reduced by one-third, and provision is made to release a taxpayer from the payment of land tax in any case where, by reason of drought or low prices of primary products, the returns from the land owned by the taxpayer upon which he carries on agricultural or pastoral pursuits have been seriously impaired.

Provision is made for a deduction of £250 in respect of the special tax on income from property instead of £200 originally provided. This deduction does not apply to absentees or companies.

Another provision adds further items to the list of goods exempted from the payment of sales tax. These include articles of food, books of a literary or educational nature, magazines and periodicals.

Provision is made for the relief of wheat-growers. £2,000,000 is to be appropriated for financial assistance to the States in provision of financial relief to wheat-growers. An appropriation of £250,000 is also to be made for the relief of primary producers other than wheat-growers.

Other provisions are designed to clear up certain anomalies in the Invalid and Old-Age Pensions law.

DEBATE IN HOUSE OF REPRESENTATIVES.

On 23rd November,

The Prime Minister (Rt. Hon. J. A. Lyons), in moving the Second Reading of the Bill, said the first of the proposed remissions was the reduction of the land tax by one-third. Hon. Members who had read the report of the Wool Committee† would realise that the cumulative effect of this direct and indirect remission of taxation would go a long way towards meeting the recommendations of the Committee. All primary producers were suffering because of the low prices they were getting for their products. The Government felt that, where the taxpayer had on that account lost all his income and was able to pay the tax only out of capital, the law should permit of the taxation being waived by the Hardship Board.

Income Tax.

Section 6 gave relief in regard to the special tax of 10 per cent. on property income, and would, in the main, be of

* In this statement the Prime Minister said it was anticipated that there would be a surplus of £3,500,000 above earlier Budget anticipations.

† Appointed by Commonwealth Government on 15th August, 1932 ; report dated 26th October, 1932.

benefit to a large number of small property owners. It was proposed to make the exemption from this tax £250 on a flat-rate basis applicable only to individuals resident in Australia. This represented a remission of £500,000 of income tax per annum.

Sales Tax.

In regard to the Sales Tax remissions, the Prime Minister said the further exemptions should cheapen the food of the people and particularly those foods in respect of which reduced costs would stimulate consumption, and again help primary production.

Assistance to wheat-growers.

On 10th November he had stated that the Government proposed to assist wheat-growers in two ways: (1) by a grant of £1,250,000, to be distributed through the States to wheat farmers who were in the greatest need; (2) by a bounty of £1 a ton on superphosphates to encourage further production. The Government adhered to its original intention to grant assistance for the purchase of fertilisers so far as it related to other (than wheat) branches of primary production; but in view of the rejection of the proposal by the wheat-growers' organisations, it had been decided not to extend this form of assistance to the wheat industry, but to make £2,000,000 available to the States for assistance to wheat-growers. The Bill provided that the States should not distribute this money on the basis of production but, subject to this, the States would be free to assist wheat-growers in reducing costs, and particularly to assist those growers who were suffering the greatest hardship.

An additional sum of £250,000 was to be made available for distribution through the States to assist primary producers, other than wheat-growers, in the purchase of artificial fertilisers, with a view to increasing production.

War Debts.

The Prime Minister added that the operation of the Bill was limited to the current financial year, but if it was found necessary to resume the payment of War Debts, the Government might have to vary its programme. If payment of War Debts were renewed, Australia would have to find something like £2,500,000 for the balance of this year.

Labour Party's attitude.

Rt. Hon. J. H. Scullin (Leader of the Opposition) said that following the introduction of the Budget in September, Parliament dealt with an amendment of the Financial Emergency Act* by which invalid and old-age pensions, the maternity

* *Vide* JOURNAL, Vol. XIV., No. 1, p. 119.

allowance, and Public Service salaries were reduced. Those proposals had been supported by many glowing statements regarding revenue prospects. Clearly that had been done to prepare the way for the remission of taxation to people who could better afford to contribute to revenue than old-age pensioners could afford to lose 2s. 6d. a week, or public servants to suffer a further reduction of their salaries.

Land Tax.

The federal land tax was one of the strongest planks of the Labour platform. If ever there was a legitimate subject for taxation, it was the unimproved value of land. The impression had been given that all the land tax was paid by farmers and graziers, but actually they paid less than one-third of it. The latest returns regarding the distribution of land taxation were: town lands, £1,920,000; country lands, £945,000. No struggling farmer paid Federal land tax, because the Act provided for two exemptions; first for improvements, and secondly, the exemption of unimproved value to the amount of £5,000. He supported unreservedly the provision of relief when landowners suffered from a fall in prices. But that was an entirely different proposition from giving a general 33 per cent. reduction, irrespective of hardship.

Sales Tax.

Mr. Scullin said he would have preferred to see the rates of Sales Tax reduced rather than the number of exemptions increased. One would imagine that great concessions were being granted to people who produced food supplies. He pointed out that the basic foods of the people had been exempted when the Sales Tax was originally imposed.

Pensions.

To the extent that the Bill modified the provisions of the Financial Emergency Act in relation to pensions, the Opposition would support it; but they regretted that it did not repeal the whole of the obnoxious amendments that had been made to the pensions law two months ago.

Assistance to wheat-growers.

The money proposed to be spent for the assistance of farmers could be distributed on a sounder basis than that laid down by the Government. It should be granted on the principle that the National Government regards the production of wheat as a national service, and the maintenance of the export of their surplus production as necessary to preserve the solvency of the Commonwealth. Any measure of relief, as such, could be given by the State Governments. The National Parliament should look at this subject only from

the broad national aspect and grant assistance to wheat-growers to enable them to export their surplus product to assist in the balancing of their trade.

Hon. T. Paterson (Deputy Leader of the Country Party) said that while they had been unable to work up a great deal of enthusiasm over the proposals to assist the wheat-growers, they had gained some measure of satisfaction from the Government modifying its original proposals by dividing the £2,250,000 in the way they (Country Party) had suggested. Had this subject been considered a month ago, before any of the new season's wheat had changed hands, he would have said that the most effective results would have been obtained by the payment of an export bounty. The payment of a bounty on export wheat was, in his opinion, better than any other way of assisting farmers.

States.

New South Wales.

CONSTITUTION AMENDMENT (LEGISLATIVE COUNCIL) BILL.

(Reform of Upper Chamber.)

This Act received assent on 1st February, 1933. The main provisions of the Bill were outlined by the Minister in the debate on the Second Reading in the Legislative Council, which was summarised in a previous issue of the JOURNAL.*

The Bill was passed, with minor amendments, by the Assembly on 16th December, 1932, and the Amendments were agreed to by the Council the following day.

DEBATE IN LEGISLATIVE ASSEMBLY.

On 14th December,

The Premier (Hon. B. S. B. Stevens), in moving the Second Reading of the Bill, said that the system of appointment by nomination had been practised by successive Governments, mainly Labour. The two most recent Labour Governments had abused the privilege by swamping the Chamber for the single purpose of getting Party Measures passed. In 1925 the Labour Government, without the authority of the electors, made a deliberate attempt to abolish the Chamber by swamping. Although the Governor had granted to the Government twenty-five Labour appointments, he had been subjected to unwarranted criticism. When the Governor, twelve months later, refused to make additional Party

* *Vide* Vol. XIII., No. 4, p. 985.

appointments, a Resolution was prepared at the direction of the then Labour Government, and passed by a Labour conference. It read :—

"That this Conference strongly protests against the action of the Governor in renewing Crown Colony methods of government in this State by refusing to permit his Ministers' advice to prevail over his own personal opinions. . ."

The Governor's attitude had been subsequently endorsed by the British Governments, both Labour and Conservative. It had been decided that the question of expediency of appointment of additional councillors was one for His Excellency's determination alone.

Abolition not advocated.

The Government's policy was definitely for reform ; that of the Opposition was abolition. The Abolition Bill,* passed by the late Government, had been declared by the Privy Council to be one requiring the endorsement of the electors at a referendum. The almost universal opinion was that a bi-cameral system was more effective than a uni-cameral system for giving effect to the wishes of the people and putting into effect the principles which commended themselves to the majority.

Nominee and elective systems.

The mandate given to the Government indicated clearly that the people wanted not the abolition but the strengthening of the Upper House. The people demanded a permanent safeguard against attempts to legislate on lines opposed to the public interest. That could be given only by reforming the method of election. The transition from nominee-ism to the system of election prescribed by this Bill would secure to the people full sovereign rights.

The method of election would be simple and inexpensive : one of election by both Houses sitting in different Chambers. The recurrence of triennial elections on adult suffrage to the Upper House would involve the country in considerable expense. Simultaneous and direct election of councillors would inevitably tend to make the Legislative Council a replica of the Assembly. They had adopted a policy of election by the Upper and Lower Houses themselves sitting as one electoral body, though in distinct Chambers. At each three-yearly period, when fifteen Members retired from the Upper House, the two Houses would elect fifteen successors, to hold office for twelve years. This method had very obvious advantages. Expense was avoided, and a selection of men whose merits were perhaps not such as would commend themselves in the struggle of a popular election was made possible.

Referendum.

The Measure introduced another important principle in their Constitution. It made specific provision that the Upper House should not be in a position to thwart the will of the people. Clause 5 of the Bill made it clear that in the case of an Appropriation Bill which the Council failed to pass, the Legislative Assembly might submit the Bill to the Governor for assent after one month. In the case of any other Bill which had been passed by the Assembly, and with which the Council disagreed, the Bill could not be forced through without a referendum of the people. Provision was made requiring the Bill to be passed by

* *Vide* Vol. XII., No. 2, p. 397.

the Legislative Assembly on two occasions, and if after a free conference between managers the disagreement still existed, for a joint session, at which no vote was taken. If, after the joint session, the disagreement still existed, the Legislative Assembly might submit the Bill to a referendum. These provisions would vest complete control in the people, and it would not be possible for the Legislative Council to oppose the popular sentiment of the electorates.

Opposition view.

Hon. J. T. Lang (Leader of the Opposition) said the Measure was a reflex of the conduct of vested interests right throughout the world. Private finance felt that it would no longer stand against popular government, and in a last effort to save itself, was attempting to take the powers of government away from popular assemblies. If this Measure became law, it would result in the Labour Party always being in a minority in the Council. The new Upper House would be one that would treat the will of the people, as expressed at the General Election, with the utmost contempt. The Nominee Chamber, bad as it was, generally proceeded carefully for the first eighteen months, because it feared that a too arrogant defiance of the peoples' elected Government would lead to the appointment of new Government nominees. The oligarchy proposed, however, was in no danger at all, and could pursue its course in protecting vested interests and treating the popular Assembly with the utmost contempt.

Star Chamber.

Part of the Government's case was that there would be a continuous infusion of new blood into the Upper Chamber, because fifteen of the Members would go through the farce of election every three years. Party government, being what it was, would see that the same old Party hacks went back time after time, and thus create a permanent Star Chamber beyond the people and out of their control and will.

Deadlocks.

The Measure made elaborate provision for overcoming deadlocks, which culminated in a joint sitting. As both Houses would be sharply divided upon rigid Party lines, it could not possibly serve any useful purpose. Could anybody imagine an Upper House, such as would be created under this Measure, passing a Labour Government's Arbitration Bill, Forty-four Hours' Bill, or any similar Measure? In practically every Parliament a Labour Government would send up at least twelve Measures which a bankers' Upper House would reject. They would then be compelled under Clause 5 to take a referendum on each Measure in order to make it law. A referendum cost the Government just on £70,000. The financial burden was so heavy that the provision for a referendum might just as well be struck out of the Bill.

Ex-Premier's views.

Hon. T. R. Bavin (United Australia Party, *Gordon*) said the two main features of Mr. Lang's argument were: That there would be some kind of oligarchy in the Upper House, and that that oligarchy would go on resisting every Measure sent up to it. If it did that twice when a Government had been returned to the Assembly with a majority and the Measure rejected had received the undoubted endorsement of the people, the next Measure that went up would be a Bill for the abolition of that

Chamber. And if the Council would not pass that, sub-clause (3) of Clause 5 came into operation, and the Measure could be passed without any reference to the Council.

Methods of appointment.

There were only three practical methods of constituting the Legislative Council: (1) the system of nomination by the Executive Government of the day; (2) direct election by the people: and (3) indirect election on some such principle as that embodied in the Bill.

Nominee system.

Although the nominee system was inherently the best system it would not work unless all Parties agreed to treat the Second Chamber as a non-Party House and accept the principle that the Governor had a personal discretion exercisable on well-defined principles as to the making of new appointments. These principles had been and were finally repudiated both in theory and in practice by one of the great Parties in this State.

Direct election.

The system of direct election must be discussed on the basis that the Upper House would be elected on the same franchise as the Assembly. Every election would be fought under the auspices of Party organisations and every candidate would have to submit to Party election. There were many men, eminently qualified, who were willing to give their services without remuneration, but for various reasons they would not submit themselves to Party selection and public election. It would be stupid to exclude such men from participation in public administration and legislation. The elective system meant that the House would be elected on a Party basis, and would discuss Measures from the standpoint of Party considerations. If they had an elected House it would be impossible to escape the payment of Members. They could not ask men to submit themselves as candidates for the Second Chamber, and go to the expense of an election, unless they were paid.

The only practicable system.

He had come to the conclusion that the method provided in the Bill was the only practicable system of securing the kind of Upper House they wanted. If the elected representatives of the people in the Assembly were capable of representing the people they were capable of exercising a choice in the election of candidates to the Upper House. The Members of the Upper House also had a knowledge of public affairs, and they knew the qualities of the men who would stand as candidates.

PARLIAMENTARY ALLOWANCES AND SALARIES ACT.

This Act to reduce the allowances to Members of the Legislative Assembly and the salaries of Ministers of the Crown was assented to on 21st December, 1932.

The provisions were explained by the Minister in his speech on the Second Reading of the Bill. The Bill passed through both Houses without amendment.

IN THE LEGISLATIVE COUNCIL.

On 15th December,

Hon. J. Ryan (Assistant Minister), in moving the Second Reading of the Bill, said the actual cash payment made to Members of the Assembly was at present £706 5s. per annum. Under the Bill allowances to Members were fixed at £670 per annum. In 1920, salaries of Members were fixed at £875. In 1922 the amount had been reduced to £600, and in 1925 it was restored to £875. In 1930 the Bavin Government had reduced this amount by 15 per cent., bringing the salary to £743 15s. In 1931 these salaries had been brought under the Public Service Salaries Act and further reduced to £706 5s. per annum. It was proposed to further reduce the amount to £670 per annum.

Ministerial salaries.

The salaries of the Premier, the Attorney-General, the Vice-President of the Executive Council and nine other Ministers were reduced to £1,710 £1,486, £1,018 and £1,390 each, respectively. Compared with the salaries paid in 1929, the reductions were as regards the Premier 30·06 per cent., the Attorney-General 29·07 per cent., the Vice-President of the Executive Council 25·96 per cent., and in the case of the nine Ministers 28·53 per cent. The salaries quoted did not represent the amounts actually received by members of the Cabinet because the salaries then voted were pooled, and from the pool the salaries of the Premier and his Ministers, whatever the number might be, were provided. In 1929 the total amount available for the pool was £25,170. Under the Bill £18,064 would be available.

Other reductions.

The Bill reduced the salary of the President of the Legislative Council to £898, that of the Speaker of the Legislative Assembly to £1,217, that of the Chairman of Committees of the Legislative Council to £544, and that of the Chairman of the Legislative Assembly to £839. Compared with the amounts paid in 1929 the reductions were, respectively, 25·16 per cent., 27·34 per cent., 22·28 per cent. and 24·75 per cent.

Victoria.

CLOSER SETTLEMENT ACT.

(Control of land settlement.)

This Act, providing for the constitution of a Closer Settlement Commission, was assented to on 29th December, 1932.

The main provisions are as follow :—

The Commission will be a body corporate consisting of five members appointed for five years. It will have control of soldier and civilian land settlement and administer the Closer Settlement and Land Acts, and the Seed Advances, Fallowing Advances, Cultivation Advances and Wire Netting Acts.

The most important function of the Commission concerns the financial position of settlers. Provision is made for payments out of consolidated revenue into State Loans Repayment Fund to provide for capital losses in respect of advances

The Commission may grant additional land to lessees who have insufficient to enable them to meet their liabilities and maintain themselves and families.

Another provision empowers the Commission to adjust annually the liabilities of settlers for a period of five years and, in certain circumstances, to write off part of a settler's liability in respect of land or advances.

The Commission will be free from Ministerial control save that the Minister may veto any advances it proposes to make in any particular case or cases.

IN THE LEGISLATIVE ASSEMBLY.

On 22nd November,

The Minister of Lands and Works (Hon. A. A. Dunstan), in moving the Second Reading of the Bill, furnished a set of tables, giving an outline of the position both as to closer and soldier settlement, including the following summary of the outstanding liability (capital and interest) at 30th June, 1932 :—

	Land.	*Advances.*	*Consolidated Debts.*	*Total.*
	£	£	£	£
Discharged Soldiers	12,311,661	4,302,943	4,638,377	21,252,981
Closer Settlers ...	7,509,314	4,006,485	3,566	11,519,365
Total	£19,820,975	£8,309,428	£4,641,943	£32,772,346

State ownership.

There were, he said, various factors which might account for these huge deficiencies, but, in his opinion, the land had been purchased at very high prices. When that land was purchased, wheat, wool and other commodities were selling at peak prices. The State had entered into competition with other purchasers, and naturally prices were increased. There had been plenty of loan money available in those days. The State had purchased about 2,500,000 acres at a cost of £17,400,000, which worked out at an average of £7 10s. per acre. An amount of about £15,000,000 had been made available for advances. About £2,000,000 had been expended on homes for settlers. There had been no way of properly supervising, maintaining and protecting the assets of the State, and the result was that the collapse in the prices of primary products had brought matters to a head.

Government's responsibility.

He thought that the Closer Settlement Board [which the Commission displaces] had made mistakes, but, he pointed out, the Board had to a large degree carried out the instructions given by Parliament. Governments and Parliaments had determined the policy of the Board and they must accept the responsibility for any failure. There had been a lack of business methods, for which Governments and Parliaments were certainly responsible.

Writing-off loss.

Placing the position upon a more satisfactory basis would involve a big adjustment. There would have to be a substantial writing-off. There was no doubt that, for all practical purposes, a large amount in connection with soldier and civilian settlement was written-off at the present time. There were people who stated that they should revalue properties and finalise at once. He did not share that view, because

it was absolutely impossible to assess land values under existing conditions. No one wanted land to-day unless he could get it at a bargain price. The prices of produce determined the prices of land, and as produce was being sold at an unpayable price, there were no values as far as land was concerned.

Political control.

A revaluation at this time was out of the question. Therefore the Government had determined, as a matter of policy, that it was necessary to have a breathing space, covering a period of five years, when they hoped normal conditions would prevail. Under the scheme in the Bill there was no definite basis for finalisation. They proposed to appoint a Commission. That Commission would be given wide discretionary powers. It would be placed as far as was humanly possible beyond political control. So long as any Government, or any Minister, might interfere with the administration of the Board and dictate to it, so long would there be heavy losses.

Security for Commission.

The Commission would consist of five members appointed for a term of five years. It was laid down that the members of the Commission could not be removed from office except by resolution of both Houses of Parliament, or a resolution of one House in two different sessions.

WHEAT-GROWERS RELIEF ACT.

(Application of Commonwealth Government.)

This Act was assented to on 29th December, 1932, and makes provision for the disbursement of the moneys paid to the State by the Commonwealth* for the provision of relief to wheat-growers.

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

IN THE LEGISLATIVE ASSEMBLY.

On 21st December,

The Minister of Agriculture (Hon. J. Allan), in moving the Second Reading of the Bill, explained that the Commonwealth Act stipulated that the money paid to the State (£442,421) should be applied for the assistance of wheat-growers by (A) reducing the cost of production (including the cost of transport and marketing), and (B) providing for the needs of individual wheat-growers but not upon the basis of the quantity of wheat produced by individual growers.

Payments on acreage basis.

The question had been discussed, he said, whether the distribution should be on the basis of freights or on the basis of acreage or both. The New South Wales Government was making a reduction in freights and also an allowance per acre. The New South Wales Government was supplementing the Commonwealth grant of £570,902 by £300,000, obtained, he thought, out of the Flour Acquisition Act. The position

* *Vide* Financial Relief Act, p. 321.

was rather difficult, and apparently the distribution on the basis of acreage was the easier way to meet the desires of the Commonwealth Government.

The Bill provided that the distribution to wheat-growers was to be in the ratio which the area sown to wheat by each individual wheat-grower in 1932 bore to the total area sown to wheat in the State during the same year. Payments would be made only to those wheat-growers who lodged a claim within two months of the coming into operation of the Act.

TRANSPORT REGULATION ACT.

This Act, to provide for the appointment of a Transport Regulation Board, was assented to on 29th December, 1932.

The main provisions of the Act are as follow :—

The Board, which shall be a body corporate, shall consist of five members, including one representative each of the Victorian Railways, the motor interests, the primary producers and commercial interests.

The Board is entrusted with the function of reporting to the Governor-in-Council with respect to "the better and more economic co-ordination or the better regulation and control of railway, tramway, motor, sea and air transport."

The Bill as originally introduced also contained provisions for the regulation of transport under the headings of (1) motor passenger vehicles; (2) motor freight vehicles; and (3) general, but this part of the Bill was abandoned for the time being by the Government in the Committee Stage.

Queensland.

BUREAU OF INDUSTRY ACT.

(Planning industrial rehabilitation.)

This Act, to provide for the encouragement of employment and the rehabilitation of industry, and for the constitution of a Bureau of Industry, was assented to on 15th December, 1932.

The main provisions are as follow :—

The Bureau of Economics and Statistics Act of 1930* is repealed. The Bureau thereby constituted is dissolved, and a Bureau of Industry established.

The Bureau will be a body corporate and will consist of fifteen members including the Minister (Chairman), six other *ex-officio* members, one of whom will be the Director, and eight members to be appointed by the Governor-in-Council on the nomination of any prescribed body or association of persons.

The powers and functions and responsibilities of the Bureau shall be to acquire and disseminate knowledge concerning the economic conditions of Queensland, to collect information relating thereto, and to report on :—

(A) Reproductive works that will provide employment and increase the wealth production of the State.

(B) The organisation, capitalisation and labour conditions of particular industries.

(C) The trade of Queensland (overseas and inter-State).

(D) Stock of commodities.

(E) Monetary conditions and prices.

(F) Employment and unemployment.

* *Vide* JOURNAL, Vol. XII., No. 2, p. 410.

(G) The relations between employers and employees ; and

(H) Any other matter, including any question of unfair competition or of sweating, or of monopolies detrimental to the public or to any section thereof which the Minister or the Bureau may consider to be in the public interest.

The Bureau will be entrusted with the following powers and duties :—

(A) To review the statistics of employment and unemployment throughout the State.

(B) To inquire into the causes and extent of unemployment within the State.

(C) To consider the most effective measures to be taken for reducing or eliminating unemployment.

(D) To consider proposals for the productive development of lands.

(E) To consider proposals for the productive development of the mineral resources of the State.

(F) To consider proposals for new public works, or for the creation of new industries, or the extension and development of existing industries, having particular regard to works or proposals for works which will indicate : (1) the greatest expenditure on wages and the least expenditure on materials and supplies ; (2) the most expeditious repayment of expenditure entailed in such works.

To facilitate its work, the Bureau shall appoint the following three Committees : (A) The Rural Development Committee ; (B) The Roads, Mining and General Works Committee ; and (C) The Administrative, Finance and Industrial Committee.

IN THE LEGISLATIVE ASSEMBLY.

On 17th November,

The Premier (Hon. W. Forgan Smith), in moving the Second Reading of the Bill, said there had never been any organised planning for the development of the State. A Government might initiate a policy of development, but before it was completed it was abandoned and a changed policy was introduced. Continuity of policy was essential and in that way sound economies might be effected.

The alternative to revolution.

Various interests would be asked to co-operate by appointing representatives to the various Committees. These representatives would be invited from the trade unions, the agricultural industry and from commerce generally. It was hoped by this means to organise the resources of the State in such a manner as to achieve better results than had been obtained hitherto. It appeared to him that society had two alternatives. One was orderly progress by planning on a sound basis. The other was the revolutionary movement which aimed at the destruction of society. His (the Labour) Party stood for a system of orderly progress and sound planning in industry, so that industry could be used in the interests of the people.

South Australia.

RESIGNATION OF THE PREMIER : CABINET RECONSTRUCTION ; GENERAL ELECTION : NEW GOVERNMENT. (*Note.*)

The Premier (Hon. L. L. Hill) resigned on 13th March on his appointment as Agent-General in London, and the Government was reconstituted as follows :—

Premier, Treasurer, Commissioner of Crown Lands, Minister for Mines, Marine and Irrigation	Hon. R. S. Richards, M.P.
Chief Secretary, Minister for Agriculture and Commissioner of Forest Lands	Hon. S. R. Whitford, M.L.C.
Attorney-General and Minister for Railways	Hon. W. J. Denny, M.C., M.P.
Commissioner of Public Works and Minister for Industry	Hon. J. McInnes, M.P.
Minister for Education, Local Government, Immigration and Labour and Employment	Hon. F. C. Staniford, M.P.

A General Election for the House of Assembly was held on 8th April. According to cable reports, the Liberal Party obtained 30 out of the 46 seats. Full details will be given in the next issue of the JOURNAL. In the last Parliament the State of Parties was as follows : Labour Party, 20 ; Liberal and Country Party, 15 ; Socialisation Party, 8 ; Labour (Lang Group), 2 ; Independent, 1.

Following the elections, a new Government was formed on 18th April, with the Hon. R. L. Butler (Liberal) as Premier. The constitution of the new Cabinet is as follows :—

Premier and Treasurer	Hon. R. L. Butler, M.P.
Chief Secretary and Minister for Mines and Afforestation	Hon. G. Ritchie, M.L.C.
Attorney-General and Minister for Education, Industry and Employment	Hon. S. W. Jeffries, M.P.
Minister for Lands, Repatriation and Irrigation	Hon. M. McIntosh, M.P.
Minister for Works, Railways and Marine	Hon. H. S. Hudd, M.C., M.P.
Minister for Agriculture and Local Government	Hon. A. P. Blesing, M.L.C.

CONSTITUTION AMENDMENT BILL.

(Reduction of Members ; Proportional Representation.)

This Bill, introduced in the House of Assembly on 27th September, 1932, proposed to reduce the number of Members of the Assembly from 46 to 35, and of the Council from 20 to 15, and for their election by proportional representation. On the division for the Second Reading on 17th November the voting was 22 to 13 in favour, but as there was not an absolute majority the Bill could not be proceeded with.

DEBATE IN HOUSE OF ASSEMBLY.

On 4th October,

The Attorney-General (Hon. W. J. Denny), in moving the Second Reading, said it was proposed that the House of Assembly should consist of 35 Members and the Legislative Council of 15. When it was borne in mind that by reason of the establishment of the Commonwealth the State Parliament's functions had been considerably circumscribed, and that very important legislative powers had been handed over to the Commonwealth Parliament, it was apparent that the proposed reductions should not impair the efficiency of either House.

With a smaller number to be elected it was probable that the standard of candidates would be improved, and with proportional representation as proposed by the Bill, there could be no doubt that the status of Parliament would be raised.

The best electoral system.

The Government had come to the conclusion that the best electoral system for the State should be based on proportional representation and a redistribution of seats to conform to the existing Federal divisions.

For the House of Assembly elections the State would be divided into seven districts, each returning 5 Members. The three metropolitan districts, with a total of 148,646 electors, would return 5 Members, while the four country districts, with a total of 184,455 electors, would return 20 Members, which worked out to a quota of 9,909 per Member for metropolitan districts and 9,223 per Member for country districts.

For the Legislative Council the State would be divided into three districts. Each district would elect 5 Members, who would normally hold office for six years. All the present Members of the Council would retire at the next elections, and thereafter 3 Members for each district would retire at the end of one Parliament and 2 Members at the end of the next Parliament.

Casual vacancies.

The Bill required a voter to record votes for as many candidates in order of preference as he pleased. This would eliminate the objection which was raised in New South Wales to the operation of proportional representation, where voters were required to record preferences for all the candidates offering, which in some cases were as many as 20 and 30. The casual vacancies would be filled by a method suggested by Tasmanian legislation. After the election of any candidate his vote would be counted and second preferences ascertained, and the candidate ascertained by this method would be considered the emergency for the elected Member and, in the event of his seat becoming vacant, the emergency would take his place. This would in most cases avoid the costs of by-elections. If the emergency was not available, a by-election would become inevitable, and would be conducted as if the district were a single electorate and a preferential form of voting adopted similar to that now obtaining under the Commonwealth elections to the House of Representatives.

Opposition views.

On 10th November,

Mr. A. G. Cameron (Leader of the Opposition) said that if the Ministry had any intention of securing reform of the electoral laws they would never have incorporated in the Bill a proposal to meddle with the Legislative Council. The principle on which the other plan had functioned had always been that only half the Members of that House retired and went before the electors at a time. The Ministry had broken all constitutional precedents in attempting to send the whole of the Legislative Council to the country at the next elections.

One vote one value.

He believed in proportional representation. The Government, however, were attempting to do something which did not meet with his approval. They were endeavouring to get down to the principle of one vote one value.

As the Federal electoral districts were to-day in numerical strength, the Bill did not lay down that principle, and the ultimate result of passing it in its present form would be to take away from country areas about eleven seats in this Chamber. Unless the House agreed to so amend the Measure that it would include extra representation of country districts he could not support it. Five or seven Members was too great a number for any district. A method of three- or four-Member districts should be evolved with proportional representation applied to them.

Ex-Premier's opposition.

Hon. R. L. Butler (Liberal-Country Party, *Wooroora*) said that after the experience of New South Wales with proportional representation no Member should support the system. It had led to corruption of the worst kind in politics. It operated in Tasmania, and after years of experience was to be abolished. The candidate with the most money to employ agents to canvass for first preference votes would win. That had happened in New South Wales.

Unequal representation.

Proportional representation split people into factions, which returned Members in insufficient numbers for any of them to form a Government. The unfortunate feature of the Bill was that it provided for a reduction of 11 Members, all of whom would be taken from country districts. The metropolitan area's representation would be practically the same as it was. No electoral system could be advocated on a population basis.

Western Australia.

GENERAL ELECTION; NEW GOVERNMENT. (*Note.*)

A General Election of Members to the Legislative Assembly was held on 8th April, 1933. According to advices by cablegram, the Labour Party won at least 28 of the 50 seats. In the last Parliament, the state of Parties was: Nationalist-Country Party, 27; Labour Party, 23.

As a result of the Election the Premier (Hon. Sir James Mitchell) resigned, and a new Government (Labour) was formed with the Hon. P. Collier as Premier.

The constitution of the new Cabinet is as follows:—

Premier and Treasurer	Hon. P. Collier, M.L.A.
Minister for Works	Hon. A. McCallum, M.L.A.
Chief Secretary	Hon. J. M. Drew, M.L.C.
Minister of Justice, Railways and Education	Hon. J. C. Willcock, M.L.A.
Minister for Lands and Immigration	Hon. M. F. Troy, M.L.A.
Minister for Mines	Hon. S. W. Munsie, M.L.A.
Minister for Agriculture	Hon. H. Millington, M.L.A.
Minister for Employment and Industrial Development	Hon. J. J. Kenneally, M.L.A.
Honorary Minister	Hon. W. H. Kitson, M.L.C.

SECESSION REFERENDUM ACT.

(Separation from the Commonwealth.)

This Act, which was assented to on 30th December, 1932, provides for a referendum to determine whether or not the people of the State of Western Australia are in favour of the secession of the State from the Commonwealth of Australia, or, alternatively, the calling of a convention of representatives of the States with a view to making such

alterations to the Constitution of the Commonwealth as may be considered necessary.*

DEBATE IN LEGISLATIVE ASSEMBLY.

On 22nd November,

The Premier (Hon. Sir James Mitchell), in moving the Second Reading of the Bill, said the Bill was precisely the same as that brought down last year.†

He was not an anti-Federalist in sentiment, but they must agree that, after a 30 years' trial, they could not meet the cost of Federation. It had been said in the early days that Federation would not cost more than 2s. 6d. per head of the population. He admitted that the enormous cost of the War had had to be borne since. In the meantime, however, the Federal Government had undertaken many things that might well have been left to the States. There had been duplications in services, and unnecessary costs in many directions. Last year the Federal collections altogether amounted to £11 per head on a total of over £71,500,000.

The Tariff.

In Western Australia the Tariff was a real disadvantage. It could only be of benefit to the central States, which were the manufacturing States. They had an undeveloped State. It was questionable if any real progress in development could be made, owing to the high Tariff imposed upon them. In all that they attempted to do they had to contribute to the Federal Revenue for material required for developmental work. Figures showed that the cost of protection was £9 11s. 9d. per head in Western Australia, while in other States the cost per head was as follows: New South Wales, £7 2s. 11d.; Victoria, £5 5s.; Queensland, £4 12s. 10d.; South Australia, £8 16s. 3d.; and Tasmania, £7 4s. 2d.

Unequal representation.

He did not suppose that anyone would have approved of Federation on the understanding alone that they should have 5 Members in a House of 75, but they did believe that the Senate would protect the interests of smaller States. The Senate had lost its force. It had given up its position as the protector of State rights. They had thought when they entered Federation that the Senate would be a non-Party House and would protect them. It had become a Party House. That had weakened their right to exercise any control over the legislation and destroyed anything they might have done to help themselves.

The Premier added that they had voted themselves into Federation; but what they had done then in the interests of their own people and of the Empire it should be possible to undo now, if it were in the common interests.

Hon. P. Collier (Leader of the Opposition): "Undoubtedly, it is possible to get secession by consent of the Imperial Parliament, but would the Imperial Parliament consent to one State seceding when the Commonwealth Parliament and all the rest of the people were against it?"

The Premier replied that he was not able to answer that question, but he hoped the Imperial Parliament would consent. They had only one-sixteenth of the population of Australia, but they possessed one-third of the territory, and the State should be permitted to make progress.

Mr. Collier: "The Imperial Parliament has learnt its lesson, and would not give a consent which might cause disruption in any Dominion of the British Empire."

The Premier: "I am game to ask, and I think the people of Western Australia will be game to ask. . . We shall send a Delegation Home to press our claim. . ."

On 1st December,

Mr. Collier said it was never contemplated that a Constitution adopted 30 years ago represented the last word with regard to the Federation of the Australian States. Therefore, he thought the proper move was to hold a Convention to review the working of the Constitution. He would have opposed the Bill had it contained the single proposal to ask the people to declare "yes" or "no" on the question of secession alone. But in as much as it did contain a satisfactory alternative which he thought was the right one and which had been contemplated by the framers of the Constitution, namely, that Amendments would be necessary as their experience of its working went on, he thought that was the way out.

* The Referendum was held on 8th April. The final figures are as follow:—In favour of secession, 138,653; Against, 70,706. In favour of the holding of a constitutional Convention, 88,175; Against, 119,131.

† *Vide* JOURNAL, Vol. XIII., No. 2, p. 455.

FINANCIAL EMERGENCY TAX ACT.

(Unemployment relief.)

The purpose of this Act, which was assented to on 30th November, 1932, is to raise funds for the provision of relief for the unemployed.

The main provisions are as follow:—

The rate of tax is 4½d. in the £, in respect of (1) incomes of individuals (excluding salary or wages); (2) profits and incomes of companies, provided that in the case of insurance companies other than life insurance companies, the tax will be at the rate of 4½d. for every £3 2s. 6d. of the premiums received by the company; (3) salaries and wages, the tax to be deducted by the employer and shown separately on the pay sheet or, alternatively, by means of adhesive stamps of the requisite value affixed to the pay sheet.

The following are exempted from liability for taxation under this Act: persons (A) in receipt of old age and invalid pensions; or (B) in receipt of salaries or wages under 21s. per week and having no other income; (C) whose incomes, including salary and wages, are under £52 per annum; or (D) in the case of (B) and (C) where they are contributing to the maintenance of their families, under £2 a week and £104 per year respectively.

LOTTERIES (CONTROL) ACT.

An Act to make provision for the conduct and control of lotteries was assented to on 30th December, 1932.

The main provisions are as follow:—

A body corporate, known as the Lotteries Commission, of 4 members is constituted with the following powers:—

(A) Subject to obtaining a permit in every case from the Minister, to conduct lotteries within the State in order to raise money for charitable purposes;

(B) To receive and make recommendations to the Minister in regard to applications from persons desiring to conduct lotteries, and to exercise supervision and control over such lotteries. Before recommending any such application, the Commission shall refer the same to the Commissioner of Police for investigation and report as to the suitability of the applicant to conduct a lottery.

The Minister's discretion to grant permits to conduct lotteries is absolute.

The Act prescribes that the total expenses of conducting a lottery shall not exceed 25 per cent. of the gross amount received from sale of tickets or subscriptions. The balance remaining after deducting expenses and payment of prize moneys shall be applied to the charitable purposes specified in the permit.

Provision is made for offences against the Act; for power to the police to enter premises where a lottery is being conducted and make all necessary inquiries; and for the auditing and publication of accounts of each and every lottery.

Under the Act, the term "Lottery" includes, besides sweepstakes, etc., any scheme or competition (such as cross-word competitions), "the nature or conduct of which (though skill on the part of the entrants or competitors is required) is such as, in the circumstances of the case, to preclude the fair consideration of the answers of the entrants or competitors."

NEW ZEALAND.

On 9th December, 1932, *the Second Session of the Twenty-fourth Parliament was adjourned. The Session was resumed on 26th January and ended on 10th March*, 1933.

The following summary deals with some of the earlier proceedings after the Recess.

NATIONAL FINANCES.

(Ministerial statement : Plight of primary industries ; Increase in exchange rates ; Reduction in interest rates ; Tariff revision inquiry ; Budgetary position ; Use of reserves ; Additional taxation ; Increase in floating debt on account of deficit.)

On 27th January, in the House of Representatives, the Minister of Finance made a statement regarding the national finances.

IN THE HOUSE OF REPRESENTATIVES.

The Minister of Finance* (Rt. Hon. J. G. Coates) said the Government were particularly concerned about the plight of the primary industry, which was the basis of the whole economic structure of the Dominion. Comparing the position in 1914 and in November, 1932, they had :—

Export prices	21 per cent. below 1914.
Farm expenditure (year 1931) ...	49 per cent. above 1914.
Retail prices	29 per cent. above 1914.
Wholesale prices	21 per cent. above 1914.

The fall in export prices was disastrous, and if some effective action were not taken, a greatly reduced volume of production must assuredly follow.

They had not yet received the full benefits from the Agreements made at Ottawa and he was confident that, following the World Economic Conference, steps would be taken by the Great Powers to bring about a rise in world prices; but they could not afford to wait any longer for assistance from these sources but must immediately take steps of a far-reaching nature to assist their primary industries.

Economic adjustment : increase in exchange rates.

With the choice of reducing costs or increasing monetary receipts, the country should proceed by both methods. A further reduction in salaries and wages in the Government employment was not contemplated, which was itself a reason for taking in hand adjustments of an alternative kind. All

* Rt. Hon. J. G. Coates was appointed Minister of Finance on 20th January, 1933, in succession to Hon. W. Downie Stewart, who resigned from the Ministry owing to disagreement with the Government's decision to increase the exchange rate.

suggested methods, such as bounty on exports, remission of rates and land-tax, exemption of farm loans from income tax, and the direct issue of credit by the Government had been carefully considered, but the raising of the exchange rates was deemed preferable to all other methods and arrangements had been made with the Associated Banks whereby the exchange rate for telegraphic transfers New Zealand on London had been raised from £110 to £125 for £100 in London. This action had been taken by the banks at the request of the Government and as a method of economic adjustment. Accordingly the Government had agreed to safeguard the banks against loss arising out of exchange dealings at the new rates. In effect, the Government would purchase any surplus London credits of which the banks were unable to dispose at the current rates. The Government might be called upon to purchase more exchange than it needed for current requirements, but any surplus amount could be used to pay off debt abroad with funds borrowed in New Zealand.

The Government recognised that, whatever the rate of exchange might be, stability was a most important factor, and the present rate of exchange would not be departed from lightly.

Interest charges.

The burden of fixed charges was particularly acute in the business of farming: thus lowering interest charges must be a major item in any scheme of readjustment of costs. In New Zealand, market rates of interest had continued relatively high and the Government considered it essential that interest rates on existing securities should be brought down to a lower level and he hoped to be able to bring forward comprehensive proposals for dealing with the whole problem, as far as possible on a voluntary basis.*

Legislation already on the Statute Book provided for a 20 per cent. reduction of mortgage rates, and for the review of individual cases by the Mortgagors Adjustment Commissions and the Courts, and it would not be in the interests of borrowers to go any further in that direction, for, if industry was to be carried on, the confidence of investors must be retained. If the rates of interest on Government and local body securities and on deposits could be brought down that must make mortgage investments relatively more attractive than at present.

Railway freight charges.

Arrangements were being made with the Railway Board for a reduction of about 15 per cent. in freight charges.

* A scheme for the conversion of £115,000,000 of internal Government loans to a 4 per cent. basis was announced by the Minister of Finance on 28th February, and on 24th March, the closing date, it was announced that the holdings of dissenting owners totalled only £500,000.

Tariff : inquiry under Ottawa Agreement.

The time was ripe for a further investigation into the Customs tariff, more particularly as the lower prices obtainable for their primary products made it necessary to reduce costs of production to the lowest possible level consistent with an orderly economic and industrial development. Customs taxation was a very important factor in connection with such costs and with the general cost of living. Further, New Zealand was committed under the Ottawa Agreement to conduct such an inquiry, from the viewpoint of facilitating trade with the United Kingdom, in return for valuable concessions given the Dominion. The Government had no intention of exposing to unreasonable competition any industry that could function on an economical and efficient basis. On the other hand, the country could not afford to maintain tariffs which increased costs of production and cost of living unless a real benefit accrued to the community therefrom.

It was intended to set up a small body to review the whole position and make recommendations with respect to tariff rates. Under Article 8 of the Ottawa Agreement it was arranged that United Kingdom producers should have an opportunity of putting forward their views at the tariff investigation and the Government was in communication with His Majesty's Government in the United Kingdom with a view to ascertaining when the producers there would be in a position to furnish the necessary information. When a reply was received an indication would be given as to the date on which the inquiry would commence.

Prospective Budgetary position.

The various proposals outlined would, for the most part, accentuate rather than relieve the Budgetary position, but if they failed to take steps to enable their primary industries to carry on and to maintain a high state of efficiency their Budgetary position would before long be still more seriously affected. A justification of the increased exchange rate, from the viewpoint of the Government's Budget, was that the increase which this action should produce in the national income, as measured in New Zealand money, must later strengthen their taxable capacity.

Deficit anticipated ; Cost of exchange indemnity.

The Government's expectation was that, with the utilisation of reserves amounting to £2,500,000, the year would close with a deficit in the vicinity of £700,000.*

While the raising of the exchange rates would be of immediate benefit to the primary producers, it would be some time before the beneficial reaction could be felt by the rest of

* A cable dated 28th April stated that the financial year closed with a small surplus.

the community or be reflected in the Budget. Accordingly, so far as the next financial year was concerned, it was considered advisable to allow for a further falling off in revenue, particularly in Customs revenue. They had also to allow for the fact that the concessions given following the Ottawa Conference would be operative for the full year.

The largest expenditure increase would undoubtedly be under the heading of exchange. The Treasury estimates allowed for a contraction of imports to such an extent that the exchange surplus in London would total £4,000,000 and that the extra exchange costs under the indemnity arrangement would amount to £1,000,000.

Debt charges: funded debt payments to British Government.

A very drastic reduction had been made in the borrowing for capital works for the current financial year. For the next financial year the amount that could be provided would be still less. Debt charges, however, would be increased considerably, owing to the necessity for relying on Treasury Bill finance. The estimated increase of expenditure under this heading was £350,000. This estimate made no allowance for a resumption of the funded debt payments to the British Government.

Prospective Budgetary position, 1933-34.

To sum up the prospective Budgetary position for 1933-34, it would appear that they were faced with a gap in the finances of £9,850,000, made up as follows :—

Equivalent of current year's shortage ...		£700,000
Revenue decreases—		
Customs	£1,400,000	
Income Tax	750,000	
Post and Telegraph Profits... ...	470,000	
Other items	730,000	
Reserves	2,500,000	
		5,850,000
Expenditure increases—Exchange—		
Extra cost, external debt charges, on account of full year at 110 ...	£350,000	
Extra cost, external debt charges, by reason of exchange increase to 125	1,050,000	
Allowed for cost of exchange on surplus funds, London	1,000,000	
	2,400,000	
Other items	900,000	
		3,300,000
		£9,850,000

Economies : results of National Expenditure Commission.

In the past two years large gaps in the public finances had had to be bridged and, as time went on, the possibilities of further remedial measures became more limited. Drastic cuts had been made in expenditure and during the present year the Government had had the detailed report of the National Expenditure Commission to work on. Of the recommendations of that Commission, items not yet given effect to amounted to £1,150,000, but £800,000 of that was bound up in three items, viz.: Naval defence, reduction to "one-cruiser standard," £200,000; reorganisation of hospital system, £300,000; reduction in expenditure on agriculture, cancellation of subsidies on lime and fertilisers, etc., £300,000. As a matter of policy it was not considered advisable to adopt the first item, and the position of the primary producers precluded any possibility of adopting the last item. The reorganisation of the hospital system had not been overlooked but it would take some time to obtain any relief to that expenditure. The remaining recommendations of the Commission had been gone into, but the most that could be hoped to be obtained from them was £200,000.

The grand total of relief to the Consolidated Fund from savings and adjustments since the depression developed amounted to no less than £9,490,000.

Liquidation of reserves ; Additional taxation.

The present book value of past surpluses invested in discharged-soldier-settlement mortgages was £10,500,000. £2,500,000 would be drawn upon for the current financial year and they would doubtless have to write off substantial losses. Even so, he hoped to be able to arrange to liquidate up to a further £2,000,000 to augment the revenues of the next financial year.

For the rest, to bring the deficit down to what might be regarded as a safe amount there would be no alternative to additional taxation. Proposals had not yet been finalised, but it might be necessary to raise up to £2,400,000, which, with certain adjustments he had mentioned, would bring the deficit down to about £4,500,000. That would mean increasing their floating debt by that amount, but the expenditure would include £1,400,000 under the statutory debt repayment scheme. Therefore the net increase of debt as a result of the prospective shortage would not be much in excess of £3,000,000, which would not be large enough to endanger the financial stability of the country, which must be safeguarded at all costs.

RATE OF EXCHANGE.

(Ministerial statement: Decrease in trade and national income; Exhaustion of farmers' reserves; Failure of orthodox methods; Effect on unemployment.)

On 27th January, in the House of Representatives, the Prime Minister made a statement regarding the rate of exchange.

IN THE HOUSE OF REPRESENTATIVES.

The Prime Minister (Rt. Hon. G. W. Forbes) recalled his statement of 1st December that the reason for the adjournment of Parliament which he then proposed was to allow Cabinet to give a fuller and more thorough examination to proposals affecting the general economic position of the Dominion than was possible while Ministers were closely engaged on Parliamentary work. Information supplied by farmers' agencies and the various State lending Departments showed that farmer borrowers had slipped back very seriously in payments of principal and interest during the past 12 months. On 31st March, 1931, the amount of arrears owing by settlers to the State Advances Department was £411,740; at 31st March, 1932, it was £835,760; and at 30th September, 1932, £1,056,830. In the Department of Lands and Survey £1,522,137 was due for rent and interest in arrear on 30th September, 1932, and, in addition, postponements of rent and interest amounted to £283,650. These figures furnished a fair index to the position of mortgaged farmers generally in the Dominion. The growth of these arrears on the part of the farming community had been particularly rapid during the past few months owing to their credit and reserves becoming exhausted.

The review of the economic position submitted by the Economic Committee showed that it had become progressively worse since their report in February, 1932. In 1928 the value of their exports was 56·2 million pounds, whilst in 1932 it was 33·6 million pounds. Imports for the same years were 44·1 and 22·8 million pounds respectively, while the national income had fallen from 150 to 98 million pounds. To let matters drift and allow undirected deflation to have full sway would be obviously unthinkable. Cabinet had examined various suggested remedies having for their objective the increasing of prices and, after mature consideration, came to the conclusion that an increase in the rate of exchange from 110 to 125 would be more advantageous to the country as a whole than any other method of easing their present difficulties. The Government approached the banks and requested them to take the necessary action to give effect to this decision, the Government undertaking to indemnify them against any loss incurred on the sale of exchange purchased at the new figure.

It might be urged that the primary effect of a rise in exchange was to increase Budget expenditure, through the increase in the cost of overseas interest payments, and to reduce Customs revenue temporarily. But the secondary and more important effect was to prevent an appreciably greater fall in taxable capacity and non-tax receipts. It was confidently anticipated that the net benefit to the Budget from the increase in exchange rate would not be long delayed.

A short time ago he had expressed the opinion that the question of exchange was one that should be determined by the banks, but, consequent upon a close examination of the position, the Government came to the conclusion that the matter had become one of serious national importance and could not be left to outside agencies.

He recognised that the action of the Government in bringing about an increase in the rate of exchange did not find favour with those engaged in the import trade and in other business circles, but asked those who were loudly criticising the Government to view the position from a national standpoint and consider what would happen if a policy of extreme deflation, with all its attendant evils, were allowed to hold sway. Two of the outstanding factors which appealed to the Government were the existence of a distressed farming community and the unfortunate position of the unemployed. If orthodox methods failed to find a solution in time of grave emergency the Government was justified in resorting to other means. With the stimulation which would be given to both primary and secondary industries they might look forward to a gradual but certain absorption of a large number of the unemployed.

BANKS INDEMNITY (EXCHANGE) ACT.

(Fixation of higher exchange rate; Measure of economic adjustment; Surplus exchange in London; Effect on the Budget; Danger of unbalanced Budgets coupled with exchange inflation; Ottawa and monetary policy; etc.)

This Act insures the banks carrying on business in New Zealand against any losses they may sustain by reason of the fixation, at the request of the Government, of the rate of exchange on London and arising from the purchase and sale of exchange. It was assented to on 1st March.

The main provisions are as follow:—

The Bank of New Zealand is constituted the agent of the Government for buying and selling exchange on London, and is authorised to buy surplus exchange held in London by other New Zealand banks (*Sects.* 3 and 4).

The Bank of New Zealand may resell to other New Zealand banks any exchange acquired under the Act, and shall, on application, resell to any such bank exchange to an amount not exceeding the amount of exchange purchased from it (*Sect.* 5).

Exchange purchased or sold by the Bank of New Zealand on behalf of the Government may be paid for in cash or Treasury Bills, discounted at a rate mutually agreed on between the Government and the banks.

The Minister of Finance may borrow, on the security of Treasury Bills or otherwise, any moneys required for payments to be made by the Bank of New Zealand as agent for the Government, or may issue Treasury Bills in payment to any bank for exchange so purchased by the Bank of New Zealand (*Sect.* 7).

The Minister of Finance or the Bank of New Zealand may invest in approved securities the proceeds of any exchange purchased, or may apply such proceeds in the redemption of any securities charged on the public revenues of New Zealand (*Sect.* 8).

DEBATE IN HOUSE OF REPRESENTATIVES.

On 27th January, in moving the Second Reading of the Bill,

The Minister of Finance (Rt. Hon. J. G. Coates) said the Government accepted full responsibility for the action it had taken. He believed it to be the only one which possibly, under present circumstances, would meet their general economic and financial conditions. If the Government were to allow the policy of deflation to continue they would have their primary industries wrecked. They were fully justified in endeavouring to raise the price-level for their principal industry, and at the same time adjust costs to that level. People had an exaggerated idea of the effect of the raising of the rate of exchange upon the cost of living. British figures showed how the retail price-index had fallen ever since sterling went off gold.

Mr. D. G. Sullivan (Labour, *Avon*): "Who will pay the increased prices that the farmers will get?"

The Minister of Finance: "Everybody in the country will pay them: nobody is trying to burke that side of it for a moment. The Government is aiming at a readjustment, and it is a readjustment which hits the very source and foundation of our existence—the commodities upon which we depend for our national tax revenue and everything else." Importers need have no fear, because the spending power of the people would be increased. There would be increased trading, increased employment and a return of some measure of prosperity.

The raising of the rate of exchange had had no effect upon the quotations in Great Britain for New Zealand securities.

Mr. J. McCombs (Labour, *Lyttelton*): "Because the interest has to be paid in sterling, not in New Zealand currency."

The Ottawa Agreement.

The Minister of Finance, continuing, said that any statement that the Ottawa Agreement had been violated was incorrect. He would desire that they should work on parity with sterling if possible, but if working on parity with sterling meant disaster, bankruptcy and misery for the people of New Zealand the Government would not stand for it. The Ottawa Agreement did not make any reference to currency. Their Customs duties were 75 per cent. less than the duties in Australia, generally speaking, and there was no embargo on any commodity coming from the United Kingdom. Further, the Government had decided, in keeping with the Ottawa Agreement, to institute a complete overhaul of their tariff. This had been rendered more necessary by the rise in the exchange rate. Their general policy would be to get costs down as far as reasonably possible. In view of recent all-round wage cuts totalling approximately 16 per cent. it would not be fair to ask the community to bear another straight-out wage cut. The method of adjustment proposed by the Government was the fairest one.

Mr. H. E. Holland (Leader of the Opposition) said the Bill was designed to raise price levels; yet the Minister had devoted practically the whole of his speech to an endeavour to show that prices would fall. The satisfactory lifting of price levels, in New Zealand or in Great Britain, could only follow the lifting of the wages and incomes of the people in the mass. He moved, as an Amendment:

> That this House refuses to accord a Second Reading to a Bill which fails to provide an adequate method of dealing with the serious economic distress of the country, as the fixing of the rate of exchange at an artificially high level will raise the cost of living, intensify unemployment, foster unnecessary antagonism between town and country and afford no permanent help to the farmers, while increasing the financial difficulties of the Dominion.

In challenging the Government's failure, the Labour Party presented alternative proposals. One of the first steps to be taken towards restoration of purchasing power and restoring to economic employment those workers now engaged on relief works was the effective organisation and utilisation of the credit and currency of the country, together with the initiation of a system of guaranteed prices to primary producers and standard wages to the wage-earners of the country.

This would carry along with it the need for planned production and distribution.

Banks and the exchange : Prime Minister's changed attitude.

The trading banks operating in New Zealand, with one exception, were opposed to the artificial increase in the rate of exchange. For a year and a half the Prime Minister was adamant in his refusal to countenance the demand of a section that favoured artificial increase. On 16th and 19th November last the Prime Minister was emphatic in declaring that the matter was entirely for the banks. Yet they now found the Prime Minister and the banks somersaulting completely, though conditions were almost exactly the same as those of two months ago. The Prime Minister had capitulated to the hon. Members for Wairarapa and Stratford and their followers and had jettisoned the principles he had enunciated, and ordered the banks to peg the exchange at a high rate, and the privately controlled banks had surrendered to the Government rather than take the risk of losing the Tory-controlled Coalition. The statement put out by the associated banks was to this effect: The banks have strongly protested against Government fixation of the rate, but the Government has informed them that it must persevere in the matter. Therefore, on the strong representations of the Government and on its full responsibility, the banks are reluctantly compelled to co-operate with the Government in giving effect to the decision.

Cost of purchasing surplus exchange ; Increased overseas interest.

The banks a few weeks back had made it clear that, in the event of political action being taken to raise the exchange rate they, "as trading concerns with obligations to shareholders," would not accept the responsibility for the surpluses which would accrue in London as the result of the shrinkage in imports, and they pointed out that the Government would have to buy up the surpluses, and the premiums to be paid would have to be met out of taxation. If there was an exchange surplus in London of £5,000,000 the Budget would have to meet a charge of £1,250,000 and, so far as he could judge from the Bill, the Government had pledged itself to the banks to budget for this additional amount or whatever other sum might be needed. They were told that the farmers would be relieved considerably by the higher exchange, but the purchase of the surpluses would mean additional imposts on both farmers and other taxpayers.

In addition to the State's increased liabilities, the interest charges on the overseas debts of local bodies were increased in proportion and these bodies would have to choose between

heavily increasing rates and wholesale dismissal of their employees.

Increase in cost of living.

The forcing up of the rate of exchange would affect the cost of living. Freight charges and passenger rates went up 15 per cent. on the very day the exchange was raised, and other increases followed. This created a serious situation. Under present legislation there could be no appeal to the Arbitration Court on the part of the wage workers, unless with the consent of the employers. When an administrative move which had a tendency to increase the cost of living was made, it should be accompanied by statutory provisions that would lift wages in proportion. The Government's policy would be reflected in an increased price for practically all commodities, but would not add 1d. to the total income of the Dominion. It only transferred wealth from one section to another.

Debasing currency.

There was no material difference between the action of those English monarchs who debased the coinage of England and the New Zealand Government which had now debased the currency of the Dominion.

The Postmaster-General (Hon. A. Hamilton): "But Great Britain debased her currency by 30 per cent."

Mr. Holland : "Great Britain went off the gold standard ; she did not peg up the rate of exchange, and she did not debase the British currency." The artificial raising of the rate of exchange could solve no problem. The farmer's position, like that of the wage workers, could only be redeemed by the restoration and stabilisation of purchasing power. To achieve this the incomes of both farmers and wage workers must be raised ; and this was only possible if they effectively organised and utilised the country's credit and currency, with guaranteed prices for the primary producers and standard wages for the wage workers.

The Minister of Health (Hon. J. A. Young) said that a high exchange rate was equivalent to a Customs duty upon all imported goods, but the money, instead of going into the Treasury, was distributed amongst the people who exported goods and thus increased the velocity of money in circulation. Although, with respect to exports, an additional amount which might be assumed to be only £4,000,000 was going to reach the farmers immediately, by the time that had been circulated through all the channels the national income would be increased by much more than that sum. The man who had land and was producing from it must be encouraged if they were to save the State, to save the cities, to save every one.

They did not desire either deflation or inflation, but an equalisation as between costs and selling prices of primary produce.

Effect on trade with Britain.

On 31st January,

Mr. M. J. Savage (**Labour**, *Auckland, W.*) said the raising of the exchange rate could have no immediate effect on the income of the people of New Zealand, but what effect would it have on Britain as a seller of manufactured goods and other services to New Zealand? Was it going to increase Britain's ability to buy New Zealand products? Surely not. The ultimate result must be that Britain's power to buy New Zealand products would be diminished to the extent that the added exchange rate interfered in commercial relations between the two countries. If the Government set out to grant straight-out subsidies to the farmers deserving assistance one could make a defence of such an action, but raising the exchange rate was not going to help the man who needed assistance. Merely transferring money from the pockets of some people into the pockets of others did not increase the purchasing power of the people. A man could not lift himself out of a bog by his shoe-laces. Yet that was what was being attempted.

Australia's experience.

The Minister of Lands (**Hon. E. A. Ransom**) quoted the Rt. Hon. Mr. Scullin as stating that the advantages of high exchange far outweighed any disadvantages and that the additional £8,000,000 thrown by it on the Budget was more than compensated for by the advantages obtained. The raising of the exchange rate would permit those storing up wool in the country to take advantage of the resulting increase in price and put the wool on the market. If the raising of the exchange rate changed dead wool into live money it would have a very good effect indeed on New Zealand as a whole.

Cost of guaranteeing prices.

The Leader of the Opposition had stated that he would guarantee the prices of primary products at, he thought, the 1929 level. The value of exports had fallen from £55,000,000 in 1928-29 to £35,000,000 in 1932, so that at least £20,000,000 would have to be found to guarantee their farmers the prices ruling in 1929. If he was right in his understanding of the proposal, the Leader of the Opposition would finance it by an issue of State currency. But no matter how he financed it it would increase the total debt of the country to the extent of £20,000,000 a year.

Mr. F. Jones (**Labour**, *Dunedin, S.*) wished to know whether one of the conditions of the raising of the rate of exchange was the withdrawal, on the part of the Government, of the Central Reserve Bank Bill.* They, on that side of the House, never expected much advantage from the Ottawa Agreement, but any benefit that might have accrued had been offset by the exchange increase.

Hon. W. Downie Stewart (*Dunedin, W.*)† could not vote for the Amendment because, if successful, it would add political instability to financial instability. If the Leader of the Opposition were successful in his Amendment he would find himself in office but not in power.

It was not in dispute that the many sections of the farming community were in desperate straits, and any breakdown in farming must involve all classes of the community in consequences of the most serious nature. It was also common knowledge that an increase in the rate of exchange operated to give a bounty to the exporting, *i.e.*, the farming, industry. Whether this bounty was merely a temporary stimulant or of permanent value depended on the steps taken to keep internal costs from rising. But whether the bounty was temporary or not, the exporters received it from the rest of the community. The immediate additional cost to the Budget would be nearly £4,000,000—exclusive of the cost of the 10 per cent. exchange already in existence. The extra burden on the Budget was direct, immediate, enormous and inescapable and the possible recovery from increased tax revenue owing to increased national income was distant, doubtful and speculative.

Unbalanced Budgets.

The deficit for the current year would amount to £700,000 at the maximum.‡ This was not unreasonable, because, in the first place, the aggregate deficits during the last three years did not exceed the unrealised reserves. Secondly, they actually paid off last year under the debt repayment scheme the sum of £1,300,000—approximately twice the deficit. But the whole picture was altered if they artificially depreciated their currency, and in the process ended up with a deficit of £4,500,000. If a country were depreciating its currency by voluntary action it was an absolute and imperative necessity that it should balance its Budget; otherwise a complete rot was liable to set in. If the prediction of the economists in New Zealand proved true, that exchange depreciation would produce bigger incomes and more tax revenue, and thus in a

* On 1st March it was reported by cable that this Bill was being held over until next Session.

† See footnote on p. 339.

‡ *Vide* footnote on p. 341.

short time balance the Budget, nobody would be better pleased than himself, but he was at a loss to know how it would come about. If the gap between the farmers' production costs and prices was 40 per cent. and it was only proposed to close the gap by 25 per cent., how could it do more than lessen their losses? To sustain the Budget revenue they must have industries working at a profit, not at a loss. To carry out its policy the Government must rely on Treasury Bills taken up by the banks, and this created a floating debt which might easily get out of hand, and, at best, would require to be funded at some date and added to the National Debt. He could not accept responsibility for a policy that combined exchange depreciation with an unbalanced Budget. That was briefly the difference between the Government and himself.

Advantages of export bonus.

Whether help to the farmers came from higher exchange or from subsidy, in the present state of public finances it must come out of borrowed money. The export bonus, which had the same effect as the higher exchange, at least had the merit that it did not involve an indemnity to the banks estimated to cost £1,000,000 for exchange alone, and it did not involve a loss of Customs revenue estimated at £1,250,000, or involve increased cost of imported goods owing to the higher exchange, and it did not shake the confidence of the community by a sudden and serious upheaval in the whole course of mercantile business. The farmers' problem was very urgent and paramount, but the mercantile community was also a very important and essential part of their national life. Depreciation brought about by Government action and without any regard to the factors which had hitherto regulated the value of their currency produced a sense of hardship and injustice, and split the whole community into hostile camps at the very time when they wanted to maintain national unity.

The Macmillan Committee discussed the possibility or wisdom of artificially reducing the value of British currency and reported that they had no hesitation in rejecting this course. It was claimed by many experts that competitive currency depreciation in different countries was one of the factors preventing world prices from rising. An increase in sterling prices was the only thing that could help them, and, if that increase did not take place, then to pour out millions of borrowed money to help the farmers would only be like pouring it through a sieve.

Breach of Ottawa Agreement.

Mr. W. Nash (**Labour**, *Hutt*) said the raising of the exchange was clearly a breach of the spirit and letter of the

Report of the Currency and Monetary Committee at Ottawa and also a breach of the statement made by the Minister of Finance at that Conference. Mr. Neville Chamberlain said, in the Report from Ottawa: "Efforts should be made to stabilise exchange between the various countries"—that was, of the British Commonwealth—and in the Report presented to the House by the Minister of Finance, this appeared:—

> "At the same time it is necessary that these favourable monetary conditions be achieved, not by inflationary creation of additional means of payment to finance public expenditure, but by an orderly monetary policy safeguarded, if the necessity should arise, by such steps as will restrain and circumscribe the scope of violent speculative movements in commodities or securities."

What could be more violent or speculative than the proposal of the Government to raise the exchange in one day?

After numerous quotations from the Ottawa Report and from speeches by the Minister of Finance condemning alterations in the exchange, Mr. Nash stated that the Minister also gave an undertaking at Ottawa that the 3 per cent. primage duty would be removed as soon as possible, but his latest action was equivalent to putting on another 15 per cent. duty on all imports.

Labour plan of guaranteed prices to farmers.

Mr. F. Langstone (**Labour**, *Waimarino*) said that the Labour Party, knowing that prices of their exports had fallen by £20,000,000, would guarantee the farmers to that extent, not necessarily by money, but probably by credit. They would probably require to issue notes to do it, but that was only the petty cash of the business. The great bulk of business in all countries was conducted merely by transferring credits from one set of books to another. They would be able to guarantee prices and bring into existence the necessary credit and currency to sustain those prices. And what they were able to do for the farmers they could do for the unemployed. If there was one thing they had to get out of their minds as a means of stability in exchange it was gold. Gold had done more to make things erratic in the world than any other single factor.

On 1st February,

The Postmaster-General (**Hon. A. Hamilton**), observing that Britain had gone off the gold standard and gone in for inflation and set up an Exchange Equalisation Fund of £167,000,000 to be controlled by the Treasury in conjunction with the Bank of England, asked what had they done worse than that? Exchange inflation was justified.

Mr. W. A. Veitch (**United Party**, *Wanganui*) said the

trouble was that not only the business community, but everybody was in a state of constant unsettlement and anxiety as to what was going to happen next. The more they studied the conditions they solemnly agreed to at Ottawa, the more they must realise that local inflation was not the remedy for their troubles. The real way to bring the country to a state of prosperity was to stand by the principles laid down at Ottawa.

On 2nd February,

The Prime Minister (**Rt. Hon. G. W. Forbes**) said they were not treading an entirely untrodden path, but one which Australia had already trodden and they knew what had been the experience of Australia. The Australian farmers who had lately visited them had testified that the effect had been to the advantage of the whole of Australia—business men and others. He had been chided with having changed his mind on this question of exchange, but when he went into the figures and saw that all the farmers' reserves had been thrown into the melting pot, thus enabling the country to carry on during the past two years, he saw that it was absolutely necessary that something should be done at once. After examining the question of subsidies and all other alternatives for helping the farmers, the Government came to the conclusion, with the exception of one member, that the raising of the exchange was the one thing that would help to ease the position of the primary producers.

Mr. J. O'Brien (**Labour**, *Westland*) suggested that all receipts from the 15 per cent. increased exchange be pooled in a pool to be termed the " Farmers' Relief Fund " ; assistance from such fund to be restricted to farmers genuinely in need of relief ; no assistance to be granted from the fund to well-to-do landowners, stock and station agents, or mortgagees not in need of the same.

Dumping Duty possibilities : increase inadequate.

Mr. H. M. Rushworth (**Independent**, *Bay of Islands*) reminded the Government that when the Australian monetary system was depreciated by 25 per cent. on sterling and their money stood at 10 per cent. depreciation, they imposed upon Australia a dumping duty to cover the difference of 15 per cent. The spirit of the Ottawa Agreement would be quite observed if Great Britain put a dumping duty on their exports.

The Prime Minister supported the application of the 25 per cent. to New Zealand on the ground that what was good for Australia must necessarily be good for New Zealand. But why limit it to 25 per cent. ? If it was really a good thing they could hardly have too much of it. Why not 50 per cent. or even 100 per cent. ? If the wool-grower received the whole

of the increase of 15 per cent.—which he would not—he would get 3½d. a lb. instead of 3d. for wool that cost him 1s. to produce. Was that going to save him from disaster ? If there was only hope of salvation by raising the foreign exchange rate, why not do it properly and bring it up to the point where the cost of producing the wool would be recovered ? The case of the dairy-farmer was very similar.

Competition with Australia facilitated.

Mr. W. P. Endean (**Reform**, *Parnell*) said that during the last two or three years Australia had become a great competitor of New Zealand. In the case of the butter industry Australia had reached a quantity almost equal to that of New Zealand. The 25 per cent.—formerly 30 per cent.—which the Australian farmer had had in his favour must have given great heart to the butter-producer in the Commonwealth, and it would give greater heart to the dairyman in New Zealand if he knew that he was on the same parity of value as his Australian competitor. Turning to secondary industries, Australian firms had been dumping into New Zealand for some time. As a result of this move the secondary industries in New Zealand would be placed on a better footing.

Mr. H. Holland (**Reform**, *Christchurch, N.*) said the position in Australia was not parallel with that in New Zealand. Australia was importing millions of pounds worth of goods more than she was exporting and something had to be done there to check the inflow of imports. But in New Zealand they had a trade balance of something like £13,000,000. The English people would treat the step as a moral breach of the Ottawa Agreement. They offered £800,000 in repayment of their War Debt and the authorities in England kindly said : " We know you are hard pushed and we will not take the money," and then, figuratively speaking, they gave England a slap on both cheeks and said that they were going to keep her goods out of their market. Once this Measure became law, all the power in New Zealand would not be able to shift it, because the farming interests represented in the House would never consent.

The Minister of Finance, replying to the debate, said the Bill was a Government one and Government Members were asked to support it. It was a matter of confidence or no-confidence in the Government. He had not said that the raising of the rate of exchange would lower the cost of living. That would be utter nonsense. What he had said was that the general fall in the level of wholesale prices for commodities would off-set the increase that would normally take place.

The Bill was read a second time on 2nd February, 1933, by 43 votes to 35.

On the Motion for the Third Reading of the Bill,

Mr. H. E. Holland (Leader of the Opposition) said that the debate had shown conclusively that there was an absolute majority in the House opposed to the Government's policy. If every hon. Member had voted as he had talked, the Bill would not have reached its Third Reading. The reason the Bill had passed its Second Reading and Committee stages was due to the warnings issued by the Prime Minister and the Minister of Finance to Members of the Coalition Party that a vote against the Bill would mean ostracism so far as their relationships with the Party were concerned.

After further debate, the Bill was read a third time on 3rd February.

UNION OF SOUTH AFRICA.

The following summary deals with some of the proceedings of the Fifth Session of the Sixth Parliament, which began on 20th January, 1933, and was adjourned on 2nd March, 1933.

FORMATION OF COALITION GOVERNMENT.

Following negotiations for a Coalition Government between Gen. Hertzog (Prime Minister) and Gen. Smuts (Leader of the Opposition), the resignation of the Government took place on 30th March. The Governor-General (Earl of Clarendon) requested Gen. Hertzog to form a new Cabinet immediately, and accordingly, on 31st March, a Coalition Ministry was sworn in as follows :—

Prime Minister and Minister of External Affairs	Gen. the Rt. Hon. J. B. M. Hertzog.
Minister of Justice	Gen. the Rt. Hon. J. C. Smuts, C.H., K.C.*
Minister of Finance	Hon. N. C. Havenga.
Minister of Mines	Hon. P. Duncan, K.C., C.M.G.*
Minister of Native Affairs ...	Hon. P. G. W. Grobler.
Minister of Railways and Defence	Hon. O. Pirow, K.C.
Minister of Agriculture ...	Gen. the Hon. J. C. G. Kemp.
Minister of Labour	Hon. A. P. J. Fourie.
Minister of Lands	Col. the Hon. D. Reitz.*
Minister of the Interior and Education	Mr. J. H. Hofmeyr.*
Minister of Posts and Telegraphs	Senator the Hon. C. F. Clarkson.*
Minister without Portfolio ...	Mr. R. Stuttaford.*

GOVERNOR-GENERAL'S SPEECH.

(World Economic Conference ; Ottawa Conference ; Trade depression and unemployment ; Native representation in Parliament ; Detachment of Union currency from the gold standard.)

Parliament was opened on 20th January, 1933, by the Governor-General (Earl of Clarendon). A summary of his Speech is given below :—

WORLD ECONOMIC CONFERENCE.

The Speech expressed the hope that the forthcoming World Economic Conference would lay the foundations for starting anew the reconstruction of national and international well-being. There was reason to believe that the Conference would not be held before the second quarter of the year, and in view of its importance it would be necessary for the Union to arrange for suitable representation.

Following negotiations at Ottawa, arrangements had been concluded with the United Kingdom, Canada and the Irish Free State.

* Member of the South African Party.

Ministers were confident that the Agreements would prove of great and lasting benefit, not only to the primary producers of the Union but also to the country as a whole. Already the markets thus secured to the farmer were giving proof of the considerable advantages which might be expected in future from their judicious development.

Ministers were deeply convinced of the necessity of continuing to render such special assistance and relief to the farmers as might be possible in order to lighten the exceptionally heavy burden cast upon them through the stress of circumstances.

TRADE DEPRESSION AND UNEMPLOYMENT.

His Ministers had under consideration certain proposals aiming at a more systematic treatment of the grave problem of unemployment.

GOLD OUTPUT AND GOLD MINING.

The record annual gold ouput of 1931 was again exceeded last year. For the purpose of further encouraging the development of gold mining and facilitating the disposal of open proclaimed ground for, *inter alia*, the housing of industrial workers, a Bill amending the Transvaal gold law would be laid before them.

NATIVE AFFAIRS.

The Members of the Joint Select Committee appointed last Session to consider the question of native representation in Parliament and other matters affecting natives had been appointed as a Commission to continue and complete the work of the Committee. It was proposed again to appoint a Joint Select Committee to consider the Commission's Report, and it was hoped that it would then be possible for steps to be taken to pass the desired legislation.

CURRENCY AND THE GOLD STANDARD.

Pursuant to the decision of Parliament his Ministers, up to the end of the year, maintained the currency of the Union on the firm basis of its legal gold parity, convinced that, especially for a country situated as South Africa was, the voluntary abandonment of the gold value of its currency, and its consequent inevitable depreciation, was a measure which no Government could take with honour or credit.

Certain events, however, in the last days of December set in motion so intense a drain on the money resources of the banks that the only alternative to a catastrophic financial crisis involving banks, building societies and all savings and credit institutions was the release of the South African Reserve Bank from its statutory obligation to redeem its notes in gold. Ministers, faced with so compelling an alternative, were forced to relieve the Reserve Bank of their obligation, and thereby, *ipso facto*, to detach Union currency from the gold standard. Since that step had been taken the South African pound had necessarily been left to find its own level in accordance with current monetary and trade conditions. Proposals deemed necessary to deal with the new currency situation would be submitted to Parliament.

TAXATION OF PROFITS ON EXCHANGE TRANSACTIONS.

Among other measures which would be required to prevent the change in the values of the people's money conferring undue advantage on some sections and imposing undue hardships on others, it was proposed to submit legislation providing for the taxation of profits made on

exchange transactions where money had been sent out of the country for other than legitimate trade and business purposes, or in payment of liabilities incurred.

OTTAWA AGREEMENTS ACT.

(Trade Agreements with the United Kingdom, Canada and the Irish Free State.)

The Ottawa Agreements Act, 1933, ratifying the Trade Agreements between the Governments of the Union and the United Kingdom and Northern Ireland, Canada and the Irish Free State respectively, and amending the law relating to Customs, passed the Second and Third Readings in the House of Assembly on 23rd and 27th February respectively.

AGREEMENTS WITH THE UNITED KINGDOM AND CANADA.

Summaries of the Agreements between the Union and the United Kingdom and Canada respectively were given in the JOURNAL, Vol. XIII., No. 4, p. 854, and Vol. XIV., No. 1, p. 87. Special references were made to the Canadian Agreement by the Prime Minister of Canada (Rt. Hon. R. B. Bennett) on the Motion to approve the Trade Agreements (*vide* Vol. XIII., No. 4, p. 950), and further references to this Agreement will be found in the debate on the Ottawa Trade Agreements Acts (*vide* Vol. XIV., No. 1, pp. 88-92).

AGREEMENT WITH THE IRISH FREE STATE.

Under this Agreement the Union accords (*Art.* 1) to the following goods, being the produce or manufacture of the Irish Free State, the preferential rebates specified, viz., hosiery, 5 per cent.; tractors and parts, 10 per cent.; stout, 6d. per Imp. gallon.

By *Art.* 2 the Irish Free State accords to the following goods, being the produce or manufacture of the Union, the preferences specified, viz., currants, raisins and other dried fruits, and canned fruit, one-sixth of full rate; wine, not exceeding 30° of proof spirit, 40 per cent. of full rate; wine, exceeding 30° but not exceeding 42°, 33⅓ per cent.

ADDITIONAL.

Sparkling wine in bottle...	30 per cent. of full rate.
Still wine in bottle	50 " "
Maize meal...	100 " "

The Mandated Territory of South-West Africa is deemed part of the Union for the purposes of the Agreement, which is for five years and subject thereafter to six months' notice of termination by either party. During its validity the Agreement can be revised or modified by mutual consent.

RATIFICATION: CONSEQUENTIAL CUSTOMS AMENDMENTS.

After ratifying and confirming the above Agreements as set out in the Schedules, the Act consequently amends the Customs Tariff and Excise Duties Amendment Act, 1925 (called the principal Act), by substituting for Section 5 a section (*Sect.* 2) applying the minimum rates of duty (as specified in the Second Schedule, Part I.) to products of the United Kingdom, Canada and the Irish Free State, such rates to cease on the termination of any of the above-mentioned Agreements.

The Act also enables the Union (*Sect.* 3) to conclude agreements with other parts of the King's Dominions, applying rates not lower than the minimum (as specified in the First Schedule) in consideration of equivalent reciprocal advantages.

Until such time as an agreement is concluded with New Zealand, the Customs duties which would be payable in respect of articles mentioned (*e.g.*, butter, cheese, patent and cereal foods, hops and meats) imported from New Zealand shall be rebated to the extent set out in the Second Schedule, Part II., provided that the preferential tariff rate now applicable to produce of the Union is not cancelled by the New Zealand Government. (*The above repeals Sect.* 6 *of the principal Act.*)

Regarding motor vehicles manufactured in and imported from Canada, *Sect.* 14 of the principal Act is amended (*Sect.* 6) by providing that in determining the value for Customs duty, a deduction shall be made from the domestic value equal to the drawback of Customs duty granted on export by the Canadian Government in respect of material used in, wrought into, or attached to such vehicles.

IN THE HOUSE OF ASSEMBLY.

On 23rd February, in the House of Assembly,

The Minister of Finance (Hon. N. C. Havenga), in moving the Second Reading of the Bill, pointed out that Clause 3 extended the wording of "British Dominions" to include India or any territory forming part of the British Dominions with whom agreements might be made. It removed the proviso existing before, that preferential rates granted to such territories should apply automatically to the products of the United Kingdom.

Clause 6 provided for certain concessions in connection with the Canadian automobile industry. No actual preferences were granted to motor-cars imported from Canada, but they were removing certain disabilities to which those cars were subject in laying down that if Canada granted rebates of the duty which was paid on importations of certain raw materials there, that would be taken into consideration in assessing the value on which duty was paid in the Union.

The Motion was agreed to and the Bill was read a second time, and considered in Committee and agreed to.

The Bill was read a third time on 27th February.

TAXATION PROPOSALS.

(Agreements following Ottawa Conference ; Extension of trade in the British Commonwealth ; Tariff Preferences ; "Four cardinal principles" ; Colonies and Mandated Territories ; etc.)

On 23rd January, the Minister of Finance gave details regarding taxation proposals.

DEBATE IN HOUSE OF ASSEMBLY.

The Minister of Finance (Hon. N. C. Havenga) moved that the House go into Committee of Ways and Means on taxation proposals (Customs duties giving effect to Agreements made after the Ottawa Economic Conference).*

Extension of trade in the British Commonwealth.

The Resolution, he said, was the first step necessary to secure permission for the introduction of a Bill to ratify the three Trade Agreements entered into by the Union with the Governments of the United Kingdom, Canada and the Irish Free State at the Ottawa Conference. From the outset their Delegates made it clear that the Union approved of the extension of trade relations between various parts of the British Commonwealth by means of Agreements embodying reciprocal tariff benefits, reciprocal not in the narrow huckstering spirit of giving up so much Customs revenue for preferences in return for benefits rendered by the other party, but in the broader spirit of a more privileged entry to certain branches of trade which offered the greatest possibility of expansion.

Agreement with the United Kingdom.

The abandonment by the United Kingdom of rigid Free Trade principles enabled her to treat the Dominions on a more equal footing, and she had conceded substantial advantages by means of tariff preferences over foreign goods to certain Union products such as fruit—fresh, dried and canned ; butter, cheese, eggs, maize and maize products, wattle bark, and a number of other commodities which Members would find scheduled.

Before the Import Duty Act of 1932 was passed in Great Britain they were obtaining preferential tariff rates on dried fruit, wine, sugar and tobacco, and the preference on such fruit was increased from 7s. to 10s. per cwt.. and that on light wines raised from 1s. to 2s. per gallon, a general rate increase from 3s. to 4s. on the existing preferential margin for wines and sugar with a guarantee against reduction, except with the consent of the Union Government. They attempted to ensure stabilisation on sugar preferences for a period of at least 10 years instead of 5 years, which they would find provided for in the Agreement ; but the British Government would not concede this point in view of the appointment of a Royal Commission which at present was examining the whole sugar position in the United Kingdom.

The existing preference on tobacco was secured for a period of at least 10 years provided the duty on foreign manufactured tobacco did not fall below 2s. 0½d. per lb. If it did

* *Vide* JOURNAL, Vol. XIII., No. 4, p. 846 ; Vol. XIV., No. 1, pp. 21, 31, 86, 99, 115, 165, 176, 203.

so fall it would be repaid in full on South African tobacco. The free entry of South African eggs, poultry, butter, cheese and other milk products into the United Kingdom was guaranteed for 3 years, after which the British Government would have the right to impose the duty while maintaining their existing preference, or to bring these commodities within a qualitative regulation of importance.

Another important concession was that a duty of 2d. per lb. would be placed on unwrought copper of foreign origin, provided that Empire producers were in a position to supply at the world's price. A joint committee of producers and consumers had since been set up in the United Kingdom, and the duty had been imposed upon it to report at intervals of three months. The prices quoted at the London Metal Exchange would be adopted as being the world's price. The whole question was being fully gone into in the meantime.

Agreements with Australia and New Zealand.

The United Kingdom Agreements with Australia and New Zealand embodied arrangements in regard to quantitative regulation of imports of butter, lamb and beef and chilled beef, with the object of raising the prices to an economic level, and progressively increasing the share of the Dominions in the markets of the United Kingdom. Under the Ottawa Agreement Act passed by the United Kingdom Parliament, the Board of Trade, in consultation with the Minister of Agriculture, had already been empowered to regulate such importation by order in accordance with the arrangements arrived at. The Agreement with the Union contained a clause that, in applying the powers obtained by Parliament, the British Government would make provision for the importation of South African mutton and lamb; and in correspondence at Ottawa between Mr. Baldwin and himself, the British Government undertook to use its good offices to ensure the marketing of South African chilled beef. He (the Minister of Finance) viewed the arrangements as being of the greatest value in regard to their South African meat, and exporters, shippers of South African meat in the form of frozen mutton or chilled beef, might anticipate a considerable portion of the market.

Referring to the schedules detailing the commodities whereon the Union maintained preference on produce of the United Kingdom imported into the Union, the Minister of Finance said these schedules were prepared from lists submitted by the British Government of goods which seemed to offer the best prospects of advancing their trade. The lists were carefully considered before the Delegates left for Ottawa, they were carefully considered both by the Imperial Government and by the accredited representatives of the Union, by

representatives of the Associations of Commerce and of the Federated Chamber of Industries. The Delegates maintained a close contact with these representatives throughout the proceedings, and obtained their advice whenever it was needed.

"Four cardinal principles."

In compiling the list four cardinal principles were laid down as a matter of policy: That the protection enjoyed by established and economically sound industries in the Union should not be destroyed; that any change of duties should not materially increase the cost of living; that British manufacturers should be in a position to supply goods in the quantities and of the description required; and, alternately, any diversion of trade to the United Kingdom should, as far as possible, not be at the expense of those countries with which the Union had a favourable balance of trade.

These principles were not contested by the United Kingdom Delegates, who, indeed, were in agreement with their [Union] ideas—that was, not to put a ring fence of tariffs round the British Commonwealth, but rather to endeavour to break down restrictions wherever practicable, and by stimulating trade in the Commonwealth to increase ultimately the prosperity of all those nations with whom they did and would continue to do business in the future.

Assistance for Colonies and Mandated Territories.

According to the Union import figures for 1931, the total trade in articles affected by the preferences amounted to £13,000,000, of which the United Kingdom under the old preferences already held £7,000,000. The Union Government undertook not to reduce the margin of preference over similar foreign goods. In order to assist the non-self-governing Colonies and Mandated Territories a valuable preference of 1d. per lb. was being granted on raw coffee. It was claimed that East Africa and Kenya would not only supply the highest grade of coffee, but also the lower grades which in the past had been mostly imported from Brazil.

The Agreement would remain in force for 5 years, and thereafter until 6 months after it had been denounced by either party. If in the case of either party circumstances arose necessitating a variation of the terms, the proposal to vary it would be subject to consultation between the various Governments.

Canadian Agreement.

The Canadian Agreement, the Minister of Finance continued, consisted in the main of an interchange of tariff concessions on certain specified products. It was impossible

to judge at a glance at the Schedules what was the extent of the preference on Union products imported into Canada, because Canada had a 3-column tariff: British preferences, intermediate, and general, together with certain special rates applicable to Australian and New Zealand products.

Among the countries which exported, or were in a position to export, similar products to those of the Union and countries entitled to the intermediate tariff rates were the Argentine, Denmark, Spain, Italy, Brazil, the Netherlands, Portugal and Roumania. Grapes, peaches, plums, pears, apples and nectarines—all fresh in their natural state—would be admitted from the Union during the appropriate seasons free of duty. The intermediate rate on grapes was 1½ cents per lb., and on the other fruits 15 per cent. *ad valorem*. Raisins would be free, the intermediate rate being 3 cents per lb. for countries enjoying the intermediate rate. Dried apricots, pears and peaches would be free; the intermediate rate being 22½ per cent. *ad valorem*. Oranges would be free from May to December, the intermediate rate being 35 cents per cubic foot. Canned pineapples, the duties were 1 cent compared with 4 cents per lb. This was a valuable concession which had been obtained, and they now shared the privileges formerly enjoyed in Australia in regard to the export of canned pineapples.

There were difficulties in regard to the Australian Agreement, but in the end they were overcome. Wool, mohair, hides and skins were to be admitted [from Canada] free of duty in common with similar products from Australia and New Zealand, compared with 10 cents per lb. intermediate duty and 15 cents general.

These preferences were in the main to be conditional on direct shipments from [the Union] to Canada, and the same principle applied to shipments from Canada to South Africa. In the case of Union products they were also entitled to the benefits if imported into Canada from the United Kingdom.

The Minister of Finance said he quoted these examples to show that, as in the case of the United Kingdom preferences, these Canadian preferences would be very valuable. In addition, special rates would be applied to still wines and brandy. They were the same rates that were at present enjoyed by Australia. In the case of maize, while the export subsidy was paid and also on account of its being sold in the Union for local consumption at more than the export prices, their maize, if imported into Canada, would ordinarily be liable to anti-dumping duties; but, under a special clause in the Canadian Agreement, it would in future be exempted from these duties, provided the maize was imported into Canada at the world's ruling market price.

West Indian produce.

They would make a clause in the Canadian Agreement under which the benefits accorded by Canada under the West Indies Trade Agreement would not be applicable to the Union, in the same way as Canada was excluded from the benefits accorded by the Union to neighbouring territories. But this did not affect the Union adversely, as the principal articles concerned were sugar—on which the same tariff applied to the West Indian and Union produce—bananas, cocoa, lime juice, coconuts, coffee and spices. The same discrimination was made in regard to canned pineapples, which from the West Indies were admitted at ½ cent per lb. compared with 1 cent on the Union product.

The Union, on its part, would maintain existing preferences on Canadian products, would increase the preferences on tinned fish, electrical batteries and unmanufactured coniferous softwood, and would grant new preferences on cranes, bucket conveyors and similar appliances, vacuum cleaners, cotton, canvas shoes, garden hose, ice chests, mosquito gauze, roofing shingles, wooden boxes for packing citrus and fresh apples (from October to December only), the last five preferences being granted to Canada alone, the others being shared with the United Kingdom. The lowest rate granted to any country was also guaranteed on a number of the articles. The Union undertook that if it granted a benefit to any foreign country, those benefits would be extended to Canada in regard to certain articles.

Replying in the negative to a question as to whether there was a preference on Canadian motor cars, the Minister of Finance added that under the Agreement they were removing a disability, and he thought the Canadian motor car would be able to compete on equal terms with American cars because they would not add to the value of the Canadian car the duty which was paid by the Canadian manufacturer on his raw material imported into Canada.

Irish Free State Agreement.

The Irish Free State Agreement provided for an interchange of preferences on a few specified articles. The scope was limited owing to the small amount of trade between the two countries, although, doubtless, there was a greater consumption of each other's products than would appear from the published figures, *via* stocks in the United Kingdom. The Union obtained special terms for dried and canned fruits, wine and maize meal, and accorded preferences on hosiery, tractors and stout. Amongst other imports from the Irish Free State were horses, eggs, condensed milk and woollen rugs, but it was not possible to reduce the Union protective duties on these products.

It was estimated that the Irish Free State imported about £100,000 worth of South African oranges per annum, and large quantities of yellow maize from the Union, but these were duty-free from all countries.

Negotiations with Indian Government.

Informal conversations also took place in Ottawa with the Delegates from India, Australia and New Zealand, but although a certain amount of progress was made, it was not possible to complete any Agreement. Negotiations would be re-opened at a favourable opportunity with the Government of India. The Agreement made with New Zealand in 1907, as modified in 1925, was still in existence pending the conclusion of the negotiations now in progress.

The three Agreements concluded at Ottawa were, subject to Parliamentary ratification, given effect to on 13th October, 1932.

Gen. the Rt. Hon. J. C. Smuts (Leader of the Opposition) said the House was indebted to the Minister of Finance for his statement, and the House and the country were even more obliged to him for the way in which he, in particular, and his co-Delegates upheld the honour of South Africa at Ottawa.

There were people, after the British Government departed from Free Trade, who expected that it would be possible to inaugurate a new era for the Empire in which trade would be confined very largely within the Empire. Ottawa had not led to any development in that direction, but it had led in the opposite direction. What the world wanted to-day, as they knew from all sources of information, was an expansion of world trade, the breaking down of the barriers which confined trade within national boundaries. With that object Ottawa had yielded a good result. It had not led to a ring-fenced Empire, but it had started the movement for easing the position for world trade.

The Motion was agreed to.

On 2nd February, the following Resolution moved by the Minister of Finance was agreed to, viz. :—

that, subject to the provisions of an Act to be passed during the present Session of Parliament, and to such rebates and remissions of duty as may be provided for therein, Customs duties should be levied on the articles imported into the Union as set forth in the accompanying schedule.

On 3rd February, following the adoption of the Report of the Committee of Ways and Means reporting the above Resolution, and the passing of a Resolution, moved by the Minister of Finance, "that it is expedient to amend the law relating to Customs," the Ottawa Agreements Bill was introduced and read a first time.

CURRENCY AND EXCHANGES ACT.

(Currency and exchange ; reasons for going off gold standard ; World Economic Conference ; Control of exchange ; linking Union currency with sterling ; etc.)

The Bill for this Act to amend the law relating to legal tender, currency, exchanges and banking, was introduced by the Minister of Finance, passed the Second Reading on 16th February, and was referred to a Select Committee. It was amended in Select Committee and in Committee of the Whole House and subsequently received a Third Reading, and was passed by the Senate without amendment.

The Act provides that whenever a debtor is under contract to repay money lent or interest thereon in coins or notes or other instruments which are, or at any time were, legal tender in the Union, whether the obligation arose in whole or in part before or after the commencement of the Act, he may at his option pay the amount in notes of the Reserve Bank or in coins which are legal tender in the Union at the time of the payment (*Sect.* 2 (1)).

[An additional provision (*Clause* 2 (b)) enabling a debtor who was bound to pay in coins or notes, etc., which were legal tender outside the Union, and not legal tender in the Union, to pay in notes of the Bank or in coins which were legal tender in the Union at the time of payment (to the amount which, if converted into coins, etc., in which the debtor was obliged to pay, at the rate of exchange prevailing at the time of the contract, equalled the amount of the debt) was struck out in Committee.]

If between the passing of the Act and before promulgation a person has paid money under a contract of loan to which the Section applies, he may recover the difference between the amount paid and the amount he might have elected to pay (under the Section) at the date of payment (*Sect.* 2 (2)).

The provision in the Currency and Banking Act (No. 31 of 1920, as amended by Acts No. 22 of 1923 and No. 26 of 1930), termed the "principal Act" (*Sect.* 16), making the notes of the Bank redeemable in gold specie or certificates is deleted (*Sect.* 3).

The Section (17) of the principal Act requiring the Bank to maintain in gold or gold specie not less than 40 per cent. of its notes issued is amended by substituting 30 per cent. (*Sect.* 4).*

A tender of a note of the Bank shall be legal tender of payment of the amount expressed (*Sect.* 5).

The Section (23) of the "principal Act." which provides that the reserve in gold or specie must be maintained by the Bank to not less than 40 per cent. of its deposits and Bills payable (in addition to the gold reserves required by Section 17 to be held against its notes issued) is amended by substituting 30 per cent. (*Sect.* 7 (a)).*

In order to prevent undue fluctuations in the exchange value of units of currency which are legal tender in the Union in relation to units

* Originally part of Clause 5.

which are legal tender in Great Britain and Northern Ireland, the Reserve Bank may buy and sell gold and bills or securities expressed in currencies other than that of the Union. Any loss caused by variation in exchange is to be charged to the Consolidated Fund and profits paid to that Fund. Provision is made for calculating loss or profit. The Clause is deemed to come into operation on 20th January, 1933 (*Sect.* 8).

The Governor-General is empowered to make regulations regarding currency, banking or exchanges; he may apply any sanctions which he thinks fit, civil or criminal; and he may by such regulations suspend, in whole or in part, the Act or any other law affecting currency, banking or exchanges, and any law which is in conflict or inconsistent with any such regulation shall be deemed to be suspended to that extent (*Sect.* 9).

The Finance Emergency Regulations Act, 1931 (No. 48 of 1931), is repealed.*

The Act shall be deemed to come into operation on 28th December, 1932 (except *Sect.* 8, *vide* above).

DEBATE IN HOUSE OF ASSEMBLY.

On 13th February,

The Minister of Finance (Hon. N. C. Havenga), in moving the Second Reading, pointed out that a country might be forced off the gold standard by external or internal circumstances. The most important external circumstance leading to such a position was the inability of a country to pay the balance of its foreign commitments in gold. During the whole of the present crisis South Africa had never been in that position; the reason for leaving the gold standard must be sought purely in the internal circumstances of the Union.

Since November, 1931, when they discussed the question of remaining on the gold standard or following Great Britain, many people advocated as an easy escape from the economic trials that beset the Union a departure from the gold standard and a depreciation of their currency. The Government consistently opposed this course, and by their persistency in resisting the pressure brought to bear upon them to pursue the path of depreciation they had, he hoped, demonstrated to the world that the accredited representatives of the South African nation would honour their pledges as borrowers as long as it was in their power to do so. They took up the attitude, however, that there were duties incumbent upon them as the Government of the country and the guardians of the financial probity of its public policy without which no State would long continue to merit the esteem of the financial world.

They had maintained throughout, and they still maintained, that no Government might depart from the gold standard unless forced to do so by circumstances which it could not control. Under such circumstances Great Britain

* *Vide* JOURNAL, Vol. XIII., No. 1, p. 212.

departed from the gold standard in 1931, and South Africa departed from it in December last. While, however, the pressure on the British Government was external, that on the South African Government was internal. The continuation of the agitation for the abandonment kept alive a feeling of insecurity. There were people in the country alive to the large profits they could make by anticipating such a change of policy to make this a factor of very great weakness.

Mr. Roos and "devaluation."

The occasion which set their united efforts to work on the task of weakening the defences of the gold standard was Mr. Roos's incursion into politics in favour of what he called devaluation, but what was in reality depreciation of the currency. Mr. Roos was at that time so ignorant of the forces at work that he did not realise that he would rally all the gamblers to his banner. Imagining that Mr. Roos was strong enough to break the Government and launch it on the tide of depreciation, they (the gamblers) depleted the country of so large a proportion of its cash reserves that the banks, headed by the Reserve Bank, were constrained to represent to him (the Minister) that unless he made use of his emergency powers to put them off the gold standard, many of their financial institutions would be ruined. So compelling was their case that the Government decided that the financial integrity of the country could not be held to be compromised by its departure from the gold standard under circumstances which left it no other alternative except financial collapse.

Mr. L. Blackwell (South African Party, *Bezuidenhout, T.P.*): "The gamblers won."

The Minister of Finance, replying in the affirmative, said he wanted to be perfectly clear on this point, not only for the knowledge of their own nationals, but also for the sake of their own financial reputation abroad. They realised that depreciation of the currency was a dangerous thing and would frame their policy in this knowledge.

Duty of Government to regulate currency.

They should realise clearly that the change over to the depreciated £ meant that to relieve the economic burden of the country it had become necessary to levy a toll on all those who possessed claims to money, in order to relieve the burden of those who had to pay money. At best this raid on the accumulative reserves of certain classes, and salaries and wages of other classes, could only be defended on the ground of supreme necessity arising from the economic plight of the country. It followed, therefore, that it should be limited in its scope to the extent to which the economic needs of the

country proved it to be necessary. It also imposed a duty on the Government to regulate its currency, a duty which did not exist under the gold standard; and it further imposed on the Government the duty to interfere in matters where interference was not formerly required, in order to smooth away unnecessary asperities which resulted from the change. It was not the intention of the Government to allow the South African £ to get out of hand. While, for the convenience of their trade, they were prepared to follow sterling, there were limits to the extent to which their banks could heap up sterling reserves against their liabilities in the Union.

Referring to speculations aroused as to a return to more stable conditions, the Minister said it stood to reason that their ultimate object must be a return to gold. He, however, regarded all suggestions of immediate devaluation or an immediate indication on his part as to the time and rate to which they should return as premature. Once they became detached from gold it became necessary to guide their course with close regard to the circumstances which were influencing the large company of unstable currencies which they had recently joined.

World Economic Conference: Exchange rates; linking Union currency to sterling.

All countries with unstable exchanges were longing for some measures of stability; the subject would, no doubt, occupy a good deal of attention at the World Economic Conference, and until they knew the results of that Conference it would be unwise of South Africa to launch out on any isolated scheme of stabilisation.

Referring to the action taken in December, when representations were made to him by the banks that within a short period of their re-opening after Christmas they would have to close their doors, Mr. Havenga said that under the Financial Emergency Regulations Act of 1932 Parliament had vested in the Governor-General certain powers under which a financial disaster of this magnitude could be avoided. These powers, which had been given with a view to maintaining the gold standard and were legally sufficient for the purpose, should, he felt, be used to safeguard the financial position. He had, however, by incorporating the Proclamation putting South Africa off the gold standard in the Bill now before them given Parliament the opportunity of expressing itself on this point.

Regarding the action which should be taken to regulate their exchanges, the Government were not prepared to use the Act mentioned, giving powers with the intention that they should be used for a different purpose, to regulate the exchange.

He accordingly notified the public through the Press on 28th December in the following terms:—

> The Chamber of Mines is free to dispose of the gold output of the mines in such manner as it may consider to the best advantage of the gold producers. The banks have a free hand for fixing the rate of exchange between South Africa and other countries. The Government has no intention under the present circumstances of influencing these rates in any respect. They will find their level in accordance with the current monetary and trade conditions. The future course of the country's monetary policy will have to be dealt with and determined by Parliament when it meets next month.

Mr. Blackwell: "Why didn't you then decide to link with sterling?"

The Minister of Finance said they were not prepared to devaluate. If the change had come about in such a manner it would have caused great embarrassment to the banks and to the public, and it would have upset conditions completely.

Regarding the Government's proposals for the control of the currency, he referred the House to the findings of the Kammerer-Vissering Commission in 1925 on the situation then existing. They stated their belief

> that South Africa is too small a country from an economic point of view to have a monetary standard so independent of the monetary standard of other countries, and that it is clearly to South Africa's advantage to tie up definitely with sterling, as Egypt has done, or with gold, as Canada is doing. The question is, which?

This, the Minister of Finance continued, was obviously based on the desirability of linking the currency of a small country to that of a large group in which the magnitude of the operations made determinations of price levels, in accordance with world economic forces, a matter of greater ease. South Africa, having now become detached from the latter of these two groups, it was the view of the Government that it should take such steps as to facilitate its closest co-operation with the former. It was, therefore, their policy to maintain the South African currency in as close an association with sterling as the circumstances of both these currencies would justify. It was not, however, their policy to follow sterling wherever it went.

Powers for managing the currency.

Dealing with various clauses, the Minister of Finance said, with reference to Clause 7 [now Section 9*], the Government had been forced to change over from a self-regulating to a managed currency, and adequate powers for its management were essential.

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* *Vide* p. 368.

Mr. Blackwell asked if they were repealing the regulation about British silver now that gold was no longer legal tender in South Africa ?

The Minister of Finance: "No. Why ? The British silver has already been brought in and there is not the slightest reason why it should be legal tender. We can make our own arrangement for silver."

It was true, he continued, that when circumstances in regard to the smuggling of silver at great loss to the country disappeared it was not so necessary to demonetise British silver. But as these circumstances arose and it was necessary, and seeing that the step was taken, there was absolutely no reason why they should go back on it.

Mr. Blackwell: "What about the natives ? "

The Minister of Finance: "Natives will have adequate facilities for relieving themselves of their silver. We gave notice all over the country, but in regard to natives where it is proved they are in *bona fide* possession and did not know of the Proclamation, the Treasury will take steps to right the matter."

While not wanting to discourage the spirit of greater confidence which was abroad, the Minister warned the public that they had a long way to go to complete the stern task of restoring economic prosperity. The sudden change in values of securities had given many people an entirely false perspective. It was necessary to remember that this had not been created by an addition to their consumable wealth, but merely by a revaluation which had transferred wealth from certain groups to certain other groups.

Repayment of loans.

Hon. P. Duncan (**South African Party**, *Yeoville, T.P.*) said Clause 2 * provided two separate methods of discharging an obligation, but they were not open to choice by the debtors. The first class was the debtor who was bound to pay in coins or notes or other instruments which were at any time legal tender in the Union. In that case his obligation was to pay so many pounds, whether gold or any other kind of pounds, these having been at one time legal tender in the Union. He could discharge the debt by paying bank notes. The next class was the debtor who was bound to pay in coins or notes, etc., which were not at any time legal tender in the Union.† He was bound to pay Union currency sufficient to provide the particular class of instruments which he bound himself to in this contract. If he contracted to pay in dollars he was bound to pay in as many Union notes as would buy the

* *Vide* p. 367.

† The sub-section (b of Clause 2, *vide* p. 367 and p. 379) ,relating to this class of debtor was struck out in Committee of the Whole House.

amount of dollars that he contracted to pay, at the value they stood at when the bond was contracted. Why should the man who contracted to pay in gold pounds be enabled to discharge his obligation in Reserve Bank notes, whereas if he contracted to pay in a foreign currency he was bound to pay in that currency ?

Bank reserve ; Minister as "dictator" ; Gold standard.

Regarding Clause 5 (2) [now Section 7 (*a*)] by which the Bank might lawfully reduce the reserve, which by the principal Act it was required to maintain in gold or specie, to not less than 30 per cent. of its deposits and Bills payable, he said he took it that the Bank was still allowed to keep 20 per cent. of the reserve in silver. He was not a banker, but he should have thought it was a waste of gold to lock it up in a reserve such as this, and that it would be better to have it invested in some security which would enable it to earn interest.

Clause 7 [now Section 9] put the Minister of Finance absolutely in the position of a dictator in banking and financial business in South Africa, and it went further than that Parliament should agree to. It was a very serious thing to ask Parliament to hand over complete control to the Minister for currency and financial business, repeal an Act of Parliament, and impose new legislation at his own sweet will. He agreed that the country would have been put in a very difficult position last December if the emergency regulations had not given the Minister power to go off gold ; it would have meant asking Parliament to come together and pass a Bill, and they knew what an effect that would have had on the business of the country. Therefore, certain arbitrary measures of power should be given to the Government, but they should be carefully limited.

The Prime Minister (**Gen. the Hon. J. B. M. Hertzog**) said that he and his colleagues were quite prepared in view of history to take all responsibility for their action in connection with the maintenance of the gold standard ; but it would be expected of Mr. Duncan and his followers that they would also be prepared to accept the verdict of history in relation to their attempt to push the country off gold. A point had been made that the Government had said that if they went off the gold standard the economic independence of South Africa would be affected by it. Was it denied that their economic independence was actually affected ? They were to-day in the position of no longer being able to decide what the value of their £ would be. It depended on what others in England decided ; and so much were they dependent on it that, according to this Bill, steps had to be taken to secure that that dependence should not bring them any further damage than they ought to bear.

They had never yet said that their only, or most important, reason was their economic independence. It was, indeed, given as a reason; any country which attached value to its economic independence would have appreciated the reason. But they never said they would sacrifice other interests, which were of greater importance to the country, in order to maintain their economic independence.

On 13th February,

Gen. the Rt. Hon. J. C. Smuts (Leader of the Opposition) said he thought there ought to be no vituperation, no venom, no bitterness, but gratitude to him, Mr. Roos, because he had rendered his Government a very great service by making it possible for them to bring in a Budget to meet the position and still to face the House. But they would not be able to face the country. Among all sections of the community the feeling was overwhelming that the Government had not only done the country the greatest disservice possible, but that it was wrong in clinging to office after what had happened. The South African Party had not come there to quarrel. The Prime Minister had said that they should remain on gold. For the first few weeks they were inclined to suspend judgment and see how things would go. It did not take them long to see that the country was going to be laid low and devastated by that policy. They (the South African Party) had never made it a Party question; they did not preach an economic doctrine, an abstract theory; but the Minister of Finance had been dominated right through by the obsession that there was something fixed, absolute and immutable in the gold standard. There was nothing of the kind.

The Minister of Finance: "There is such a thing as honour, and meeting your obligations."

Gen. Smuts: "Yes, that is so; but the gold standard itself has been a fluctuating measure. Has there been any fixity in gold? Gold or dollar, whatever you call it, has been moving up and down. We know how it has been moving recently, and we have seen how, for months, sterling has been practically stationary and gold has been altering its value. I think the only patriotic course was taken by this Party. . . If the Prime Minister thinks this is a proof of his patriotism, that agriculture has been let down as it has been under the gold standard, we take a different view of our obligations to this country, and we take a different view of patriotism. . . The Government misjudged the whole position."

Mr. R. Stuttaford (South African Party, *Newlands, C.P.*), referring to Clause 6 [now Section 8]* which permitted the Bank to buy both bills and securities in currencies other than that of the Union, suggested that it might be advisable to

* *Vide* p. 367.

link up this Clause with Clause 5,* so that the Bank could either hold its 30 per cent. reserve in gold or, say, 20 per cent. in gold and 10 per cent. in securities expressed in currencies outside the Union, or some other proportion which might be deemed advisable. There might be great difficulty in the way of the Bank being able to maintain its position unless it were allowed to hold British Treasury Bills and securities as part of the reserve. It was very important that the outside currencies should be linked with gold as security for the reserve fund.

Control of exchange.

The Minister of Finance's position now was that he was handing the whole of the control of exchange over to the Reserve Bank. It should be made clear to the Bank that they must always be prepared to find cover for the commercial banks' exchange transactions.

Clause 6 [now Section 8], Mr. Stuttaford added, vested in the Bank the power to control all the overseas exchange, and it also arranged that any profit or any loss arising from these transactions should be a profit or loss of the Consolidated Revenue Fund. It seemed to him that the responsibility of the Minister was very great in this matter. He was taking very grave risks, and he (Mr. Stuttaford) very much doubted after the last twelve months whether he had people in the Reserve Bank who had sufficient expert knowledge to carry on that business in the most favourable way in the interests of the country. He suggested that the Minister should bring to South Africa an expert having the fullest knowledge of the business of managing exchange.

Mr. J. Christie (Labour, *Langlaagte, T.P.*) said a managed currency was the one thing that a gold standard man abhorred, but he did not blame the Minister for undertaking it, because he (Mr. Christie) should have no more confidence in it if it were done by a Member from that (Labour) side of the House. He should see that the wage-earner was secured against loss, and that the speculator and the gambler should cease to make profits.

Mr. G. H. Nicholls (South African Party, *Zululand, N.P.*) said he welcomed the debate since it brought them to a common basis of agreement upon the matters which had been in dispute. If they were all agreed, and if the Government itself could agree that it had adopted the best course in leaving gold, they had arrived at a state of unanimity on economic matters which he thought would give greater confidence to the world outside and to people in South Africa than anything else they could do.

* Now incorporated in Sections 4 and 7, *vide* p. 367.

The best financial authorities in England and other countries said that great advantages would accrue to South Africa through their linking with sterling. There should be easier credit conditions and a long period of cheap money. They were practically now constructing an irrigation furrow to link up with the tremendous investment pool overseas, which would readily be available for the fertilisation of the industry and the service of the Union. He also saw a possibility through the adoption of the Bill of putting through a Loan Conversion Scheme to deal with their National Debt.

World Economic Conference : Britain and return to gold.

It had been said that the Chairman of the Bank of England had predicted that England would go back to gold. But Mr. Montagu Norman did not rule the exchange. The best opinion was that England was not likely to return to gold for some time. Sir Frederick Leith-Ross, the financial adviser to the British Government, who represented the British Government at the Preparatory Committee to the World Economic Conference, had stated at Geneva that Britain would be prepared to return to gold provided all Debt questions had been settled, all exchange restrictions removed, all trade barriers had been broken down and commodity prices raised. That was a very tall order, and he did not think it was likely to be achieved at the Conference.

They had never considered, Mr. Nicholls continued, their dual economic position : they were the producers of a commodity which all the world wanted, and which comprised 60 per cent. of their exports, namely, gold. For their gold they got prices in terms of commodities greater than ever before. On the other hand, they produced 40 per cent. of other commodities which went overseas and had to compete in a glutted world at prices which did not give a proper return to the producers. How were they harmonising these two things ? The Government had tried to square an impossible position. The Minister of Finance would not admit that their gold was a commodity. The argument that South Africa was suffering from depression because of the world depression did not hold water, because for 60 per cent. of their production they were getting more in terms of commodities for their gold than they ever got.

On 15th February,

Mr. R. A. T. van der Merwe (**Nationalist**, *Bethlehem, O.F.S.*) said they had reached a stage when they must carefully consider what policy they should pursue in the future regarding their currency. There were three ways South Africa could go : quitting the gold standard, which meant that their currency must find its own rate of exchange ; joining

up with the controlled currency of another country ; and devaluation. Now that they had quitted gold, the Minister of Finance, in his opinion, had followed the honourable course, namely, not to use the powers given to him to fix the rate of exchange in one way or another, but to allow the South African £ to find its own level according to the economic position of the country.

Proposal for a Select Committee.

Mr. F. C. Sturrock (**South African Party**, *Turffontein, T.P.*) suggested that, in view of the complexity and the very great importance of the provisions of the Bill, he Minister of Finance should agree to refer it to a Select Committee.

Dr. A. J. Stals (**Nationalist**, *Hopetown, C.P.*), referring to Clause 2, said he supported the action of the Government in having quitted gold in the circumstances, but they could not permit people to suffer in consequence of the actions of the Government who entered into contractual obligations before South Africa quitted gold. He deprecated the fact that now they had quitted gold they were going actually to link up with the currency of an external country. It did not matter whether it was Germany, France, or any one else. It conflicted with the policy laid down by the Nationalist Party and there must be a great necessity before the Minister could ask for such a radical change to be made in their currency.

There was no justification, he continued, for South Africa linking up with sterling now. It was a protective measure, to protect—he did not say with set purpose—the people who made money by the transaction, and he regarded it as a particularly serious factor. Money had been made by a small group of people out of the pockets of the great mass of the country. He referred to the large number of farmers who were suffering loss through the abandonment of the gold standard and to the employees on the railways, the Provincial Councils, and the Public Service.

Mr. R. H. Henderson (**South African Party**, *Hospital, T.P.*) said the Bill derived its real significance from the fact that South Africa had abandoned the gold standard in order that they might reap the full advantage of freeing themselves from gold. That also might have its disadvantages. The Minister had wisely suggested that they should not look for a return of confidence with any undue haste.

Money lost to the country.

Referring to the millions that had gone out of the country, he said the money should never have been permitted to leave —it should have been there to maintain the country during the crisis.

Many months, probably years, would pass before South Africa recovered from the effect of their remaining on the gold standard for an interminable time. There was a mistaken idea that the farmers alone were suffering; but there was no section of the community that had not suffered tremendously under the gold standard. Referring to their import trade in illustration, Mr. Henderson pointed out that while three years ago they imported £80,000,000 worth of goods, and last year £52,000,000, this year their imports were £32,000,000. Whatever Customs they put on that it was impossible to get their revenue up to that of preceding years.

Mr. M. Kentridge (**Labour**, *Troyeville, T.P.*) said that what had really taken place was that the financial position had been readjusted and they had done something like justice to the farming community and the debtors of South Africa.

Referring to Clause 6 [now Section 8], he hoped that when the Bill was sent to Select Committee the Clause would be given serious scrutiny, and that there should be some consideration as to whether some other method could be found to deal with the matter. He would prefer, for example, to see something in the nature of an Exchange Committee appointed, or even to get some real expert on exchange to deal with the matter.

In regard to Clause 7 [now Section 9], which gave the Minister of Finance dictatorial powers, they were very glad he had those powers, otherwise they would still have been in the parlous position of a few weeks ago. On the other hand, power was being given to him unreservedly to utilise this Bill, not merely for remaining off gold, but perhaps with indecent haste to return to gold. The Minister gave the assurance that for the immediate future, at any rate, he would not consider that idea. That assurance was strengthened by a statement made by him in one of his admirable speeches at the Ottawa Conference, of which the whole of South Africa was proud. He admitted that

> we realise the difficulties with which many States will be faced for some time to come in restoring the gold standard. We realise, too, that the old parities are no longer sacrosanct.

On 16th February,

The Minister of Finance said he was quite prepared to send the Bill to a Select Committee. This was not the kind of legislation anyone liked, and they would see what could be done to avoid hardship.

The Motion was put and agreed to and the Bill was read a second time.

On the Motion of the Minister of Finance, it was agreed that the Bill should be referred to a Select Committee for consideration and report.

On 28th February, in Committee of the House, on Clause 2,

The Minister of Finance, in moving that the Clause be omitted, and that the new Clause 2 (1), (2) be substituted, said the object of this Amendment was practically to surrender the provision made in sub-section (b) of the existing Clause. The Select Committee had great difficulty with the Clause. They either had to include a number of other cases, or to confine it to the cases of contract for the loan of money; and in view of all the difficulties, especially in view of the contracts entered into outside the Union providing for repayment in currencies other than Union currency, it was considered that the best course would be to pass this Amendment.

In reply to other Members, the Minister of Finance explained that the case he was trying to deal with was that of an existing loan, or it might be a new loan, granted after England left the gold standard, and the bondholder said to his debtor: "There is a possibility of South Africa going off gold, and unless you now give me an undertaking that, even if there is a departure from the gold standard, you will repay the amount of your bond in terms of the existing gold parity, I will call in that bond." The unfortunate debtor could not raise a new loan. He was forced, in many cases, to agree to such a condition or stipulation. That was the kind of case he (the Minister of Finance) was endeavouring to cover.

Other Amendments having been accepted, the purport of which is shown in the above summary of the Act, the Bill, as amended, was subsequently read a third time.

On 2nd March, in the Senate, the Bill passed the Second Reading and Committee stages, was reported without Amendments, and read a third time.

POSITION OF THE GOVERNMENT.*

(Suggested formation of a National Government; Gold industry in South Africa; Mr. Roos and the new situation; Reasons for Coalition.)

On 24th January, in the House of Assembly, a debate took place on a Resolution, moved by Gen. Smuts (Leader of the Opposition), proposing that the Government should tender its resignation in order that a National Government might be formed.

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* This debate took place before the formation of the Coalition Government (*vide* p. 357).

DEBATE IN HOUSE OF ASSEMBLY.

On 24th January,

Gen. the Rt. Hon. J. C. Smuts (Leader of the Opposition) moved

That in view of the fact that the Government, despite the assurances repeatedly given by it, has remained in office while abandoning the gold standard, and has therefore now to give effect to a policy which it has condemned as fatal to the interests of the country, and in view, further, of the grave economic conditions which prevail to-day, this House considers that the Government should tender its resignation forthwith and so afford an opportunity for the formation of a National Government.

The Motion, Gen. Smuts said, though apparently in form a Motion of "no confidence" in the Government, was in reality an appeal for a new start of politics in South Africa. The people were sick and tired of Party wrangling and longed for nothing more than a cessation of Party strife and for some constructive effort to put their politics on a new basis.

Apprehensions in the country.

They had noted with deep apprehension and foreboding the repeated statement of the Prime Minister that they were heading for one of the most bitter racial conflicts. It was this foreboding of evils to come and the futility of political wrangling which were behind the Coalition movement. The appearance of Mr. Tielman Roos on the political scene had brought it to a head, and all credit was due to him for having tried to raise the public life of the country out of the purely Party rut into which it had fallen.

Public opinion was overwhelmingly behind the movement for a National Government on broad lines, and there was no other way in which a National Government could be secured except by the resignation of the Government.

It was open to the Prime Minister to take the initiative, and the Motion under discussion, if acceded to, would give him that opening. If he refused, let others have an opportunity to form a National Government. "I say here quite definitely," said Gen. Smuts, "that if as a result of this Motion I receive the honour of having to form a Cabinet in this country, I shall look upon it not as a Party occasion to be used for the purposes of the South African Party, but I shall do whatever I can, by conferring with the other leaders in the country, by trying to secure co-operation with the other leaders, to form a National Government. I should look upon it as a mandate. I do not think that any personal consideration should stand in the way at all when we are faced with the biggest emergency that this country has been faced with since the Boer War."

The Prime Minister (Gen. the Hon. J. B. M. Hertzog) asked what object it was intended to gain by such a "National Government" which could not be obtained by the existing Government, or by a Government made up from the Opposition? How long was this National Government to continue? When it ceased to exist, would the former divisions caused by the Party government system of Government and Opposition have to be resumed? Out of which Parties would a National Government be constituted? Supposing it was composed of representatives of each of the three existing Parties, which Party was to be followed when there was a difference on policy or Party principles? Which Party's policy, for instance, would have to be followed in case of dispute as to the maintenance of equal language rights, in case of a difference about the continuation of subsidies of the protection of wheat and meat, a dispute about land tax, or the institution of a State Bank, etc., etc.? Who would be the Prime Minister?

It was represented that a Coalition between the Nationalist Party and the South African Party had become a necessary remedy to obtain racial conciliation and co-operation in South Africa. He not only wished to deny this necessity, but he felt compelled in the most definite words to deny any desirability of seeking along such lines a solution of the racial divisions which had been a cancer in the public life of the people. But the improvement of the relations between Afrikaans- and English-speaking people was a great duty to which they were all called to contribute in seriousness and honesty. He repeated his invitation to his English-speaking fellow-Afrikanders to take the hand of national South Africa and to identify themselves with her in her devotion to their common Fatherland and its interests.

He moved the following Amendment:—

To omit all the words after "that," and to substitute "this House expresses its confidence in the Government."

Time for a truce.

Hon. P. Duncan (South African Party. *Yeoville, T.P.*) said the time had come when a truce had to be called, and when they had to take stock and see whether the lines between the Parties corresponded with real social and economic differences, or were relics of the past which were best swept away. Party, after all, was a means to an end; it was for the interests of the whole nation and not for any section of the people. When it became an end in itself and took away the attention of the people from the real solution of their problems it was time to call a halt.

Mr. C. R. Swart (Nationalist. *Ladybrand, O.F.S.*) said that when people talked about Coalition they surely had the right to ask what was the object of such a Coalition? There might be, as was the case in Great Britain, certain problems to be

tackled that one Party could hardly carry out. They formed a Coalition for the sake of certain big matters so that no Party should get the blame.

Gold industry the only hope.

On 25th January,

Mr. R. Stuttaford (**South African Party**, *Newlands*, *C.P.*) said the key to the whole position, the only hope they had of going back, not, perhaps, to prosperity but to a certain recovery, was to deal soundly, practically and sensibly with the gold industry. They had the one industry—and they were the only people in the world possessing it to such an extent—in which the product was at a premium. Instead of being down in the depths they ought to be well on the road to recovery. There could be no more short-sighted policy than to try to go on giving doles to the farmers and providing unsatisfactory work for the unemployed, instead of developing the gold industry and allowing that to cure those evils permanently.

Sir Ernest Oppenheimer (**South African Party**, *Kimberley*, *C.P.*), pointing out that the National Government in England was formed to balance the Budget, to correct the abnormal external trade position and, by sound conservative finance, to restore confidence in the pound, said that was what South Africa should do. He believed it was what the people wished to do, and it was this that he appealed to the present Government to make possible.

Dr. H. Reitz (**Nationalist**, *Brits*, *T.P.*) declared himself in favour of a Coalition Government. The Prime Minister should take his four best Ministers and join hands with the Leader of the Opposition and his four best men. There was only one man to-day who had the confidence of the people of the Union as a whole, and that was Mr. Tielman Roos.

If the Motion turned out to be one of no confidence in the Government,—and as far as he could see that was what it meant,—and if the result of passing it would be that the South African Party pure and simple was going to be the Government, then he was going to vote against it. If it appeared very clearly that if the Motion was agreed to the result would be the bringing about of a real Coalition Government consisting of the best available Members of both sides of the House, then he was going to vote for the Motion whether it was one of no confidence or not.

Problems beyond Party solutions.

Mr. M. Kentridge (**Labour**, *Troyeville*, *T.P.*) said it would be better for all sections of the community if the policy to be followed now that they were off gold should be carried out

by a National Government. They had had a Select Committee sitting for years trying to arrive at a solution of the native question. Assuming that the Committee were not to succeed, surely it would be a desirable thing to establish a National Government to deal with the question ; and assuming that the Committee did succeed, it would be a very much better thing for the country that its decisions should be given effect to by a National Government.

Their Provincial system was a constitutional issue which it would be desirable to settle by a National Government in the spirit of the National Convention.

With reference to the question as to whether the Rhodesias would eventually co-operate with South Africa or with Central African Territories, Mr. Kentridge expressed the opinion that if a National Government were established, dealing on a broad basis with these questions, it would be a very much easier matter to come to an arrangement by which co-operation would be brought about. Regarding native territories again he claimed that it would be an easier matter to negotiate with the Imperial Government and to deal with them under a National Government, than under a Party Government which was subject to suspicion.

On 26th January,

The Minister of Defence (**Hon. F. H. P. Creswell**) asked if such a Government would work ? Were their political habits such as to warrant the belief that a National Government would last for a week ? He did not think the public desired a National Government ; what they desired was less mere wrangling and more candid discussion in Parliament. Neither did he agree that racialism would be cured by a National Government ; but it would disappear if more and more men of English stock would range themselves on the Government side for the carrying out of real English traditions, and not the spurious English traditions of the Opposition. Until the English as well as the Dutch section realised that they were equal subjects of the King, for so long they would have racialism in South Africa.

Political " peace offensive " ; Gold standard and Mr. Roos.

The Minister of the Interior (**Dr. the Hon. D. F. Malan**) said National Governments had been formed in various parts of the world in extraordinary circumstances but, so far as he recollected, such a movement had always proceeded from the side of the Government Party. The movement on the part of the Opposition was a statement of its bankruptcy, an acknowledgment that it did not consider itself able to get a majority in the country with its own programme. If that was not the case, then it meant the continuance of a political war

in another form. It was nothing else, but was called during the world War a peace offensive.

Position changed.

On 30th January,

The Minister of Finance (Hon. N. C. Havenga) said, with reference to the gold standard, it had been implied that the Prime Minister, having been to his constituency, found that the farmers were so opposed to his policy that he decided to quit the gold standard. There was no truth in that. In the middle of December he (the Minister of Finance) stated in Pretoria what the policy of the Government was, and there was no question of an alteration. Then Mr. Roos intervened in politics, and that created an entirely different position. The moment he appeared on the scene a large part of the public got the impression that it was finished with the Government, and that there were enough deserters on the Government side to force it off (the gold standard). Withdrawals of the balances in the banks then assumed such proportions that the banks would not be able in the long run to meet the demands.

" Where in England," said the Minister of Finance, " you had a withdrawal of balances from people abroad who were afraid of the safety of their investments, we in the Union had our own citizens who, in the first place, constantly sent money to other countries to make a profit, and who later, in consequence of the view they held about the political position—that the Government would not be able to maintain their position—commenced a rush on the banks which brought the whole edifice of their banking institutions into danger. It was in these circumstances that, just as effectively as England was compelled in 1931 to depart from the gold standard, we were also obliged to do so."

The Minister of Agriculture (Gen. the Hon. J. C. G. Kemp) asked if the South African Party were offering a Coalition Government to negotiate with the deserters from the Nationalist Party? If they wanted racial peace, they should introduce a Motion that both sections of the population should be treated on absolutely the same footing.

" We, the Dutch-speaking section," he said, " refuse to occupy an inferior position to the English-speaking section in South Africa. As long as you suffer from your superiority complex there will be no racial peace. We are prepared to co-operate, but then you must not try to despise us."

Was there one constituency represented by a Nationalist where Motions of " no confidence " had been passed? There was not a single one except where Members had departed from the policy of the Government. It appeared, therefore, that the position of the Government was just as strong as before.

On 1st February,

Gen. Smuts said he did not want to start a general indictment of the Government. His intention was to focus the attention of the country on what, to him, was a subject of paramount importance—the necessity for the most serious effort possible to get out of their rut. They had an economic crisis, apparently unparalleled in their recent history, and people were troubled that the Parties were still divided instead of being united to help them over the crisis.

Agreement on fundamental issues.

There was a very large measure of agreement on the fundamentals of public policy. They sometimes thought they were still where they were ten or twenty years ago; but they had made enormous progress. Every patriotic South African was agreed on the status of the country, what they called " Dominion " status. No one questioned their position as a Dominion in the British Commonwealth of Nations. No sane South African questioned the equality of languages; and he believed that the people to-day, of whatever race or language, had accepted and abided by the flag settlement reached some years ago.

He thought they looked on both sides of the House for cordial co-operation in their Commonwealth as the basis of their policy, and the people of South Africa were agreed that the absence of the racial taint should be the natural course steered by them. There was agreement on big economic questions, and the people of all Parties were united in the view that they should do everything they could to save the farmers, and make the countryside prosperous once more, and also make provision to have their mining industry as long as possible for South Africa.

" I have been asked," General Smuts continued, " ' Why did you enter into the Roos negotiations if you are sincere ?' . . I have been convinced from the very start that Coalition was the thing for this country. Mr. Roos was the first man to approach me. I have had nothing but discouragement from the public declarations of the Prime Minister. The Prime Minister has for years, and also quite recently, taken the line that the difference between the Parties is so great, the difference on fundamental issues is such, that there is practically no scope for co-operation. Mr. Roos, on the contrary, came to me, and I did not refuse to enter into discussion with him. . . I have done my best to explore with him a way to a new policy in South Africa. . . I have tried to make it easy for the Prime Minister to look at this matter from a new angle, and I still take that view that what I am indicating here in my Motion for a National Government is the only way out of most of the trouble which we are in to-day.

"If we want to serve this country, the best thing is to come together, and for the leaders to act in the best spirit . . and show, in our leadership, whether we are serving that longing for peace, quiet and progress which is in the hearts of the people of the country. I ask the Prime Minister not to wait for that. We have the occasion now; public opinion has never been so ripe. The mood may pass, and we may enter on a different South Africa, where political passion may be inflamed, and where political bitterness may be greater than it is to-day. I see these tendencies even in this debate . . and the only way to allay it is to call a truce to this faction fight."

The House accepted the Amendment proposed by the Prime Minister and the Motion, as amended, was put and agreed to, viz.:

"That this House expresses its confidence in the Government."

IRISH FREE STATE.

The following summary deals with some of the debates in the Session of the Dáil which was dissolved on 3rd January, 1933, and with some of the first proceedings of the new Dáil, which assembled on 8th February, 1933. On 4th April the Dáil adjourned to 26th.

COMPOSITION OF NEW GOVERNMENT. (*Note.*)

On 8th February, when the Dáil assembled after the General Election,* Mr. E. de Valera was re-elected President of the Executive Council. Later the composition of the new Executive Council was announced to be as follows:—

President and Minister for External Affairs	Mr. E. de Valera.
Minister for Local Government and Public Health and Vice-President of the Executive Council	Mr. S. T. O'Kelly.
Minister for Industry and Commerce	Mr. Sean Lemass.
Minister for Justice	Mr. P. J. Ruttledge.
Minister for Finance...	Mr. Sean MacEntee.
Minister for Education	Mr. Thomas Derrig.
Minister for Defence...	Mr. Frank Aiken.
Minister for Agriculture	Dr. James Ryan.
Minister for Lands and Fisheries ...	Senator Joseph Connolly.
Minister for Posts and Telegraphs...	Mr. Gerald Boland.

The only changes in the Executive Council are the retirement of Mr. James Geoghegan from the Ministry for Justice; the transfer to Justice from Lands and Fisheries of Mr. Ruttledge, who is replaced by Senator Connolly, formerly Minister for Posts and Telegraphs; and the appointment to the last-named portfolio of a new Minister in the person of Mr. Gerald Boland, who was formerly Chief Government Whip.

EXTERNAL AFFAIRS.

(New Consulates in the United States; Ottawa Conference: powers given to Delegates.)

On 4th November, 1932, in the Dáil, in moving the Vote for his Department,

The Minister for External Affairs (Mr. E de Valera) said the Vote showed a net increase of £17,700, which was chiefly due to increased allowances to officers in foreign countries with currencies still on the gold standard. The Government had arranged to appoint a Consul in Chicago, and a Commercial Secretary in Paris. The Free State Minister to France had also been accredited to Belgium as well.

* *Vide* JOURNAL, Vol. XIV., No. 1, p. 164.

Mr. P. McGilligan (**Cumann na nGaedheal**, *National University*) asked what was the position of the Irish Delegation that went to Ottawa. Were they tied to the telephone the whole time?

The President, replying to questions, said that the Government was considering the appointment of a Consul in San Francisco as well as in Chicago. There had been a revenue of £40,000 in fees collected by the Irish Free State Consuls, in connection with passports, visas, and so on. The United States was in a peculiar position for the Free State representatives, because more visitors came to Ireland from the United States, and there were more Irish Free State nationals in the United States who were interested in coming to Ireland, or in other matters concerning it, than probably in any other country. In the long run the Chicago Consulate should be a matter of direct profit. More could be got in fees through Consulates in Chicago and San Francisco than they would cost.

Regarding Ottawa, the President said the Delegation went there because other countries besides Britain were represented. The Delegates were given instructions, with adequate powers, under safeguards which were considered to be valuable.

LAND ANNUITIES.

(Question of arbitration: Imperial Conference Report; Saorstát nationals and suggested tribunal.)

On 7th December, in the Dáil,

Mr. P. McGilligan (**Cumann na nGaedheal**, *National University*) asked the President whether, having regard to paragraph (3) of the dispatch of 6th July, 1932, received by him from the British Secretary of State for Dominion Affairs, he still adhered to his statement in the Dáil on 7th October, that the British Government had signified its readiness to arbitrate on the question of the land annuities provided the tribunal was of the character outlined in the 1930 Imperial Conference Report?

The Vice-President (**Mr. S. T. O'Kelly**), replying for the President, said: "The passage in my speech of 19th October cited by the Deputy referred to the original attitude of the British Government on the question of arbitration. The dispatch of 6th July indicated no change except in detail; the British Government still adhered, and, so far as we are aware, still adheres, to its refusal to refer the dispute to a freely chosen tribunal."

Mr. McGilligan quoted from the dispatch the passage concerned:—

> The form of tribunal which His Majesty's Government in the United Kingdom have proposed was that recommended at the Imperial Conference of 1930 and, for that reason, this form of tribunal still seems to them to be the most appropriate. Nevertheless, they are ready, in order to arrive at an amicable settlement, to consider any variation in the form of tribunal which His Majesty's Government in the Irish Free State may wish to suggest, so long as its members are drawn from within the British Commonwealth,

and asked, had there not been a change?

The Vice-President: "There has been no change in the character of the tribunal."

Mr. McGilligan asked, was there anything to prevent nationals of the Irish Free State being appointed as representatives or as nominees of the Government, or if there was anything to prevent a national of the Free State being appointed as chairman of the tribunal?

The Vice-President: "There is nothing to prevent nationals of the Free State being appointed on any tribunal that might be agreed upon."

RELATIONS WITH NORTHERN IRELAND.

(Conciliation of Ulster; Irish unity and partition.)

On 1st March, 1933, in the Dáil.

Mr. F. MacDermot (**Centre Party**, *Roscommon*), in moving the following Resolution:—

> That in the opinion of the Dáil a reunion of the Irish nation founded on good-will should be the primary object of our Government policy, and that every other constitutional issue should be subordinated thereto,

recalled that the Farmers' and Ratepayers' League, founded in September, 1932, had adopted the abolition of partition as one of their principal aims. They had proposed to abolish partition by removing the animosities which were the cause of it. In joining the British Army and serving in the European War, said the Deputy, the vast majority of those who acted as he did thought that by so doing they could accomplish a great deal towards the conciliation of Ulster. That hope had been shattered by the events of 1916 and what followed.

This Motion, he continued, was not being introduced as tactics to distract the Government from declaring a Republic. If the Government were to declare a Republic to-morrow either for the 26 Counties [of the Irish Free State] or for the 32 Counties of all Ireland, the Deputy said he would not be at all dismayed. A Republic in prospect, and all the propaganda connected with a Republic in prospect, were, he thought,

even a more formidable barrier in the way of reunion than a Republic in being. A Republic might be a stage on the road to unity which could not be cut out, even though it took them far out of the direct way. But, if so, let them start and get it over. Some day they would return from Eldorado with a great many illusions shattered.

Conciliation and good-will.

The Resolution asked the Dáil to take the view that such issues as the Governor-General and the Oath and the Republic were trivial in comparison with Irish unity, which could only be founded on good-will. The late Kevin O'Higgins had said that they should think a lot about partition but never talk about it. The Deputy could not agree with that view, because if it were not talked about by sensible men, policy might be so conducted as to perpetuate partition. Moreover, the Nationalists of the North should not feel themselves deserted. Ninety per cent. of the Northern Nationalists were pro-de Valera now because they had been allowed to form the impression that the Cumann na nGaedheal Government was indifferent to their fate.

The President of the Executive Council (Mr. E. de Valera) claimed that his Party had repeatedly said that they regarded partition as the greatest crime ever committed against Ireland. But had anybody suggested how the crime should be undone? "I claim that we have shown good-will," he said; "that as far as we are concerned, and our brethren in the North, on every possible occasion we have shown that we want them to enjoy the advantages of a free Ireland on the same terms as everybody else. We want no privilege for anybody in this country, and we are denying no equality to anybody." Partition had taken place against their will. When negotiations were first entered into with the British in 1921, they had put it first and foremost as the basis of any settlement between the two peoples. One of the principal reasons why he had opposed the Treaty was because he saw that the Treaty ultimately did mean partition.

No intention to coerce.

Continuing, the President contended that the Motion was not needed, as everyone would do everything humanly possible to end partition. But no solution had been put forward. "We say that we cannot coerce them," he said; "we will not coerce them, even if we could. That is not our purpose." It was suggested that if they did this or that, it would give offence to the North. They were being blackmailed, so to speak, constantly by that cry. But those objectors should suggest how reunion was to come if they refrained from the other action. Abolition of the Oath would,

he hoped, provide for internal peace in the rest of Ireland. If the Motion were intended as a mere demonstration of desire for the unity of Ireland his Party would vote for it, but they saw no purpose it could serve. The only policy for abolishing partition that he could see was for them, in their part of Ireland, to use such freedom as they could secure to get for their people such conditions as would make the people in the other part of Ireland wish to belong to it.

The Motion was passed without a division.

CONSTITUTION (REMOVAL OF OATH) BILL.

(Rejection of Senate's Amendments; Opposition's plea for negotiation.)

On 1st March, in the Dáil,

The President of the Executive Council (Mr. E. de Valera), in moving the following Resolution:—

It is hereby resolved, under Article 38a of the Constitution, that the Constitution (Removal of Oath) Bill, 1932, be again sent to Seanad Eireann in the form in which it was first sent, with the following modification which is necessary owing to the lapse of time since it was first so sent, that is to say, the substitution in Section 4 of the figures "1933" for the figures "1932,"*

explained that, under the Constitution, if a Bill was rejected by the Senate, or passed with amendments to which the Dáil did not agree, it could be sent once more to the Senate after a period, and if the Senate did not pass it within sixty days, it would become law on a further resolution being passed by the Dáil. An election had been held, and the necessary period ended on 8th February.

Mr. P. McGilligan (Cumann na nGaedheal, *National University*) opposed the Bill as being an acknowledged breach of the Treaty. They were now turning their backs on the method of negotiation and agreement. The Treaty still stood, and at least had not been formally denounced. His Party believed that both the temporal and spiritual welfare of the people would be benefited by keeping the pledges which had been given. They asked that the method of negotiation and agreement should be tried. If the President would only survey from the inside the progress that had been made in changing certain aspects of the Treaty by negotiation, he would see that he was now in a very strong position to act through negotiations. Concluding, the Deputy asked whether

*For summary of Bill as originally drafted *vide* JOURNAL, Vol. XIII., No. 2, p. 523; and for summary of debates in the Dáil and Senate, *vide* No. 3, p. 764.

the Government's attitude towards the Treaty would lead more speedily to national reunion?

The Motion was carried by 75 votes to 49.

The Bill was brought before the Senate on 8th March, and the Second Stage was adjourned for one week. On 15th March the Senate declined to give the Bill its Second Reading.

RAILWAY GOODS TRAFFIC.

(Decline in merchandise and livestock.)

On 8th March, in the Dáil,

Mr. D. O'Leary (Cumann na nGaedheal, *Cork County, N.*) asked for figures comparing the gross receipts derived by the Great Southern Railways Company from goods trains traffic during July-December of 1931 and 1932.

The Minister for Industry and Commerce (Mr. S. Lemass) said that the gross receipts were as follows:—

	Merchandise.	*Livestock.*	*Total.*
	£	£	£
26 weeks to end of 1932 ...	660,946	122,937	783,883
26 weeks to end of 1931 ...	818,862	219,992	1,038,854
Decrease, 1932	157,916	97,055	254,971

NEWFOUNDLAND.*

The First Session of the Twenty-eighth Parliament opened on 11th April, 1933. A summary of the Governor's Speech is given below.

GOVERNOR'S SPEECH.

(Imperial Economic Conference; Industry and trade; Financial situation: Royal Commission appointed; Labrador; Barter of pit-wood for coal; etc.)

Parliament was opened on 11th April, 1933, by the Governor (Sir Murray Anderson). The following is a summary of his Speech:—

IMPERIAL ECONOMIC CONFERENCE.

The Speech referred to the Imperial Economic Conference at Ottawa and to the representation of Newfoundland by the Prime Minister and Minister of Justice; and stated that it was impossible to appraise at their full value the results that would accrue, but there was no doubt that in the years to come the Empire would benefit largely from the work of the Conference.

INDUSTRY AND TRADE.

During the past fiscal year they had seen lower production in connection with all their industries. The codfishery was slightly short of the catch the previous year, while the value was considerably lower. The export of pulp and paper were under the figures, both in quantity and value, for the year ending June, 1931. The export of iron ore from Bell Island was less than half that of the previous year; but the production at Buchans of lead and zinc concentrates greatly exceeded the figures for the same period, both in tonnage and value.

Imports during the past year had amounted to $18,135,000 and exports to $26,689,000. The total trade amounted to $44,824,000 as against $58,798,000 in the previous year. The difference was caused by smaller imports, lower production and the reduction in value of all commodities.

The sealing fleet had obtained a fair measure of success.

They were experiencing in full measure the effects of the present world economic disturbances. The great underlying cause of Newfoundland's difficulties lay beyond the power of the Legislature. While prices received for their products remained at the present low figures they could not expect a return to prosperity. The decline in the purchasing power of the people had resulted in a reduction of business and accentuated unemployment.

RELIEF FOR ABLE-BODIED PERSONS.

Ministers had had to meet an extremely distressing situation in connection with the relief of able-bodied persons unable to provide the means of livelihood for themselves and their families.

FINANCIAL SITUATION: APPOINTMENT OF ROYAL COMMISSION.

The financial experts had hoped that the Budget submitted to the last House of Assembly would work out satisfactorily. Unfortunately, the Revenue had proved to be short of the estimate, while the reduction

* *Vide* also under "United Kingdom" and "Canada."

in Expenditure was not sufficient to produce a balanced Budget. In spite of reductions they could not meet their liabilities in respect of interest on the Public Debt, and a sum of $1,250,000 had been placed temporarily at their disposal by Great Britain and Canada.

Ministers had given much thought to the financial and economic situation—a situation which was serious because of their large Public Debt and the international conditions that were outside their control. The position was so unprecedented that they welcomed the presence of the Royal Commission,* which was holding Sessions with a view to reporting upon the financial situation and prospects of the Dominion.

The financial statement covering operations of the last fiscal year showed a large deficit on current account, and the current year would show an excess of Expenditure over Revenue in spite of drastic economies.

With regard to the next fiscal year, Ministers proposed to await the Report of the Royal Commission before placing Estimates and Budget proposals before the House.

CREATION OF A DEPARTMENT OF LABOUR.

The labour problem had led Ministers to create a Department of Labour, and a Bill for the purpose would be prepared for consideration.

DEVELOPMENT OF LABRADOR.

Earnest consideration had been given to the question of Labrador and its development. It had always been held that the territory was valuable, not only because of its coast fishery, but also because of its timber areas, water power and mineral wealth. Confirmation had been obtained with regard to the mineral deposits, and samples indicated that gold ores of high value were contained therein. Other valuable minerals had also been discovered. Ministers were taking steps so that when prospectors entered the country the work should proceed under proper regulation and Government authority be in effect.

BARTER PROPOSITION : EXCHANGE OF PIT-WOOD FOR COAL ; ETC.

The Speech noted the re-awakening of interest in agriculture.

A Bill would be submitted for the confirmation of an Agreement between the Government and a firm in Wales making provision for the carrying out of a barter proposition under which they exchanged pit-wood for coal. A number of other Measures would be brought before Members ; and the Reports of the various Departments would be submitted in due course.

ELECTION OF SPEAKER OF THE HOUSE OF ASSEMBLY.

On 10th April, after Members of the House of Assembly had been sworn in, on the motion of the **Prime Minister and Minister of Finance (Hon. F. C. Alderdice)**, seconded by **Mr. F. G. Bradley (Leader of the Opposition), Mr. J. A. Winter (United Newfoundland Party**, *Burgeo*) was unanimously elected Speaker of the House of Assembly.

* The Commission consists of the Rt. Hon. Lord Amulree, G.B.E., K.C., C. A. Magrath, Esq., LL.D., and Sir William Stavert, K.B.E.

INDIA.

The following is a summary of some of the proceedings of the Fifth Session of the Fourth Legislative Assembly, which opened at New Delhi on 1st February, 1933, and closed on 12th April ; and of the Fifth Session of the Third Council of State, which opened on 16th February. This summary also includes an item left over from the previous issue of the JOURNAL (*Vol. XIV., No.* 1).

VICEROY'S SPEECH.

(Improved political outlook ; Indians in South Africa ; Menace of civil disobedience ; Constitutional reform ; Reserve Bank Bill ; Improvement in India's credit.)

On 1st February, 1933, the Viceroy (Lord Willingdon) addressed the Members of the Indian Legislative Assembly at the opening of the Winter Session. The following is a summary of his speech :—

He wished to express his thankfulness for the fact that during the past few months there had been a most satisfactory change in the political outlook throughout the whole country, brought about, as he thought, by a feeling of confidence in the belief that he and his Government were striving with absolute sincerity to advance as rapidly as possible constitutional reforms, and at the same time to secure the peaceful conditions which were so essential in starting their new form of administration whereby Indians would be given control of their administrative affairs.

FOREIGN RELATIONS.

India's relations with her neighbours had continued to be of the most friendly character. Their policy of peaceful penetration among the tribes of the North-West Frontier was producing excellent results, and he was informed that the administered districts of the North-West Frontier Province were enjoying unprecedented freedom from trans-border raids. He took this opportunity of acknowledging the friendly co-operation they had received from the Afghan Government in dealing with the tribal problems on their common border. He must express his deep regret at the death of His Highness the late Maharaja, Sir Bhim Shumshere Jang Bahadur, Prime Minister and Commander-in-Chief of Nepal, which had robbed Nepal of a distinguished statesman and India of a staunch friend. But they could find consolation in the fact that he had been succeeded by one whose qualities gave them confidence that the association between their two countries would be as close and mutually helpful in the future as it had been in the past.

INDIANS OVERSEAS.

Lord Willingdon went on to say that the world-wide economic depression had inevitably had its repercussions on Indians overseas. In Ceylon and Malaya Indian labour employed on the tea and rubber estates had felt the effect of the fall in the prices of these commodities.

Wages had to be reduced, but his Government had endeavoured successfully with the co-operation of the Governments concerned to prevent such reduction from adversely affecting the labourers' standard of living. For those who were unwilling to work on reduced wages, facilities for repatriation to their homes had been secured. In South Africa also unemployment was common among Indians, especially in Natal. But the Indian Government's Agent there had made representations for relief to the Union Government, which they had reason to believe had proved fruitful. The only other point which he need touch upon before passing from this subject was the appointment last October by the Union Government of the Commission to inquire into the occupation by Indians of proclaimed land in the Transvaal. The Commission, presided over by Mr. Justice Feetham, of the Supreme Court of the Union, had started work, and the Government of India awaited its Report with keen interest.

THE OTTAWA AGREEMENT.

In referring to the Ottawa Conference, Lord Willingdon said he had followed with keen interest their proceedings during the last Session with regard to the Trade Agreement which was made at Ottawa by his Government with His Majesty's Government in the United Kingdom, and it naturally afforded him the utmost satisfaction that the decision at which the Assembly arrived after prolonged consideration confirmed the action which his Government had taken in sending their representatives to the Imperial Economic Conference and in concluding a Trade Agreement. That their decision was a wise one he firmly believed and he should look forward with great interest to the results of the periodical examination which they had decided to impose on the working of the Agreement, in order to test, in the light of actual experience, its effect upon Indian commerce and industry. He sincerely trusted this new departure in their tariff policy would be found to have justified itself and to have been of definite assistance towards that revival of commercial prosperity which they all so anxiously desired to see effected.

MEASURES AGAINST CIVIL DISOBEDIENCE.

Lord Willingdon, continuing, said he expected hon. Members would remember several occasions on which he had emphasised the determination of his Government not to relax the measures in force against civil disobedience so long as circumstances existed which made them necessary. He was glad to think that not only had that policy had the anticipated effect of reducing still further the proportions of the movement, but that it had commended itself to the judgment of an ever-increasing number of moderate men, who realised the harm done to the political and economic interests of the country by the disastrous policy pursued by the Congress. In order to prevent a recrudescence of the movement it was necessary for his Government to ask the Legislature to strengthen the general law by the inclusion of a considerable number of the provisions of the consolidated Ordinance which expired at the end of December. It was an invidious task for a Legislature to enact special, even though temporary, measures of this character, and it could not be expected that a Legislature would shoulder the responsibility unless it was convinced of the reality of the menace from which the country required to be protected. The experience, however, of the last few years had made that menace too plain to be ignored, and not only the Central Legislature, but the Legislatures in all those Provinces where the civil disobedience movement had been most intense had, with no uncertain voice, given to the Government powers whereby the forces of disorder could be kept in check, and to the country the prospect of a steady return to peaceful conditions. He regretted that there were not as yet any open signs of recognition on the part of the leaders of the movement of the harm their policy had caused to the country and, though their efforts to revive enthusiasm met with little success, they still remained pledged to that policy. He was firmly convinced, however, that the march of events would gradually carry them farther and farther away from the sterile methods of negation and obstruction, and that, in spite of themselves, they would find they were caught up in living forces of constructive politics, which the near approach of the new Constitution was releasing on all sides.

After describing the powers given to the Bengal Government by the Bengal Legislative Assembly to suppress terrorist outrages, Lord Willingdon stated that the despatch of troops to the Province had also had a reassuring effect on the loyal population, and he believed had helped to convince the anarchical element that the Government were prepared to use all their powers to stamp out this evil. He hoped that he was not too sanguine in thinking that public opinion was ranging itself in a more practical way against the doctrines that led young men astray.

THE ROUND TABLE CONFERENCE.

Referring to the proposed Constitutional Reforms, Lord Willingdon said that since their return from England he had taken the opportunity of meeting individual delegates from the Round Table Conference. From the remarks they had made to him it was clear that the personal contacts they had established with Members of the British Delegation had left them in no doubt of the evident intention of His Majesty's Government to press on to a conclusion the great work to which they had set their hand. There was one passage in the speech of the Secretary of State at the conclusion of the Conference to which he would particularly refer. They would remember that some pressure was put on the Secretary of State by Members of the Indian Delegation to enter a definite date in the Bill at which the time of federation should come into being. The Secretary of State explained the grave difficulties in the way of that suggestion, but gave two pledges, the importance of which he (Lord Willingdon) felt sure had not been lost on public opinion in India.

In the first place, the Secretary of State declared it was not the intention of His Majesty's Government to inaugurate any kind of provincial autonomy under conditions which might leave Federation to follow as a mere contingency in the future. In the second place, speaking not only for the British Government but for the British Delegation as a whole, he stated that between then and the passage of the Bill His Majesty's Government would do everything within their power to remove any obstacles that might stand in the way of Federation coming into being at as early a date as possible.

BRITISH GOVERNMENT'S PROGRAMME.

A series of three Round Table Conferences had completed the period of preparation. It now lay with His Majesty's Government to place their proposals before Parliament. They intended, without loss of time, to embody their scheme in a White Paper, which, though not itself a Bill, would contain their definite proposals. As the Secretary of State had said, it had 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 proposals for Constitutional Reform. In recommending to Parliament that this important task should be performed before any Bill was introduced, His Majesty's Government (and here he was quoting words used by the Secretary of State) hoped to facilitate Indian co-operation and to ensure its effective influence in what was probably the most important stage in the shaping of Constitutional Reform, and at a time before irrevocable decisions were taken by Parliament.

The procedure which Parliament would follow once the White Paper had been presented was a matter for Parliament itself to decide, but he had no doubt the Secretary of State would shortly make clear the intentions of His Majesty's Government in regard to procedure, and he (Lord Willingdon) was confident that places would be found for some representatives of the Indian Legislature among the persons to be called into consultation with the Joint Select Committee. He disclosed no secrets when he said that the present was a period of considerable official activity, both in the India Office and in the Departments of his Government, in completing the material required for the White Paper.

RESERVE BANK AND FINANCE.

Dealing with the question of the proposed Reserve Bank, Lord Willingdon said they would appreciate that it would be necessary to pass a Reserve Bank Bill during the months which would intervene before the inauguration of the new Constitution. He trusted that his Government would find themselves in accord with the Assembly on all main conditions necessary for the creation of a sound and independent bank.

As regards finance, the Government had one paramount object in view, and that was to prepare the position for the Indian Government under the new Constitution so that the financial foundations might be sound and so that the new Government might find itself free from embarrassments in its early years. For this purpose it was particularly important that a large volume of the short-term debt maturing over the next few years should be converted into long-term securities. A second object of great and immediate importance was to take advantage of the improved credit of the Government of India to reduce the rate of interest payable on Government loans. In order to achieve these two objects they had been working according to a carefully planned programme. Since June, 1932, they had launched four important loan transactions, three of which had been completed. They started with a loan to meet their cash requirements in June and followed that in August with their first conversion operation. Then, in the last ten days, they had taken two more important steps: first, a cash loan for 15 crores, for which the subscription list was opened on 23rd January, and closed in half an hour heavily over-subscribed, followed on 24th January by the announcement of a conversion offer for the three issues, totalling over 50 crores, which they had the right to repay during 1933. He thought this must be a record in the financial history of the Government. There was one feature to which he must call special attention. At each step the level of the Government's credit had been raised, and whereas in June, 1932, they borrowed on a basis of somewhat over 5½ per cent., the last transactions showed that the Government's credit had been established very nearly at a 4 per cent. level. While this steady raising of their credit had strengthened their own position and would ultimately mean substantial savings in the Budget, the process had also brought considerable profit to those members of the investing public who had taken advantage of the opportunities offered. This had helped to fulfil the important purpose of restoring confidence generally, and their latest reports from investment centres showed that this confidence among investors was spreading.

ECONOMIC PLANNING.

Lord Willingdon, continuing, intimated that his Government were alive to the feeling that some sort of economic planning was necessary. They had their eyes on the future, and desired to prepare for the new Government measures for providing more accurate statistical information and for evolving a co-ordinated economic policy. One matter in which they were taking action was an important illustration of the work which required to be done. The competition of road and rail transport had produced acute problems in many countries, and though these were not so acute in India as in some other continents, it was essential that a properly co-ordinated plan should be prepared if they were to avoid the serious difficulties which were being faced elsewhere. A valuable report on this subject had just been completed for the Government by two expert officers, and it was proposed as soon as possible after the conclusion of the Session to hold a conference at which all Provincial Governments, the Railway Board and certain unofficial organisations would be represented.

In conclusion, Lord Willingdon said he earnestly prayed that sound judgment and a desire for mutual understanding and goodwill might characterise that Session of the Legislature.

ELECTION OF PRESIDENT OF COUNCIL OF STATE.

On 16th February, Sir Maneckji Dadabhoy, who had been appointed by the Governor-General to succeed Sir H. Moncrieff Smith as President of the Council of State, took the Presidential Chair.

Hon. Khan Bahadur Mian Sir Fazl-i-Husain (Leader of the House) tendered on behalf of the House his most hearty congratulations to Sir Maneckji on being appointed the first non-official President of the Council. After dwelling on Sir Maneckji's long and eminent public services, Sir Fazl-i-Husain wished the new President a successful term of office. Speeches of congratulation were also delivered by other Members.

The President (Hon. Sir Maneckji Dadabhoy), in reply, returned his heartfelt thanks and declared that he would

endeavour to perform his duties conscientiously and to maintain unimpaired the dignity of the Council, its rights and privileges.

THE BUDGET.

(Finance Member's statement ; Realised surplus for 1932-33 ; India's strong economic position ; Results of exports of gold ; Estimated surplus for 1933-34.)

On 28th February, in the Legislative Assembly, the Finance Member, presented his Budget for 1933-34.

The Finance Member (Hon. Sir George Schuster), in the course of his speech, said the story he had to tell was a simple and—viewed merely as a matter of public finance—a satisfactory one. The emergency plan introduced in September, 1931, was designed to produce a budgetary equilibrium for the two years 1931-32 and 1932-33, and they could now say that their plan had worked. The results of the year 1931-32 turned out to be nearly two crores of rupees better than he anticipated in his Budget speech last March, and the accounts for the year showed a deficit, after providing nearly Rs. 7 crores for reduction of debt, of Rs. 11¾ crores. For the year 1932-33 the latest revised estimates indicated that the Budget forecast of a surplus of Rs. 215 lakhs would be almost exactly realised, and that the surplus—after providing nearly Rs. 7 crores for reduction of debt—would be Rs. 217 lakhs.

The results for the two years combined thus showed a total budgetary deficit of Rs. 9·58 crores, against which might be set the total provision for the reduction of debt of Rs. 13·73 crores. They might, therefore, say that in the two years from 1st April, 1931, to 31st March, 1933, which he thought might fairly be described as the two most difficult years for public finance that the world in times of peace had ever known, they would not only have paid their way, but provided a net sum of Rs. 4 crores 15 lakhs for the reduction of debt. He thought that this result was a legitimate cause for satisfaction and amply justified the great improvement in the credit of the Government of India which the recent rise in their security prices had shown. Revenue for the two years was Rs. 10·42 crores less than was forecasted, but expenditure was also less than the estimates by Rs. 5·78 crores. The reduction in expenditure was accounted for largely by savings in interest charges, owing to the improvement in Government credit and the cheaper money conditions ; but there had also been a realisation of administrative economies beyond what he felt safe in hoping for last year.

Expectations for 1933-34.

With a surplus of Rs. 217 lakhs anticipated as the final result for the current year, the next question was whether they could expect a repetition of such a surplus next year. In order to explain the answer it was necessary to analyse the factors which had contributed to the current year's result, and to review the general economic position. He might remind the House that the revenue during the last eighteen months had been specially augmented by abolishing the salt credit system, the effect of which had been to give them the equivalent of two years' duty on credit salt in the space of eighteen months. As a result they had benefited during 1932-33 by a special non-recurring addition of about Rs. 150 lakhs.

In reviewing the economic situation, the Finance Member said that the results of the further deterioration in the general world position were revealed in India's export figures, which for the ten months from April to January showed a total value of Rs. 110½ crores as compared with Rs. 134¾ crores for the previous year. In the case of practically all the main items the decline was accounted for by a fall in quantities rather than in prices. This was true of the following decreases : cotton exports, Rs. 6½ crores ; jute, Rs. 1¾ crores ; grain, pulse and flour about Rs. 2 crores ; seeds just over Rs. 2 crores. The only exception under the major heads was that of tea, where a slight increase in the quantity exported had been accompanied by a fall of Rs. 3 crores in value. Figures showed how terribly the value of India's exports declined compared with the pre-War period. But the figures as regards quantities, with the exception of cotton, had kept up in a manner which seemed to justify the view that India had not suffered quite so badly as most of the other countries producing primary agricultural products. The exports of raw cotton had during 1932 fallen in quantity by more than a half, a fall which, as a result of the lower prices, was increased to one of more than three-quarters in value as compared with the average of the preceding ten years.

Increase in imports.

While India's exports had thus declined, the course of imports had been strikingly different. These, at Rs. 112¾ crores for the first ten months of the current year, showed a rise of about Rs. 7½ crores. By far the largest item was the increase of just over Rs. 7 crores in cotton piece-goods and yarns. This increase was accompanied by a striking growth in the production of Indian mills which, according to the figures of the Director-General of Commercial Intelligence, increased by about 11 per cent., or 284 million yards, in the first eleven months of 1932 as compared with 1931. The increase in Indian production of cotton goods accounted for

the enhanced imports of raw cotton, which, at Rs. 6·36 crores, were Rs. 79 lakhs up on the year. Taking the " cotton years " up to August in each case, imports of foreign cotton had expanded from just over 20,000 tons in 1928-29 to 97,000 tons in 1931-32. As regarded machinery, imports, at Rs. 9½ crores, were only a few lakhs less than in the preceding year. The imports of plant for sugar factories, in the nine months to the end of December, amounted in value to Rs. 138 lakhs as compared with Rs. 30 lakhs in the preceding year and only Rs. 9 lakhs in 1929-30. Imports of foreign sugar were Rs. 3·66 crores, a decrease of Rs. 1⅓ crores. He thought this was mainly due to the increase of Indian production. Another striking example of decline was the case of vehicles—mainly motor cars, buses and lorries—which, at Rs. 304 lakhs for the ten months, showed a decline of Rs. 89 lakhs last year and were less than one-third of the value in 1929-30.

He had had a table prepared analysing the results as regards certain articles of consumption classified under three heads—luxury articles, requirements of industry, and necessities of the masses. These figures indicated that certain luxury and quasi-luxury articles showed very heavy decreases in consumption; that industry had stood up fairly well, and that in certain fields—particularly the sugar industry and the textile industry—expansion in India was still progressing in spite of the world slump; and lastly that, as regarded the necessities of the masses, the consumption figures were being maintained in a most remarkable way in spite of the loss of purchasing power; while, notwithstanding increased Excise and import duties, consumers had had a substantial benefit from the fall in prices. The really striking falling-off in India's normal consumption had been in precious metals. India imported gold and silver of the annual average value of about Rs. 40 crores in the years 1920–1930. The power to cut out this enormous margin had been a tremendous factor in enabling the country to go through the period of depression without being forced to cut down its normal consumption of commodities required for daily consumption.

Question of gold exports.

In regard to the balance of trade, the Finance Member stated that India could not, with exports at their present level, support the present volume of imports simultaneously with meeting her external obligations unless they were supplemented by gold exports. Forty crores of rupees of the gold exports in the ten months of the current year had been used to pay for consumable goods. To this extent it might be said that India was helping herself to tide over a period of unexampled depression by drawing on her reserves of gold, thus

avoiding the reduction of consumption to a desperately low level. A great deal of the proceeds of the gold sold had, however, been invested, and that the process had not been confined to the wealthier classes was shown by the large increase in the figures of Post Office cash certificates and Savings Bank deposits. He regarded it as a beneficial advance that the high price of gold in rupees should have started a process of exchanging barren gold reserves for interest-bearing Government securities. An examination of the figures of imports and exports showed that India could go on exporting gold until the total quantities had risen to three times the amount already exported and still have more gold in hand than she had eleven years ago. Considering the vast size of the accumulations of gold existing, it could not be said there had as yet been any dangerous depletion.

Estimates for 1933-34.

Coming to the estimates for 1933-34, he summarised the changes in revenue and expenditure expected. In regard to revenue, Customs were estimated to show a reduction of Rs. 104 lakhs, due to the fall allowed for in imports of sugar and piece-goods; Salt, a decline of Rs. 163 lakhs; Finance Heads, including additional expenditure on account of part restoration of cuts in pay, Rs. 15 lakhs; Commercial Departments, Rs. 11 lakhs; and Miscellaneous, Rs. 45 lakhs. On the other hand, an increase of Rs. 53 lakhs was estimated in Income Tax owing to the removal of the exemption from surcharge on Government servants, and of Rs. 25 in Opium. As regards expenditure, a reduction of Rs. 85 was anticipated, in spite of the part restoration of the pay cuts, costing Rs. 79½ lakhs. As a result of these changes, the surplus of Rs. 217 lakhs in the revised estimate for the current year would be reduced to a surplus of Rs. 42 lakhs. The comparison for the two years might be thus summarised: –

Rs. Crores.

	1933-34.	1932-33.	
	Budget.	Budget.	Revised.
Revenue	124·52	129·96	127·13
Expenditure	124·10	127·81	124·96
Balance	0·42	2·15	2·17

In his last Budget speech he anticipated that it would be possible to reduce the amount of Treasury Bills held by the public by about Rs. 7½ crores from current resources and that it would not be necessary to raise any loans during the year except to meet maturing liabilities. The rapid improvement in India's credit had enabled them to float one sterling and

four rupee loans at rates which improved from over 5¾ per cent. to something below 4¼ per cent. The results of the latest conversion loan were not yet known, but assuming a figure of Rs. 30 crores, they would have been able to fund immediate liabilities of Rs. 121 crores as compared with a Budget estimate of Rs. 34 crores.

In conclusion, he fully realised that the budgetary plan he had announced involved a continuance of the grim effort which had been sustained during the past eighteen months. But to-day he thought they might feel that India had reached a position in regard to her public finance which challenged comparison with that of any other country. He appealed to the House to support the Government in their efforts to maintain the position and in the fulfilment of what was their guiding purpose, that of leaving to the new Government of India a house well stored against all the storms it might encounter.

DEBATE IN LEGISLATIVE ASSEMBLY.

On 2nd March,

Sir Leslie Hudson (Leader of the European Party) heartily congratulated the Finance Member on the masterly handling by his Department of the finance of the year, with the result of an equilibrated Budget and an enhancement of the credit of India. He must confess, however, to very great disappointment at the absence of any relief to the taxpayer. The Finance Member had emphasised what he described as the extraordinary power of resistance India had shown in maintaining the consumption of certain standard necessities of the masses. Evidence, however, went to show that the agriculturists, who formed the bulk of these masses, continued to battle grimly for their existence, constantly struggling with a hopelessly low level of prices. In some districts they had been forced to sell their cattle and to pawn their ornaments to keep their heads above water. Nor did he agree that the export of gold had been merely a conversion from one form of investment to another. Surely the apparent maintenance of the consumption of necessities was partly if not largely due to the increase of population. As regarded the salaries of the Services, the sanctity of contract had had to be broken by employers other than the Government in this great national emergency, and he thought it should be a further step in retrenchment by Government that scale increments should be deferred.

Dr. Ziauddin Ahmed (*United Provinces Southern Divisions : Muhammadan*) maintained that year after year there had been gradual rises in taxation. The increase in the burden might be judged from the fact that while during the boom the Government collected Rs. 51·28 crores in Customs on an import of Rs. 250 crores of merchandise, this year they collected Rs. 52·29 crores on an import of half that value. Not a single penny of the Rs. 93 crores obtained by the Government from the exported gold had been spent to help the industries of the country, although a large number of these were starving.

Sir Muhammad Yakub (*Rohilkund and Kumaon Divisions : Muhammadan*) declared that in the United Provinces most of the gold sold by tenants and landholders was not voluntarily disposed of; it meant they had to part with it in order to pay rent and revenue. If any section of the community benefited by the transaction it was the moneylender.

On 3rd March,

Sir Abdur Rahim (Leader of the Independent Party) said that the Finance Member rightly took credit for bringing about equilibrium in the Budget. He had also laid stress on the necessity for maintaining India's credit. No Indian would like that credit to be impaired, but it was no use thinking merely of the investors. They had to see how the resources of the country could be developed. One obvious way, which he was glad to find had appealed to his hon. Friends of the European group, was to reduce military expenditure. "We say," he added, "that if you reduce the military expenditure by another Rs. 6 crores the efficiency of the Army will not be impaired to any dangerous extent."

Mr. H. P. Mody (*Bombay Millowners : Indian Commerce*) said the fact that as much as Rs. 50 crores of revenue was derived from Customs must cause uneasiness to any man who took a wide view of India's finances. The Finance Member was pleased because textiles had yielded such a large amount of revenue. But he (the speaker) regarded it as a misfortune. He did not say that they could do without the import of textiles, but they must stop these enormous quantities of Japanese goods pouring into the country, which had brought to a standstill its premier industry. As regards the import of raw cotton, he was afraid this would continue until India was able to produce better types.

Sir Hari Singh Gour (Leader of the Nationalist Party) said the Finance Member knew, as they knew, that the effecting of retrenchments in the various Departments was a matter of high policy, and how far the Government of India had been able to influence their masters in Whitehall to accept the policy which the House had impressed upon that Government was a question which the House was entitled to ask the Finance Member. As far back as 1929 the Statutory Commission had unanimously recommended that a part of the

Army expenditure must come out of the Imperial Exchequer and the House for a generation had been protesting against the unjust levy of the capitation charges which came to about Rs. 2½ to Rs. 3 crores per annum. What had become of the Government of India's fight against the capitation charges? Further, it had been one of the main grievances of the occupants of those benches that Indianisation, not only of the higher ranks, but also of the rank and file, must be effected in the interests of economy.

The Finance Member, in his reply, said it would have been easy for him to gain credit in that House by looking at the black side of the picture, but in gaining credit for himself he would damage and perhaps destroy the credit of the country. Therefore, he had deliberately selected the aspects of the situation which gave ground for encouragement; but he must make it clear that he would never have followed a process like that to an extent which gave a misleading account of the position. He believed the position was fundamentally sound, and though the difficulties were by no means over, he was absolutely confident that India would pull through those difficulties far better than any other country. He felt that they were not very far from hon. Members opposite in this whole matter, and that though hon. Members criticised the Government on certain points, they did not quarrel substantially with the main line of the programme he had put forward. They recognised that what they had to complain of was outside fate rather than the Government.

CRIMINAL LAW AMENDMENT ACT.

(Measure to supersede Governor-General's Ordinance; Civil disobedience and its results; Powers against intimidation and unlawful associations; Control of the Press; Protracted debates.)

This Act is directed against wilful dissuasion from enlistment in the Military, Naval, Air or Police Services; tampering with public servants; boycotting a public servant; the dissemination of the contents of proscribed documents and false rumours; the molestation of persons to the prejudice of employment or business. It also gives Courts power to order a parent or guardian to pay a fine imposed on a young person, and empowers Local Governments to take possession of places used for the purposes of an unlawful association and to forfeit the funds of such association. It received the Governor-General's assent on 19th December. A summary of the first part of the debate on the Motion of the Home Member (Hon. Mr. H. G. Haig) on 21st September, 1932, to refer the Bill to a Select Committee was given in a previous issue of the JOURNAL (Vol. XIII., No. 4, p. 1077). The debate on the Motion was continued on 26th, 27th, 28th, 29th and 30th September.

DEBATE IN LEGISLATIVE ASSEMBLY.

On 26th September,

Mr. M. N. Anklesaria (*Bombay Northern Division: non-Muhammadan Rural*), in moving as an Amendment,

"That the Bill be circulated for the purpose of eliciting opinion thereon by the 1st November, 1932."

said his intention was not to delay the Bill, but to advance it. The promulgation of the Ordinance had created a deep feeling of discontent among the politically-minded classes of all shades of opinion. He felt convinced that no valid criticisms could be advanced against the provisions of the Bill, but the object of his Amendment was to prevent the professional agitator from exploiting the situation created by the Ordinances. The maxim "*Audi alteram partem*" held in the field of law as well as in the field of politics. He warned the Home Member against alienating moderate opinion, for on moderate opinion the British Empire stood. As regarded the Bill itself, its provisions sought to meet methods and measures which the Congress had adopted to create disorder and to paralyse Government. It had been said that a policy of repression would do no good and had never succeeded in history. But if protecting law-abiding citizens and public servants in the performance of their duties was repression, he would welcome such a repressive policy whole-heartedly. The incidents which had taken place in Bombay were a disgrace to a civilised community. It was the moral disintegration brought about by the Congress propaganda, which had removed all fear and restraint from the minds of ordinary people in the matter of law and order, which had been responsible for these happenings.

Mr. T. N. Ramakrishna Reddi (*Madras ceded Districts and Chittoor: non-Muhammadan*) contended that by putting down the Congress movement the Government wanted to put down nationalism. If that organisation went beyond its legitimate bounds then the Government might take steps to suppress any abnormal activity, but they should not suppress the organisation itself, because the objects of the Congress were good and legitimate. He maintained that it was not the Government of India but the Conservative Secretary of State who was responsible for initiating this legislation. The fact that when civil disobedience was almost dead, and when the last stage of the Reforms had been reached, this Bill, as introduced gave rise to the suspicion that the Secretary of State

was trying his best not to give full Provincial and Central responsibility for some time to come, and was prompting the Government to arm themselves with coercive measures to stifle any expression of adverse opinion if any unsatisfactory Constitution were thrust upon the people.

The hon. Member concluded by moving a further Amendment as follows : –

"That the Bill be circulated for the purpose of eliciting opinion thereon by the 7th November, 1932."

Shaikh Sadiq Hasan moved a further Amendment as follows : –

"That the Bill be circulated for the purpose of eliciting opinion thereon before the 1st January, 1933."

Shaikh Sadiq Hasan (*East Central Punjab : Muhammadan*), in moving the Amendment, said he was opposed to the civil disobedience movement and the terrorist movement. He would like to see them eradicated, but he differed fundamentally from the manner in which the Government was going to do it. The Bill was a much worse and a blacker measure than the Rowlatt Act ; if it passed he was afraid nobody would be safe from the clutches of the minions of the Government. It would destroy legitimate movements, but by injuring innocent people it would increase the number of communists and terrorists. All these terrorist and communist troubles came out of the unemployment which was rampant in the country. What had the Government done for these people ? They had been sending thousands of people to prison without giving the least regard to the fundamental causes which underlay these movements. The Government were going to let loose the forces of hell ; they were going to set public servants as a class apart from the public, which was exactly what happened under the Tsar's *régime*. It was certain that, having got these wide powers, a number of the minions of the Government would use them for their own benefit. It was not an unusual thing in India to collect false evidence against a man, and petty officials would use their powers harshly and innocent people would suffer.

Mr. B. R. Puri (*N. Punjab : non-Muhammadan*) declared that they were asked to put on the Statute Book a set of laws unknown to any civilised form of jurisprudence, laws which were so revolting, so liable to abuse, so sinister, that it was a question whether any self-respecting citizen would not ask himself the question : "Is this cursed land fit to live in ?" Recently some British statesman said, "We should either govern India or get out." His humble reply was, "You should get out." If the Government could not govern the country without the aid of such laws it would be both sporting and honourable if they retired. The Bill, if it became law,

would come to nothing else than this, that whoever did not love the policeman, whoever cast an unfriendly look on an official, and whoever passed once or twice along the road where the third cousin of an official lived, would be liable to imprisonment. Such laws were most mischievous, because they placed a great temptation in the path of executive officers and their subordinates, and they were conceived solely on account of the great distrust which the Government seemed to cherish against the subjects of that country.

Mian Muhammad Shah Nawaz (*West Central Punjab : Muhammadan*) contended that the first cause of the civil disobedience movement was the constitutional issue, which had not yet been settled. If the British Parliament were prepared to give them autonomy in the Provinces and responsibility at the Centre, with the necessary safeguards for the period of transition, he thought the movement would disappear to a great extent. The next cause was unemployment. If young men were given more opportunities for employment, if agricultural distress were removed, if industries were developed, he had no doubt that crimes would decrease and the civil disobedience movement would vanish. He thought the movement was dangerous, and that they must give the Government power to deal with the situation. But he did not agree that the powers should be so drastic and extensive as were given in this Bill.

Kunwar Ragbuhir Singh (*Agra Division : non-Muhammadan*) said he supported the Motion because they were face to face with a situation which aimed at the overthrow of the entire social, economic and political fabric of society. The civil disobedience movement aimed at the negation of all government, and once this feeling was generated even the Swaraj Government would not be able to check the terrorism which was now rampant.

Sir Muhammad Yakub (*Rohilkund and Kumaon Divisions : Muhammadan*) declared that in June, 1930, when the previous civil disobedience movement had been allowed to run its full course for two months without resort by the Government to extraordinary measures, merchants who persisted in their normal trade had their shops burnt down, their families were harassed and insulted by social boycott, and in some cases they were subjected to physical injury. Government servants who were doing their duty suffered greater hardships. One had only to mention the names of Peshawar, Delhi, Daspur in Bengal, and Sholapur in Bombay, to bring back recollections of what Congress was responsible for in 1930. Memories of what happened in Cawnpore in March, 1931, were still more clear. If there was less crime to be set to the Congress account in 1932, it was solely on account of the promulgation of the

Ordinances. Even so, there was a fairly long list of insensate acts of violence or childish mischief to be set to its credit, or perhaps he should say to its discredit. The present campaign was not a month old when the celebration of the Frontier Day by the Bombay Congress brought serious rioting in its train. The Congress might disclaim responsibility for the turn which events took, as they invariably did when their misdeeds were made public. But those who read the bulletins issued by the Labour Sub-Committee of the Bombay Congress Committee a few days before the riots, would know where the blame lay. He would leave it to hon. Members to decide what effect such phrases as "Listen, you devils of the British Empire, your days are numbered," or "We, as soldiers of free India, will drive you out," were likely to have on the labourers for whose benefit they were written. It must be recognised that no Government could be stampeded into dismay and impotency by the action of a small body of people who adopted unconstitutional methods to bring about their ambition. That being so, he accepted the principle of the Bill. Certain provisions of the Measure were too drastic and too vague and required to be modified, by the Select Committee. But it would be a tactical blunder to throw out the Bill at that stage, because if as a certified Bill it went to the Council of State, all chances of its being modified would be lost.

Honorary Captain Rao Bahadur Chaudhri Lal Chand (*Nominated non-Official*) maintained that but for this Bill in the shape of Ordinances the country would now be in the throes of revolution. The civil disobedience movement propaganda had gone into the villages and sometimes assumed forms which were never intended by those who had broadcasted them. As an illustration, a client had come to him and asked if the execution of a decree for Rs. 4,000 against him could be delayed until the New Reforms. The reason he gave was that people had gone to his village and told the villagers that the National Congress and Mahatma Gandhi were in favour of the repudiation of all debts, and they wanted to begin a new era of Swaraj with a clean slate for all. This was the result of the repudiation of national debts by the Congress.

Sir Hari Singh Gour (Leader of the Nationalist Party) said that this composite Bill sought with one fell stroke to amend five Acts of the Legislature. This was admitted to be an emergency piece of legislation, intended to deal with the recrudescence of three political evils. Therefore, the Government's action must be primarily preventive and not punitive. The fundamental object of the Indian Penal Code, which it was sought to amend, was punitive, and its one underlying principle was that nothing was an offence unless it was accompanied by what lawyers called the *mens rea*, that was the

guilty mind, criminal intention. That being the fundamental principle of Indian criminal jurisprudence, had they got that principle in any sections of the Bill? They had not. The offences involved were not offences because they carried with them a certain criminality; they were offences because for the purposes of *populus salus* Government wanted that members of the public should conduct themselves in a certain fashion. Consequently, they could not possibly fall within the category of penal laws. A more serious objection was that it was not only proposed to create a new jurisprudence, but to prescribe a new procedure and add a new punishment. All these things were foreign to the fundamental principles of established criminal jurisprudence in India as regards the offences which had been referred to. In regard to the forfeiture of the property of persons who might be suspected of being privy to aiding or abetting the civil disobedience movement, the result would be that people whose property had been confiscated, without indemnity or without recourse to law, would become recruits to the ranks of the movement. They might kill the recrudescence of lawlessness, but they would be encouraging the revolutionary spirit. As regards the provisions relating to the Press, the Home Member must have some sympathy, at any rate, with the desire on the part of the Members in the part of the House in which he (the speaker) sat that they should not muzzle the Press as it was sought to be muzzled under the proposed enactment. If the Bill were sent out to elicit public opinion it would require no prophet to say that popular opinion would be strongly against it. He suggested that the Home Member should withdraw the Bill and re-draft it and then bring it up in the November Session. The Home Member might say: "We desire to hand over to the new Government an oiled and well-lubricated machinery of Government." The new Government would look at the question from a new angle and decide for themselves as to the evils with which they might be confronted. If the Government would now decide on such measures as they considered necessary for the transitory period before the advent of the new Government they would perhaps find a very large section of public opinion ready to help them.

The Law Member (Hon. Sir Brojendra Mitter)* said he was more encouraged by the degree of agreement displayed in the course of the debate than embarrassed by the degree of disagreement. The two-fold remedy of the Government was to get along with the reform of the Constitution and, secondly, to suppress lawlessness meanwhile. They were all agreed that something had to be done to meet the civil disobedience movement, and the criticisms implied that the Bill was liable to

* Now Leader of the House.

improvement. He saw force in the criticism that a measure like this should be of limited duration. This was not a matter of principle, and the question could be discussed in the Select Committee. There were three main heads of difference between hon. Members opposite and the Government: the duration of the Measure, the limits of the definitions of the different offences, and the nature and *quantum* of punishment, but if all went into the Select Committee with open minds there was no reason why they should not arrive at satisfactory conclusions. He might say by way of general observation that some of the criticisms made had been made without appreciating what the law was and what its fundamental principles were. Criminal jurisprudence of England and India did recognise offences in which *mens rea* was not a necessary ingredient. His hon. Friends might very well say that such offences ought to be kept within the lowest possible bounds, but that was a different thing altogether. As for parental liability, there was a similar law in England, as well as in Bengal, Bombay and Madras. The clause relating to the confiscation of property had been criticised on the assumption that Government were proposing to confiscate the property of individuals. But they were doing nothing of the kind; it was property which was to be used in furtherance of the objects of an unlawful association which would be liable to forfeiture. It was not the intention of the Government to curtail individual freedom; their intention was to adjust the curtailment of individual freedom to the needs of society at large; and he did not suppose it would be beyond the combined wits of the members of the Select Committee to devise proper means to achieve the objects they had in common.

Mr. F. E. James (*Madras: European*) said civil disobedience in its effects brought ruin and distress to the poorer members of society. It was not the rich man who suffered; it was not the man who by the fact that he was a capitalist was able to manipulate behind the scenes and subsidise the movement for his own financial ends. The people who really suffered were the poor, who were duped and in many cases were led to utter ruin and destitution. Therefore the Government had not only a duty to themselves; they had a duty to the community at large.

Sir C. P. Ramaswami Aiyar (**Leader of the House**) declared that the forms which civil disobedience had taken were such that not only the present Government but future Governments would have to fight them. As regards the Bill, was it not a fact that there had been tampering with public servants, that there had been dissuasion from enlistment into Services? Was it not provable by unimpeachable evidence that public servants had found their lives unbearable because

they could not get the necessaries of life? Had there not been boycotting of public servants as a campaign? Was it not the case—he said it with humiliation—when young boys whom the great leaders of the Congress exhorted to stick to their studies until they were able to think for themselves—were utilised for propaganda and direct action which were detrimental not only to themselves but to their parents and to society at large? Was it not the case that women were being employed for purposes which were foreign to their great purpose in life? He had all along been a champion of the cause of women, but using arguments and discussion, and even suffering for political ideals, was one thing, and lying down in the street in front of a moving car and hurling diatribes before a shop were beyond bounds. If these things happened, were they to be eradicated or not? Was it not a fact that there were unlawful associations in India which were mysteriously but definitely supplied with large funds? Did they not operate these funds, and was it too much to ask that the possibility of doing this should be checked? The Bill was an attempt to remedy these things in the best way which had occurred to the mind of the Government. There had been great countries outside India which had suffered and were suffering from the same trouble as confronted them. In the United States, which many regarded as the home of democracy and freedom, they were lamenting the growth of a complete lack of respect for law and order.

The evil was, therefore, a widespread evil and would have to be fought and eradicated. To the extent of the success with which they grappled with that evil they would deserve and retain that heritage which was theirs and which they were striving to regain.

Sir Abdur Rahim (**Leader of the Independent Party**) said they could not consent to live under a law which empowered the Executive to do whatever they liked. The Bill not only so empowered the Executive Government, but all sorts of public servants, men who were not even public servants, but who were classed as such only for this purpose. They might be favourites of the Executive who would be given powers and privileges which were denied to any other law-abiding citizen. This was a very serious Measure, and in order to justify it, they ought to have before them far greater evidence than had been supplied. They were repeatedly asked what was their positive suggestion. His suggestion was that the Government should administer the existing laws properly, and if they did that he was sure that the position would be no worse than it was at present, and in fact it would improve. These Ordinances would make the position of the ordinary citizen much worse, without helping Government to suppress the civil

disobedience movement. The Government were saying in one breath that the Congress was the enemy of Constitutional Government and yet were placing on the Statute Book a Measure which the Congress, if it came into power, would utilise to its own advantage and to the disadvantage of the present Government.

After further discussion the Amendments for circulating the Bill were defeated, and the Motion that it be referred to a Select Committee was adopted by 64 votes to 32.

On 15th November, the Home Member moved that the Bill as reported by the Select Committee be taken into consideration. He said that in deference to representations the Government had agreed to put a time-limit of three years on the Measure. They had also made extensive changes in the definition of boycotting and certain changes in the drafting of the provisions relating to boycotting. But they were not prepared to give a licence to peaceful picketing. They had also made it clear, in regard to the payment of children's fines, that a parent or guardian could show in his defence that he had not conduced to the commission of the offence by neglecting the control of the offender, and also that he could not be sent to jail in default of payment of a fine. In regard to forfeiture, they had provided that the aggrieved party should be allowed to make a claim that the property or funds were not liable to forfeiture and that such claim would be adjudicated upon by a District Judge.

The debate was continued on 15th, 16th and 21st November, and on the last-named date the Motion was carried by 63 votes to 39. The Bill was considered in detail on 22nd, 23rd, 24th, 28th, 29th and 30th November, and on 1st, 2nd and 3rd December.

On 7th December it was passed by 57 votes to 31, and on 14th December the Council of State passed it without a division. It received the assent of the Governor-General on 19th December.

SOUTHERN RHODESIA.

The following summary deals with some of the early proceedings of the Sixth Session of the Second Parliament, which opened on 27th March, 1933.

GOVERNOR'S SPEECH.

(Gold mining activity; Gold standard and trade; Ottawa Agreements; Meat exports; Native Affairs; Mineral rights; etc.)

Parliament was opened on 27th March, 1933, by the Governor, Sir Cecil Rodwell. The following is a summary of his Speech.

ECONOMIC DEPRESSION; ACTIVITY IN GOLD MINING.

The Speech referred to the cloud of economic depression which did not as yet show any definite signs of lifting. They had escaped its worst effects, however, during the past year owing to the high price of their most important product—gold. The gold industry, having the additional advantage of the increased purchasing power of money over labour and commodities, had shown marked activity and expansion.

GOLD STANDARD; UNION OF SOUTH AFRICA AND PORTUGUESE EAST AFRICA.

The abandonment of the gold standard by South Africa would, it was hoped, have a stimulating effect on trade and prove of mutual advantage. His Ministers trusted that the Government of the Mozambique Company's Territory would not find it necessary to adhere to the gold standard at the Port of Beira, upon which so large a part of the trade of the Colony depended. The resulting surcharges in respect of freight and railage imposed a heavy burden on their trade (in Southern Rhodesia), and had been the subject of representations to the Government of the Territory.

OTTAWA CONFERENCE AGREEMENTS.

The Agreements reached at the Ottawa Conference, a conspicuous event in the history of Imperial development, in which two of his Ministers were privileged to participate, had secured solid advantages for the primary producer of the Colony and opened the door to wider expansion in the marketing of their products in years to come. The courtesy extended to their Delegates was all the more gratifying as indicating the measure of recognition likely to be accorded to Southern Rhodesia at Imperial Conferences in the future.

EXPORT OF FROZEN AND CHILLED MEAT.

The first export of frozen and chilled meat from Southern Rhodesia to the United Kingdom had taken place towards the end of the year, marking the introduction of a new era in the cattle industry of the Colony. An excellent tobacco crop, enjoying a privileged market, added to the factors mentioned, had enabled Southern Rhodesia to show what few other countries could claim—a favourable balance of trade for the year 1932, together with an increase in the value of exports.

NATIVE AFFAIRS; ACQUISITION OF MINERAL RIGHTS; ETC.

The native population continued to suffer from economic conditions; nevertheless they had paid their taxes satisfactorily, and during the year there was a continued absence of political agitation and unrest.

Proposals would be submitted for the acquisition of the mineral rights of the Colony.

UNEMPLOYMENT; WORLD ECONOMIC CONFERENCE.

Unemployment, though greatly reduced, still called for expenditure upon relief schemes.

Reference was also made to the World Economic Conference which, it was hoped, would open up an avenue of escape from the troubles under which all countries were labouring.

MOZAMBIQUE CURRENCY.

On 30th March, in the Legislative Assembly,

The Prime Minister (Hon. H. U. Moffat) said he had just received a cable from the High Commissioner in London as follows: "With reference to your cable, Portuguese Government has now published a Decree authorising the Mozambique Company to adopt Lisbon escudo, 110 to the £ sterling."

The Prime Minister said he took it from that that the authority granted to the Company by the Portuguese Government would be immediately followed by action on the part of the Mozambique Territory in going off the gold standard.

MINERAL RIGHTS.

(Offer to the British South Africa Company.)

On 30th March, in the Legislative Assembly, the Prime Minister moved that the agreement regarding the mineral rights contained in his telegram of 13th March, 1933, and the British South Africa Company's reply of 17th March, be ratified and confirmed.

IN THE LEGISLATIVE ASSEMBLY.

The Prime Minister (Hon. H. U. Moffat) read his cable of 13th March as follows:—

"In order to effect final settlement, Cabinet authorises me to offer two million pounds (£2,000,000) for all rights of Company in regard to minerals in Southern Rhodesia. Offer is made without prejudice and subject to confirmation Parliament. Price to be paid in cash or in Government stock bearing 3½ per cent. interest."

The British South Africa Company's reply of 17th March was as follows:—

"The Board of Directors, with a view to settling outstanding difficulties, and having in view the desire of your people to have the mineral rights owned by your State, agree to sell for two millions (£2,000,000) cash the mineral rights in Southern Rhodesia, save in so far as the Company has by its own acts parted with such rights. For example, the Rhodesian Railways own an undivided half interest in the mineral rights in railway farms. The Government of Southern Rhodesia would have to account to the railways for their share of the royalties derived therefrom, and would also have to take over the British South Africa Company's obligations under their Agreement with De Beers Consolidated Mines, Ltd., of 20th April and 7th December, 1892, and under the Victoria Agreement 'B' title."

Negotiations with the Company.

This question was going to be treated as a national one, the Prime Minister said, and Party politics should not be involved. The offer was made to the people of Southern Rhodesia to finally acquire and take possession of the mineral rights of their country and settle a question which had given rise to much discussion, even to bitter feeling.

The advice of the Parliamentary Committee appointed last Session for the purpose had been followed, namely, that the Government should offer the British South Africa Company a fair payment for the surrender of their rights to the State; and the two Ministers who visited England in connection with the Ottawa Conference approached the Company

and met the Board, which at that time was not prepared to consider the question of a sale. On the Minister's return, however, it was further considered, and eventually the final offer was made, without prejudice and subject to the approval of the House, so that if the proposal was turned down the position would revert to what it was before and the legal position would not be in any way prejudiced.

Reservations: mining royalties, etc.

Unfortunately, there were certain reservations, probably the most important being that in connection with royalties to be paid to the railway companies. During the last ten years the total royalties amounted to £1,090,000, a yearly average of about £109,000. Of this figure, the total refund for the ten years—total amounts paid over mainly to the railway companies, but also to other parties—amounted to £148,000, or an average annual payment of £14,800. The refund for the last year, 1932 (£19,600), had advanced considerably on that. This increase was largely due to the gold premium which had increased the output of the gold mines.

After referring to other concessions, the Prime Minister mentioned what he said was probably the most interesting point, and certainly the most important, namely, the question of the mining royalties—the revenues which had so far been accruing to the British South Africa Company. From the total (£1,090,000) from 1923-1932, there were certain deductions—refunds of half the royalty on railway farms, etc.—and these had amounted to £148,000 (a yearly average of £14,800) over the period of ten years. That left a net revenue from the royalties of £94,200 per annum. From that a further figure must be deducted of 5 per cent. commission, which they were at present receiving from the British South Africa Company for collecting these royalties, and which they would no longer receive if they collected them for themselves. That reduced the net average annual royalties received for the last ten years to £89,000 per annum.

The total royalties collected in 1932 were £106,000, and refunds totalled £19,680. There was a reduction, therefore, in the total royalties received for the year, on the average of the 10 years, of £3,000, and an increase in the refunds of over £5,000. That was accounted for by the fact that last year there was a very considerable increase in the gold output due to the premium, and a consequently increased refund payable to the railway companies. Last year the Company received £81,000 net royalties. The net royalties received from the mines were from £81,000 to £89,000 per annum at the present time.

Pointing out that there was every probability of the gold premium continuing for a good many years to come, the Prime Minister said on the other hand it might disappear gradually; but in such case there was almost a certainty of the reduction in the gold output being compensated for and made up by the increased value of the base metals and the coal mines.

Members would, no doubt, desire to consult their constituents and obtain suggestions and opinions from them. He, as a private individual, gave it as his opinion that the figure of £2,000,000 as a purchase price was not too high a figure. It was a most moderate figure, a far lower price than he had dreamed of during the years in which they had been considering the matter.

The Minister of Mines and Agriculture (Hon. G. Mitchell), who seconded the Motion, said that everywhere there was the desire that something should be done to get this question settled. Until it was settled they would never be able to get the mining law in the form in which it should be for the benefit of the industry that had to work under it. Regarding the future, no one could say what was still to be discovered; but Rhodesia was a country which was mineralised from end to end. It had vast deposits of coal, iron, chrome, asbestos, and also gold. They had also evidence of some diamonds. Apart from these, the number and variety of minerals which had been discovered in Rhodesia was bewildering. He could not, therefore, believe that the minerals of Rhodesia in future would not play an important part in the development of the territory, and he would not like to be a party, at all events, to debarring their descendants from owning them for a paltry sum of £2,000,000.

The debate was adjourned.

MALTA.

The following summary deals with some of the proceedings of the First Session of the Fourth Parliament which commenced on 18th October, 1932, and is in continuation of the summary given in the last issue of the JOURNAL *(Vol. XIV., No. 1).*

SUSPENSION OF THE CONSTITUTION.

(Resolution of protest to Imperial Government demanding removal of restrictions regarding the franchise and the Italian language; Despatch of Secretary of State for the Colonies: question of reply.)

On 19th December, 1932, the Legislative Assembly passed a Resolution, moved by the Head of the Ministry (Hon. Sir Ugo Mifsud), protesting against the suspension of the Constitution, by 18 votes against 10. This Resolution was also passed by the Senate. It ran as follows:—

To submit a Resolution, to be transmitted to the Secretary of State for the Colonies, protesting against the suspension of the Constitution and its subsequent mutilation; and to ask the Imperial Government to revoke the restrictions on the constitutional franchise and on the teaching of the Italian language in order to restore to the Maltese population the Constitution of 1921 as a first step toward the attainment of complete political and administrative autonomy.

DEBATE IN LEGISLATIVE ASSEMBLY.

On 6th March, 1933,

The Speaker (Dr. the Hon. G. E. de Giorgio) announced that he had received a letter from the Governor forwarding a copy of a Despatch, which had been addressed to him by the Secretary of State for the Colonies, on the subject of the Resolution passed on 19th December, 1932.

The Despatch, which was read to the House, having acknowledged the receipt of a copy of the Resolution, proceeded:—

"I would observe with reference to this Resolution that there can be no question of His Majesty's Government taking any steps to effect alteration of the Maltese Constitution (Amendment) Letters Patent, 1932. The provisions of these Letters Patent represent their considered decision which, in the Malta Constitution Act, 1932, received the confirmation and approval of the Imperial Parliament."

The Head of the Ministry (Hon. Sir Ugo Mifsud) then moved the following:—

That the Commission already nominated and entrusted by this House to draw up the protest of the Malta Parliament in regard to the suspension of the Constitution and mutilation of the constitutional charter should to-day, following the reply of the Secretary of State, be charged by the Assembly to submit to it for definite approval the draft and the text of the response to be presented by the Legislature to the reply of the Secretary of State.

Imperial Government's decision.

Prof. the Hon. R. V. Galea (Leader of the Opposition) said the Head of the Ministry found no words to support his proposal. His silence showed that he was aware of the course he should have taken on receipt of the Despatch, which constituted a complete collapse of the whole Nationalist policy.

The Despatch was nothing but a repetition of what had been stated again and again by the Secretary of State. In replying to a speech in the House of Commons, the Secretary of State had said that he had made it abundantly clear that the considered decision taken by the Imperial Government would not be gone back upon. Notwithstanding that, Ministers had decided to send a Delegation to England in the hope of making the Secretary of State change his mind. The Imperial Government had granted the Delegation the desired interview, and they had been informed that the policy decided upon by the Imperial Government would not be changed. In order to save their faces the Government should have resigned. To justify their existence in the Cabinet they had proposed a motion of protest against the action taken by the Imperial Government in amending the Constitution, especially in regard to the language question.

Amendments "an improvement."

Proceeding, Prof. Galea said the amendments to the Constitution, both as regarded the language to be used in the Law Courts and the study of languages in the elementary schools, were such as to be considered by them (the Opposition) as improvements and not as mutilations, inasmuch as they answered the true and real needs of the Maltese nation.

The reply of the Secretary of State said that reversion to the Constitution of 1921 was not possible. Ministers, instead of taking the course which they understood quite well but which they were unable to take, had come forward with another Resolution—a Resolution to leave the matter in the hands of a Committee of the House. This was being done to gain time, because there was no unanimity of opinion amongst Ministers.

The Speaker said the Prime Minister and the Minister of the Treasury, who had seconded the Motion, had shown their knowledge of the Rules, because it was a matter of a Motion of a formal nature which, according to Rule 43, did not admit of discussion. He had however permitted the discussion in view of the importance of the subject.

Government's attitude.

The Minister for the Treasury (Dr. the Hon C. Mifsud Bonnici), referring to the astonishment of the Leader of the Opposition that Ministers had not spoken, said Ministers had not intended to speak, and would not have spoken if all in that House had risen to the height of their duty and had understood the insult that the Ministerial Despatch constituted, not to the Ministry or the Party in power, but to that Chamber, because it was to a Resolution of that Chamber that the despatch replied.

When the despatch had been read in the Senate by the President, the Head of the Ministry had stated that he would reserve the right to the Chamber from which the protest had emanated to draw up the appropriate reply to the Colonial Office. Nothing could mark the success of their tactics so much as that Despatch, in view of the fact that a question which was a Party question had become a matter for the Parliament of Malta. They had before them not the declaration of a Party, or Government, but a Resolution of that Chamber supported by the other Chamber, and therefore the reply of the Secretary of State

was not intended only for them but for the nation, which was represented by the majority in both Houses of Parliament.

The Imperial Government had not yet replied to them as a Ministry, and when they did, they (the Malta Government) would know how to answer without the help of that Chamber. Even if the Imperial Government replied to them as a Government they would go on fighting. The only privilege left to their very small population was to fight until such time as circumstances would not allow them to fight.

He hoped, however, not only for the country but also for the honour of the English flag, that that would not happen, because it was already too much that in 1933 and after the Great War there should still not be conceded to the people of Malta the right to educate their children as they wished with their own money, and Europe perhaps did not know that.

In conclusion, the Minister said the Government would have liked to have had the satisfaction of replying to the Despatch, but they did not want to deprive the people of that privilege. Believing in the sanctity of rights, Parliament should say to England: "You can deny my rights. I am too small to be able to vindicate them, but I shall continue to demand justice and equity until divine justice is believed in."

The Minister of Industry and Commerce (Dr. the Hon. E. Mizzi) said it was true that the constitutional and language questions were intimately connected, but it was a fact that the Colonial Secretary's Despatch was in answer only to the protest of the two Chambers against the mutilation of the Constitution. This being so, he thought that the most important part of the Despatch was that which referred to the approval by the British Parliament of the mutilation of the Constitution.

When the Maltese Delegation had arrived in London last July the first thing asked of the Colonial Office was a postponement of the Parliamentary discussion of the Act relating to the mutilation of the Constitution.* They had asked for the postponement of a few days in order to discuss the question, not only with the Colonial Office but also with the more influential Members of the House of Commons. The Colonial Office had refused their request and had hastened to pass the Act the following day in order to take the vote of the British Parliament by surprise. The Colonial Office knew very well that if the Maltese Delegation had had time to approach the various Parties and the more influential Members of the British Parliament, they would probably have convinced them of the justice of the cause of the Delegation, or the Colonial Secretary would not have been enabled to pass the Act so easily. The Act had been approved by the House of Commons in the space of a few seconds after many hours dedicated to the Irish question.

Personally, he was convinced that if the Members of the House of Commons had understood the question they would have been the first to agree with them (the Maltese Delegation). He wished, therefore, that the Commission which was charged with submitting to the Senate the reply to the Despatch of the Colonial Secretary would also propose that a copy of the reply, together with the Green Book approved by

* *Vide* JOURNAL, Vol. XIII., No. 3, pp. 618-19.

both Chambers, should be distributed to all Members of the British Parliament.

Question of resignation of the Ministry.

Regarding the demand of the Leader of the Opposition and his colleagues for the resignation of the Ministry, they had been elected and had come into power on a non-equivocal programme to defend the constitutional and national rights of the country. Their resignation would be equal to a desertion of the battlefield. Their duty was to continue fighting. If hon. Members on the Opposition side of the House thought they did not enjoy the confidence of Parliament and the people any longer, the Government would not have the slightest difficulty in giving to the Motion the same Parliamentary value as a vote of confidence.

Language question and withdrawal of Constitution of 1887.

Mr. E. Valenzia (**Labour**, *Fifth Division*) said the defence of the Italian language had always been the principal scope of the Nationalist Party to the detriment of the general interests of the people of Malta and Gozo. Owing to this question, which affected only a small number, the people were deprived of the Constitution of 1887, and he was afraid that with the tactics adopted to-day by the Nationalist Party the danger was looming large of losing the present Constitution which had been obtained after so many sacrifices.

The Minister for the Treasury had stated that they had not a Party question before them. If a glance was cast at the Green Book, published by the Nationalist Party, one did not find anything else but explicit declarations to the effect that if that Party were returned to power and the Imperial Government did not give in on the language question, they would feel bound to resign in order to show the Imperial Government that they had the support of the people and that the main political plank on which they had fought the elections had been the language question.

If Ministers wanted to persuade the Imperial Government that the people were with the Nationalist Party and not with them (the Opposition) on the question, all they had to do was to resign and have another Election to be fought without any moral pressure.

Amendments an "amelioration" of the Constitution.

Dr. P. Boffa (**Labour**, *Fifth Division*) said he was against the Motion for various reasons, the principal one being that in the electoral programme on which he had been returned to Parliament he had promised his constituents that he would fight for and support the amendments recently made to the Constitution.

Another reason was that the Opposition held that those amendments —and it was here that they differed from the Government — were not a mutilation but an amelioration of the Constitution. They were the same amendments—or, at least, some of them were—for which he, in the name of their Party, had asked the Royal Commission.

Nobody could deny the fact that the elections were not fought on the language question; the people of Malta had not understood that question at all. He maintained that the popular conscience had been focussed upon the religious question.

The Head of the Ministry said that in proposing to refer to a Committee of the Chamber the principal subject of the Motion he had intended to excuse Parliament a lengthy debate on the question. He therefore felt it his duty to follow the same tactics as those adopted when at the beginning of their Parliamentary duties, after the suspension of the Constitution, that Chamber had considered it to be its duty as a first step to make a protest against that suspension.

The Chamber had nominated certain hon. Members to draft the text of the protest. Having received the reply from the Secretary of State to that protest it was in order for Parliament to answer, and as the original protest had been the task of a Commission it was proper for the same Commission to draw up the answer.

Continuing, Sir Ugo Mifsud said it was useless to say that the attitude of the Secretary of State was as he had declared it to be in the English Parliament. He had in front of him the White Paper laid on the Table of the British Parliament on the occasion of the granting of autonomy in 1921. He also had in front of him what had been said in regard to the language question in paragraph 14 of the Despatch of the Secretary of State, dated 28th May, 1920. Lord Milner had written :—

"The question of language required, and has received, the most careful consideration so as to do justice both to the position of Malta as a member of the British Commonwealth, and to the traditions of its history and culture."

It was well known that the Constitution had been drawn up according to the wishes of the Maltese themselves; the National Assembly had formulated the type of Constitution to be granted; and on that draft the Imperial Government, following the usual practice in other countries of the Empire, had granted them the Constitution. And it was because of this that they had raised their voices against the unjust suspension of the Constitution of 1930 and the *ad interim régime* from 1930 to 1932. To-day they could do nothing but perform another similar duty as citizens,—defend the heritage for which they and their forefathers had fought.

As long as his position in the Assembly remained strong, he would care little for the attitude of the present or any other Secretary of State. Secretaries of State changed but the Nationalist policy would not change. He recollected being explicit in saying to Sir Philip Cunliffe-Lister in England that he had responsibilities towards his country as the Secretary of State had towards his, and it was very likely that their reciprocal responsibility was not necessarily leading them to a single solution.

In regard to the language, the Maltese people had authorised the Government to discuss and solve the question from the Maltese point of view, and they did not intend to deviate from that line of action. What concerned them was to be able to live in a *régime* of liberty such as was enjoyed by other countries within the Empire, whether they were of British blood or of French or Dutch or Latin. They desired the same rights, the same franchise and the same treatment as accorded those other countries. They did not intend to accept any other form of autonomy than that which they desired. With that object in view they would continue to fight, whatever the consequences.

At the conclusion of the debate on a division the Motion was agreed to by 20 votes against 9.

MALTA TRADE UNION (AMENDMENT) ACT.

This Act received assent on 25th February. It amends the Act of 1929,* which provides for the regulation of trade unions.

With the exception of four Amendments (the chief of which are dealt with below), the provisions are identical with the Act of 1929.

The original Act defines the expression "trade union" as meaning "any association of whom not less than 90 per cent. are workers voluntarily constituted for the adjustment of wages, hours, working conditions and relations between themselves and between themselves and their employers" (*Art.* 2); makes provision for the appointment of a Registrar (*Art.* 3); and sets out the qualifications for registration (*Art.* 4) and particulars required in making application for such registration (*Art.* 5).

Article 9 (1929 Act) requires the tranmission to the Registrar of an annual statement from each registered trade union as to number and names of members, funds, expenditure, etc., with a copy of alterations to Rules, and the annual Report and Minutes of Proceedings at meetings. This Article also provides that any union whose activities appear to the Registrar to be not strictly in accordance with the objects specified in Article 2 shall be liable to have its certificate cancelled. The amending Act (1933) in a new paragraph declares that "it shall be the duty of the Registrar to verify and decide on the information mentioned in this Article."

The same Article (9) of the original Act further provides for penalties for failure to comply with the above provisions.

In Article 12 of the 1929 Act, which provides that "nothing in this Act shall disqualify trade unions at present recognised as entitled to send delegates to the Trade Union Council," the words after "shall" are struck out and the following substituted :—

"debar the registration of any trade union which shall have been recognised by the Minister for Justice in terms of Act No. XXII. of 1929" (Trade Union Council Act).

MALTA TRADE UNION COUNCIL (AMENDMENT) ACT.

This Act was assented to on 25th February. It amends the Trade Union Council Act of 1929,† which provides for the constitution of a Malta Trade Union Council.

The main provisions are as follow :—

Article 2 of the 1929 Act, which provides for the Council to be formed by trade unions registered in virtue of the Trade Union Act of 1929 is amended by the addition of the following: "and by such other unions or associations as shall from time to time be recognised by the Minister for Justice and which shall be duly registered."

A new paragraph to this Article makes provision for such recognition by the Minister to be published in the Government "*Gazette*," etc., and also provides for the registration of, and the issue of certificates of registration to, such unions or associations.

Article 3 of the Act of 1929, which was not amended, provides that not less than 55 paying members of trade unions must be domiciled in the islands.

Article 4 of the original Act provides for the election by a trade union or association of one delegate for every 100 *bona fide* paying members or for every fraction of 100 exceeding 50. The paragraph providing for the election of such delegates annually and for the right of all members to vote is struck out and the following inserted :—

"Persons belonging to more than one union or association shall vote only in one union or association at their choice.

"It shall be lawful for the Minister of Justice to establish by regulation the procedure to be followed in order to give effect to the provision contained in the preceding paragraph."

To Article 5 (1929 Act), which provides that "the Trade Union Council shall be autonomous subject to the provision of the Constitution and shall continue in office for one year," is added :—

"Provided, however, that if this Act be, at any time during such year, revoked, the delegates constituting the Trade Union Council shall, on the revocation of the Act, cease to hold office."

This Article also provides for the names of delegates of the unions constituting the Trade Union Council to be published in the Government "*Gazette*."

Article 6 of the 1929 Act, which is unamended, declares that "no provision in this Act shall affect the powers vested in the Governor by the Constitution to recognise any Trade Union Council from time to time."

* *Vide* JOURNAL, Vol. X., No. 3, p. 773, and No. 4, p. 974.

† *Vide* JOURNAL, Vol. X., No. 3, p. 774, and No. 4, p. 975.

CEYLON.

The State Council adjourned on 14th December, 1932, and re-assembled on 17th January, 1933. The following summary is in continuation of the summary given in Vol. XIII., No. 4, of the JOURNAL.

THE BUDGET.

(Appropriation Ordinance : Report of the Board of Ministers ; Estimates of Revenue and Expenditure for 1932-33 ; Financial Secretary's observations.)

On 4th October, 1932, in the State Council, the Board of Ministers, presented to the Council the Annual Appropriation Bill for 1932-33, and laid before the Council the Estimates of Revenue and Expenditure for the year. The Report of the Board of Ministers, together with the observations of the Financial Secretary, are summarised below.

REPORT OF THE BOARD OF MINISTERS.

The Report of the Board of Ministers stated that Revenue for 1932-33 was estimated at Rs. 96,250,000, including two sums of Rs. 1,861,356 and Rs. 1,300,644, representing estimated balances of the Railway Renewals Fund and Colombo Electricity Supply Depreciation Fund, which it was proposed to transfer to general Revenue. The revised Estimate of Revenue for 1931-32 was Rs. 84,145,000. The expectation of an increase of Rs. 8,943,000 was based on the following consideration :—

(A) Rs. 7,000,000 was expected from income tax.

(B) The levy on salaries of public servants and the increased Customs duties would be operative.

(C) Reduced provision amounting to Rs. 519,850 only had been made for depreciation in the Railway Estimates, and no provision at all had been made in the Colombo Electricity Supply Estimates. In consequence, a sum of over Rs. 1,000,000 would be available for payment into General Revenue on account of interest in the case of the Railway and on account of net Revenue in the case of the Electricity Supply.

The total estimated Expenditure for 1932-33 was Rs. 98,734,951.

The total estimated Expenditure for 1931-32 was Rs. 103,705,635, but it was expected that the actual Expenditure would be about Rs. 97,000,000. Budget

figures of Expenditure for 1932-33 were therefore Rs. 4,970,684 less than the Budget figures of 1931-32, but Rs. 1,734,951 in excess of the latest revised Estimates for 1931-32.

It was considered that actual Expenditure during 1932-33 should not exceed appreciably Rs. 96,250,000 on General Revenue Account.

It was expected that about Rs. 2,500,000 would be brought forward to the credit of the Surplus and Deficit Account for 1932-33. Recurrent Expenditure in the Estimates amounted to Rs. 96,939,964, including Rs. 41,812,950 for expenditure under "Personal Emoluments." From past experience the actual expenditure on "Personal Emoluments" was likely to be about Rs. 39,500,000.

Regarding the continuance of the scheme of Commuted Pensions, the matter was still under consideration. Meantime the Board found itself under an obligation to include in the Estimates a large sum for payment of pensions to public servants, widows and orphans of public servants, teachers in assisted schools, etc. The total sum payable in respect of Pensions, Gratuities, etc., during 1932-33 was estimated at Rs. 9,222,380, of which about Rs. 1,500,000 would be required for the partial commutation of pensions. Proposals would be laid before the Council for making available from the 1929 Loan Fund a sum of Rs.1,500,000 as the nucleus of a Fund from which payments in partial commutation of pensions would henceforth be made and for replenishing the Fund.

The Board had reluctantly made a small reduction of the provision for Health and Education services. The estimate on maintenance services rendered by the Public Works Department, which had been drastically reduced in the current Estimates, had been further reduced by Rs. 968,239, the estimated Expenditure in 1932-33, being Rs. 5,195,355. Special and Extraordinary Expenditure had been reduced from Rs. 3,922,567 in 1931-32 to Rs. 1,794,987 for 1932-33.

The Revenue and Expenditure of the Colombo Electricity Supply formed the subject of a separate Budget. Estimated interest on capital and net Revenue amounting to Rs. 1,197,807 were carried into the estimated General Revenue of the Island. The Estimates of the Railway Department also formed the subject of a separate Budget. The estimated Revenue was insufficient to meet the whole of the interest on capital due to the General Revenue, notwithstanding the fact that the sum to be set apart from depreciation was reduced from 7½ per cent. of total earning to 5 per cent. in 1931-32. Estimates had been further reduced to the sum required for actual expenditure on renewals in 1932-33 which amounted to less than 2½ per cent. Shortage in payment of interest by the Railway for the forthcoming year was estimated at Rs. 3,235,671, as compared with a shortage of Rs. 5,743,914 in 1931-32. The accumulated shortage at the end of 1932-33 was estimated at approximately Rs. 14,500,000.

Observations of the Financial Secretary.

Measures proposed for bridging the gap between Expenditure and Revenue during 1932-33 were :—

(1) Appropriation of balances of the Railway Renewals Fund and Colombo Electricity Supply Depreciation Fund.

(2) Reduction of the provision to meet depreciation of Railway assets to the bare sum required for expenditure on renewals.

(3) Omission of provision to meet depreciation of the assets of Colombo Electricity Supply.

(4) Transfer to Loan Funds of expenditure of about half-a-million rupees, which ordinarily would have been charged to current Revenue.

(5) Omission from the Estimates of Rs. 1,500,000 required for partial commutation of persons with the intention of meeting that expenditure from borrowed money.

The proposed inroads on the Railway Electricity Supply reserves would have disastrous consequences if the sums to be diverted were not restored before the time they were wanted for the purposes for which they were set in reserve.

The use of borrowed money to meet the partial commutation of Pensions appeared to be financially justifiable, as such partial commutation effected an extinction of future liabilities and was therefore in the nature of capital expenditure. It would be preferable, in his opinion, to borrow separately for the purpose, as he doubted the wisdom and the propriety of using for such a purpose money borrowed to pay for public works of development.

None of the measures referred to would strengthen the Government's cash position. It was a practical certainty that by the end of the year, if not earlier, the Government's liquid resources would be negligible. The Budget position as disclosed by the Estimates demanded measures which would secure additional Revenue.

DEBATE IN STATE COUNCIL.

The Minister of Home Affairs and Leader of the Council (Hon. Sir Don Jayatilaka) moved that the Bill entitled "An Ordinance for making provision for the Public, Railway and Colombo Electricity Supply Services for the financial year 1932-33" be read a second time.

The Minister of Agriculture and Lands (Hon. Mr. D. S. Senanayake) formally seconded.

Mr. W. A. de Silva (*Moratuwa*) said he hoped the Board would devise means whereby recurrent expenditure would be considerably reduced. They were told that because of their Constitution their hands were tied. There was a great deal of truth in that, but they should not say that because there were certain circumstances that made it difficult to get all they desired, that they should not try to devise means to reduce expenditure wherever possible. One aspect of the Constitution was that salaries, emoluments and pensions and allowances of public servants, who were in the service of the Colony at the date the Constitution came into being, should not be altered by the Council. That was a matter that would have to be considered by those who desired the freedom of the country.

Referring to a suggestion that they should start large industries, Mr. de Silva said that if they started industries as they started them in Japan it would bring ruin to the country, because those industries could only thrive by sweated labour. They had only one industry in Ceylon worked on capitalist lines, the planting industry. That industry had to import a million people to work it. The industry they had to create was of the individual and of the land.

Cost of education.

Mr. M. J. Cary (*Nominated*) asked if they were making the best use of money spent on education. Education was compulsory between the ages of 6 and 14. Was it necessary to provide education above the years of compulsory education? In the case of vernacular schools, he believed that children under 5 and over 18 were ineligible for grant-in-aid. That practically meant that for 14 years, between 5 and 18, the State paid for the education of those children. In regard to English schools the age was raised by another year. He ventured to say that in no country in the world was education subsidised for such a large number of years, and he asked the House and the Minister of Education to seriously consider whether this was not one of the points on which they might have retrenchment by reducing the age above which education was not subsidised.

Tea industry.

Mr. Cary dealt at length with the position of the tea industry, and quoted figures from the Customs returns to show what a great difference the drop in the value of tea had made in the wealth of the country. Tea value had dropped by 25 per cent. but, notwithstanding, the export duty had been raised by 50 per cent. If producers could not bring about

an increase in price by advertising tea he was afraid that thousands of acres must necessarily go out of cultivation.

If his line of argument was correct, and the prosperity of the country was largely dependent upon tea, the possibility of the anticipated revenue being raised was very doubtful.

Mr. S. W. R. D. Bandaranaike (*Veyangoda*) said on the present Budget proposals they were budgeting for a deficit. In the course of the next financial year they would have to raise increased revenue. He did not think there was the least doubt that probably before the end of the next financial year—certainly in the preparation of the Budget proposals for 1933-34—they would have to increase taxation considerably. How was this to be done? There were the postal rates, which they had avoided this year, equal to about Rs. 1,800,000; the taxation of rice—always a method of raising a substantial revenue; and a probable increase of the unit rate of income tax. This year Members could say with a bold front that no extra taxation of this kind should be raised to pay these things, Commuted Pensions, and so on. How was the present difficult financial position to be met? There was retrenchment. There was the other way—constructive schemes. A recent Report made by experts recommended that the State should expend money on anti-malarial work, irrigation channels, and clearing, at its own expense, of a portion of land necessary for the peasants or whoever might be settled there. The only criticism he had to level against that was that it dealt with an area of about 2,400 acres only.

Continuing, Mr. Bandaranaike said the only possible method of improving their agriculture was by paddy cultivation, which supplied the needs of the people, and for which there were vast tracts of land; incidentally, it would meet the question of the adverse trade balance because rice was by far the biggest item in their imports. Should they, who were prepared to spend millions of rupees upon Commuted Pensions, and so on, hesitate to spend a few lakhs on schemes of the sort indicated?

Ottawa Conference: reduction of duties on British goods.

Referring to the question of Preference, Mr. Bandaranaike said he took it that before long they would have to honour their pledge and would have measures before them of preferential tariffs. One of the suggestions made at the Ottawa Conference was to reduce the import duty on British goods, not to increase the duty on foreign goods. If that was going to happen in Ceylon they would be depriving themselves of one of the chief items of their Revenue—the Customs at the present moment—by reducing certain import duties on British goods. If those proposals should materialise the House should be very careful in accepting proposals for the reduction of import duties upon British goods or for the increasing of import duties upon other goods.

"Misappropriation."

Mr. E. C. Villiers (*Nominated*) thought every Member would agree that the forecast of Revenue had been drafted by an extreme optimist wearing the rosiest of spectacles. He could not understand what spasm of enthusiasm could have induced those responsible for raising the Revenue from land sales from Rs. 380,000 in one year to Rs. 810,000.

Regarding the proposals to appropriate the Railway Renewals and Electricity Depreciation Funds, he supposed it was not for them to kick

against the pricks if sanction had been obtained from the powers above for the inclusion of those items. But he did think that when they put them into the Budget they might have used the proper word if they suggested "misappropriation."

Health Department.

Mr. Villiers, suggesting various means of effecting savings, said the only piece of fat on the whole of the carcase was the Department of Health. He did not want to suggest curtailing the Vote or the services, or cutting out one cent of the expenditure on the Medical services. But the question he asked was: Could the country afford to give all these services free? He believed there was not another country in the world that had a social service in medicine which cost more than 10 per cent. of its total Revenue. It was an enormous sum, and one of the things hon. Members had to ask themselves was whether it was in the interests of the people of the country to pauperise them in this way. Free treatment for the very poor was advisable, and they could not have it touched at all. But there was very few who could not afford to pay something towards treatment for themselves and their dependents.

Education Vote.

The Education Vote stood at some 13½ million rupees, or practically 15 per cent. of the total Revenue. It could not be right for the country to go on giving unlimited amounts for free education, free in as much as the difference between the actual bill and what the work cost was 13½ million.

Mr. S. de Fonseka (*Panadure*) said the Budget had been shorn of almost every item of extravagant expenditure, and the services of the country had been starved. The only item for comment was the salaries of public servants. So long as the Constitution gave the public servants a privileged position they would always remain an object of suspicion. The only item of expenditure on which they could hope for any appreciable reduction was the salaries of the Public Service.

On 5th October,

Mr. de Fonseka, continuing, said he was of opinion that the country could bear a little more taxation, but not the taxation which the Governor and the Officers of State and certain privileged communities desired. He had recently read an article referring to certain goods which reached the country tax-free or on a nominal duty—liquid fuel, frozen meat and ice. It might be very well said that they could tax those items a little more and provide moneys instead of raiding the Railway Renewals Fund or the Electrical Depreciation Fund.

Trade representation.

The Minister of Labour, Industry and Commerce (Hon. Mr. P. Sundaram) said one of the new things they had done was as regarded trade representation in other countries. Last year they had appointed a trade representative in India. The growth of the Indian market and the importance of improving and consolidating Ceylon's position in India could not be ignored.

The Minister also referred to "the important question" as to whether trade representation in other countries where they had markets

before should not be obtained, or whether investigation should not be made regarding the falling off in those markets. Next to India, Italy was the second largest market for copra, but that market was falling off. Next came Egypt, where again there was a decline. He was sure that everyone realised that investigation of trade conditions helped the general expansion of trade in the products of the country and that the State should assist at least to that extent.

Result of " compartment " budgeting.

The Minister of Agriculture and Lands (Hon. Mr. D. S. Senanayake), referring to the raiding of the Railway Fund, said the justification for this was that the money was not required by the Railway Board just then. The money was due to the taxpayer. If they had not the system of compartment budgeting their surplus that day would be over ten millions. Was the system to continue, he asked, when they found that they would be compelled to tax the people who could ill afford to pay ?

Note circulation.

Referring to the note circulation, the Minister said that in 1928 it was Rs. 62,456,602 ; to-day it was Rs. 41,968,000. If they wanted to improve their conditions they would have to make the circulation of money a little more rapid. The best way in which that could be done was for the people who had their money sometimes hoarded—buried in a hole in the garden—to put it into a co-operative society. In the absence of these societies people had no place in which to deposit their money.

Referring to the necessity for starting marketing boards and societies, and for having co-operative banks, the Minister said all that could be done only if the Co-operative Department had sufficient men to enable them to educate the people.

Budget " unbalanced and improvident."

On 6th October,

Mr. H. R. Freeman (*Anuradhapura*) said the Budget had two main sides, the untouchable side and the more or less touchable side. The untouchable side was believed to be between 50 and 60 per cent., consisting of establishment charges of all sorts, including salaries, allowances, etc., of the Public Services. It was untouchability that made the annual debate on the Budget a farce, and more so this year, when there was the Report of the Retrenchment Commission, much of which would probably be disallowed by the untouchable side. Nobody could reasonably argue that Ceylon could afford the standard set up in the salaries of the Officers of State. These salaries set an exaggerated and vicious example all through the Public Service.

The Budget was unbalanced and improvident. The Revenue was quite unlikely to be realised. The Estimates took no account of the adverse trade balance, except that it was contemplated to make the balance more unfavourable by Ottawa Preferences.

The ugliest features of the country—unemployment and unemployability—were not dealt with in the Estimates, except that there was something suggestive of a " back to the land " policy.

How far there were sources of further retrenchment would depend on how far hon. Members could acquire the " do without " sense during

the Committee stage. Generally speaking, it was probable that if the Estimates were referred back to the Executive Committee an average reduction of at least 5 per cent. could be made.

Hydro-Electric scheme.

Mr. A. E. Goonesinha (*Colombo Central*) regretted that a scheme for unemployment had not been placed before the House. If the Board of Ministers had embarked upon the question of having the Hydro-Electric Scheme formulated, they would have been able to confer a great deal of benefit, not only on the unemployed people, but also on the whole country. There was the question of funds. He agreed that the country was in an absolutely bankrupt state. But what was the difficulty in getting a loan ? He understood that a Company was prepared to undertake the scheme and carry out the work at its own expense and allow Government to pay later on by instalments. If a loan could not be considered, why should they not adopt that plan ?

On 11th October,

Mr. G. C. S. Corea (*Chilaw*) said, unfortunately for them, the State Council had begun to function at a time of acute depression when the Revenue was fast dwindling and when the reserves at their disposal were limited and were fast disappearing. In spite of that, he thought they would all agree that the Board of Ministers and the House must congratulate themselves on being able to put before the country so many proposals of importance.

Payment of commuted pensions, passages and holiday warrants.

With regard to the two contentious proposals affecting the payment of commuted pensions, and passages and holiday warrants, there was hardly any justification for including the item for holiday warrants and passages in the Budget proposals or for excluding the item for commuted pensions in order to bring it about in a different way by funding it. As by means of a Motion couched in terms of advice to the Governor, in whom was vested the right to vary the regulations regarding commuted pensions, the House had almost unanimously expressed its definite conviction that commuted pensions should not be paid there was no justification for their payment.

With regard to the Revenue side of the Budget, he thought that if Ministers had erred it was on the side of over-caution. The most recent figures showed there was likely to be an increase in Revenue from Excise of at least Rs. 700,000—it might reach to something like Rs. 1,000,000. As against that the Expenditure items could perhaps in the Committee Stage be considerably reduced in spite of the pruning which the items had gone through in the respective Committees.

Reform of the Constitution.

Regarding the reform of the Constitution, a series of Motions introduced by Mr. E. W. Perera had found acceptance in the House,* and it was now left to the House itself to take the necessary action to implement those Resolutions. He appealed to the Leader of the House to make an announcement as to what action he proposed to take.

The Minister of Education (Hon. Mr. C. W. W. Kannangara) said the difficulties of reducing expenditure on education were due to three

* *Vide* JOURNAL, Vol. XIII., No. 4, pp. 1104-1130.

main causes. The first was the question of teachers' salaries. Out of a total of Rs. 13,520,569 about Rs. 11,000,000 went in the payment of salaries of teachers. Teachers had been poorly paid in the past, and now they were given a fairly decent living wage, it became a matter of practical impossibility to reduce their salaries any further.

The second reason was the system of grants-in-aid paid to schools run by various societies and private managers: it was difficult to deny registration to schools started by those societies if they fulfilled conditions laid down for registration.

The third reason was that out of every 7 children of school-going age, only 4 were being educated. It was difficult to reduce the cost of education because they would have to make inroads into the salaries of teachers, or, in the case of secondary schools, they would have to raise the school fees. There was no other way unless they changed the whole system.

Mr. D. H. Kotalawala (*Kurunegala*) said that in spite of assistance given by Government he was inclined to think that some of those interested in and directly concerned with the tea industry were not adopting all the necessary measures to better the existing state of affairs. It was a well-known fact that a large number of estates were disposing of tea sweepings to traders who made a good business of it either by local sales or by forwarding it to exporters. If that could be stopped he was certain it would help the industry even in some small measure.

Regarding the suggestion that a heavier duty should be imposed on liquid fuel, Mr. Kotalawala said that would only hasten the destruction of the tea industry, for, he would say, about 95 per cent. of the estates worked their factories with liquid fuel.

On 12th October,

The Deputy Speaker (Mr. F. A. Obeyesekere) said last year the Council had said that they would not sponsor the grant of passages once in four years, and the Governor had certified and introduced the item into the Budget. They knew now that till the Secretary of State for the Colonies altered his decision in regard to the question the Governor would be compelled to follow the same procedure. If no passages were provided for, the Governor would certify the item. By deleting the item they would be causing unnecessary and double work. The questions of commuted pensions and the passage allowance were as they were before. Till the Secretary of State could be prevailed upon to alter his mind there could be no question about that. Mr. Obeyesekere said he wanted to place that position before the House because there was a wrong twist given to the action of the Ministers on the question as though they had betrayed the attitude of the majority of the Members or the attitude of the country. To his way of thinking, no man serving as a Minister under the Constitution to which he had pledged himself could have done anything more than the Ministers had done in regard to this important question.

The Minister of Home Affairs and Leader of the Council, dealing in the course of his reply with the suggestion that they should raise a loan, said it must be remembered that before they went to the money market they had to set their house in order. That was what they were trying to do with the co-operation of Members. If they succeeded, then it would be time for them to launch big schemes, not merely to relieve the unemployed but for the development of the country.

The Revenue figures had not been manufactured by the Board for the purpose of the Budget. They had been supplied by the Financial Secretary (Sir Wilfred Woods), who was most conservative in regard to Revenue proposals. He was therefore confident, if nothing untoward happened, if there was no set-back in trade, that the estimated Revenue would be realised.

Constitutional reforms.

Regarding constitutional reforms, they had been considering the possible means of giving effect to the Resolutions passed by the Council at the instance of Mr. E. W. Perera.* They had referred the matter for advice to the legal adviser. When that advice was received they proposed to deal with the question.

Referring to holiday warrants and passages, the Minister said that their first intention had been to leave them out of the Budget, but on reconsideration of the whole question they thought that to delete them would lead to no good. The best time to tackle the question was when the proposals of the Retrenchment Commission were being considered by the House.

They had been charged with having removed commuted pensions from the sphere of active politics, which he thought meant that they had withdrawn the item from the purview of the Council. Loan Funds could not be diverted to any other purpose than the one purpose for which the loan was raised without the sanction of the Council. In their Report they had stated that they proposed to bring a Resolution before the House to use the available balance of the Loan Fund for the purpose of paying commuted pensions if their efforts to get the item knocked out failed. What they were trying to do in case their efforts failed was to provide a means of paying the amount without allowing the burden to fall upon the general Revenue.

With regard to these and other matters, specially with regard to the question of constitutional reforms, the House must take a serious view of the position of the Ministers. If they were considered as responsible people the House must give Ministers their confidence. If the House said that they could not trust them to take action on any matter at the right time in their discretion there was only one step they could take. They should not wait till they went into Committee to cut out one item here and one item there. They must throw out the Budget at once and the House would be dissolved. Then those who wanted to enunciate other policies would have a chance.

In conclusion, the Minister said it might very well be called a starvation Budget. They had starved all the essential services. They had no alternative.

The question was then put and agreed to and the Bill was read a second time.

The Bill was considered in Committee on 13th, 14th, 18th, 19th, 20th and 21st October. During the discussion cuts amounting to Rs. 1,880,178 were made, which included :—

Governor's Allowances	Rs. 15,000
Defence Force	Rs. 69,950
Education...	Rs. 58,876

* *Vide* note on p. 431.

On 2nd November, in Committee, the Council reconsidered certain items. A Motion to reduce the Governor's Travelling allowance (Head 1, sub-head 2) by Rs. 5,000, which had been passed earlier in Committee, was revised on a division by 22 votes against 21. A Motion to restore the original amount provided under sub-head 5: Upkeep of furniture, equipment, Rs. 25,000, which in Committee had been cut to Rs. 15,000, was negatived by 27 to 19; sub-head 7, labour and upkeep of gardens of Governor's residences, which had been reduced in Committee from Rs. 12,306 to Rs. 9,306, was restored by 33 votes against 5; and sub-head 9, "Incidental Expenses," which had been reduced from Rs. 3,000 to Rs. 1,500, was restored by 24 votes against 23. In the Education Vote a cut of Rs. 4,500 was restored. An item of Rs. 4,000 under "Defence" was also restored.

PREFERENTIAL TARIFF.

(Imperial Preference: Resolution imposing new scale of import duties; Amendments to the Schedule: exclusion of cotton piece goods and other items and reduction of preference on silk.)

On 13th December, 1932, in the State Council, the Acting Financial Secretary introduced a Resolution imposing new scales of import duties providing for Imperial Preference at the general rate of 10 per cent. on a number of commodities.

The following is a summary of the Schedule:—

Acid (other than acetic and formic); Agricultural implements; Aluminium ware and tea chest linings; Apparel; Biscuits and cakes; Boots and shoes; Butter; Cards; Cereal foods; Cheese; Chemicals (other than camphor); China and porcelain; Clocks and watches; Confectionery; Cream; Cutlery ware; Dyes and dyestuffs; Earthenware and stoneware; Electrical goods and apparatus; Exercise books; Fish: tinned, potted or preserved; Fruit: fresh, dried, tinned, bottled or preserved; Furniture; Gas mantles; Haberdashery and millinery (excluding silk and artificial silk); Hollow ware; Hosiery (other than silk); Implements and tools and parts (except agricultural); Jams, jellies and preserves; Leather and leather goods; Machine belting; Machinery; Machine tools; Manufactures of iron and steel; Meat, fish, poultry and game (frozen or refrigerated); Meats: tinned, potted or preserved; Metals; Iron and steel plates and sheets and other iron and steel products; Musical instruments; Non-ferrous metal manufactures; Paints and painters'materials; Paper: millboard, strawboard, cardboard and pasteboard; Paper book covers and book cover paper, forms, letter paper and envelopes (printed) etc.; Perfumery and toilet preparations; Photographic goods; Pig products; Safes; Sewing machines; Ships and other vessels for inland and harbour navigation; Soap; Textiles: cotton piece-goods, cotton yarn, lace and net, mixed material, blankets, carpets, handkerchiefs, scarves, shawls, piece-goods and others; silk and artificial yarn; silk and artificial silk and manufactures thereof in which the value of the silk and/or artificial silk exceeds 20 per cent. of the aggregate of the values of all the component of the article; woollen and worsted manufactures; Timber; Toys and games; Typewriters; Vegetables; Wireless goods.

(*It was proposed to accord the above a preferential rate of* 10 *per cent.*)

Other items were:—

	Preferential rate.	*General rate.*
Beer, per gal.	Re. 1	Re. 1·25
Cement, per cwt.	Re. 0·40	Re. 0·60
Cinematograph films, per ft.	2/3rds cent.	1 cent
Coffee, per lb.	Re. 0·10	Re. 0·16
Coriander seed, per cwt.	Free	Re. 1
Fish, dried or salted, per cwt.	Re. 1	Rs. 2
Glass and glass ware, *ad val.*	15%	20%
Grain (other than paddy and rice and malt for brewing), per cwt.	Re. 0·50	Re. 1

	Preferential rate.	*General rate.*
Lead, pig (except lead sheets, tea lead and foil)	Free	10%
Motor cars, motor cycles and scooters, engines, chassis, magnetos, splash-proof accumulators and accessories, *ad val.*	20%	27½%
Motor lorries, vans, omnibuses, tractors, trailers, tramcars and accessories, and spare parts for all motor vehicles ...	15%	22%
Oil, lubricating, per gal.	Re. 0·40	Re. 0·60
Paper for writing and printing purposes, and envelopes	5%	5%
Rice, per cwt.	Re. 1	Re. 1·50
Spirits: gin, per proof gal.	Rs. 22	Rs. 25
Tea, per lb.	Re. 0·25	Re. 0·37½
Tobacco:		
Unmanufactured, per lb.	Rs. 2	Rs. 2·30
Manufactured:		
Smoking tobacco, beedies, cigars, per lb.	Rs. 4	Rs. 4·75
Cigarettes:		
(1) Empire manufacture from Empire-grown tobacco, per lb.	Rs. 4 to Rs. 6	——
(2) Empire manufactured from foreign tobacco, per lb.	Rs. 4·50 to Rs. 6·50	——
(3) Empire manufactured from Empire-grown and foreign tobacco at rates intermediate between (1) and (2) ...	——	——
(4) Manufactured in foreign countries, per lb.	——	Rs. 7
Hooka and beedy tobacco, per lb.	Rs. 2	Rs. 2·30
Snuff, per lb.	Rs. 3	Rs. 3·50

The Acting Financial Secretary (**Hon. Mr. C. W. Bickmore**), in moving the Resolution, referred to criticism of the Ottawa Conference, and quoted figures to show that so far from the Ottawa Conference having been a failure in the sense of reducing tariffs it had been a great success.

As regarded Ceylon and India, India had given them a preference by reducing the duty on coconut products. This was valuable because it made a reduction of the duty which made it easier for Ceylon to send their goods to India while at the same time imposing a higher duty on foreign products.

They had not quite got what they wanted. They had not got a preference on tea in Australia, which was one of the most important things they hoped for. They had made very strong representations about it, and were continuing to do so, and they hoped that they might not be without result.

The question was whether what they had got was something, and whether they were likely to get more by joining with other countries on a preference basis and asking for more or whether they were likely to get what they wanted by standing out and saying they were not prepared to grant preference at present.

When they talked about retaliation, the first point they should consider was that the United Kingdom and the Empire were their best customers. He did not think that any other country would find it to their benefit to retaliate against Ceylon, and he did not think Ceylon would gain any benefit by joining any one of those countries which were likely to retaliate.

There was provision in the legislation of the United Kingdom that if any country did discriminate against Ceylon because she gave preference to the United Kingdom, the United Kingdom had the power under the Import Duties Act to levy an additional duty on the products of the country which was annoyed with Ceylon for giving preference.

Proceeding, Mr. Bickmore said the total export trade of 1931—exports from Ceylon—was Rs. 215 million. Rs. 144 million of that went to the Empire and only Rs. 71 million to foreign countries. Out of the Rs. 144 million that went to the Empire Rs. 119 million gained the benefit of the preference. Prior to the imposition of the Import Duties Act in the spring of 1932, they were receiving preference from the United Kingdom to the extent of only £50,000 worth of goods. Since April they had been receiving preference on £10 million out of a total of £11 million worth of goods.

Regarding the possibility of trying to increase their trade with foreign countries, the real trouble was that the foreign countries seemed to be going to the preference countries to gain admittance into them. So that if Ceylon was not a preference country those foreign countries would not want to trade with Ceylon.

He did not think it was any good believing they could grant preference by putting the preference on those goods which they imported almost entirely from the United Kingdom. As regarded the general possibilities of granting preference, in the first place their tariff at present was a revenue tariff and they were hanging on to it desperately. Any preference they granted must be granted in most cases by an actual increase of duty. That narrowed the field rather considerably. Luxuries was a small item. There was not much money in it; and the duties on luxuries were already so high that they would lose money if they raised them. There were a few items which it was thought could bear an increase. But the duties on some luxuries had been put up too high at the last tariff revision in February, 1932, and they had been forced to reduce them.

They could hardly afford preference on prime necessities. The scope for preference was very limited, and that was the excuse for the somewhat patchwork nature of the Schedule of Preference. If the Council knocked out some of the items the result would be that they would not be really giving any preference to countries which were giving them preference; and if they reduced the duties they would be losing revenue, and if they increased the duties they would be losing revenue.

A principle which had guided them in framing the tariff was that the cost of imported articles had fallen, and the value of exports had fallen, and the result had been an unhealthy stimulus to their imports. One of their greatest necessities at the present time was to reduce the quantity and value of their imports. Many articles they were importing could be produced in the country. If not, they could be made up or manufactured in the country, and that explained the presence on the Preference Schedule of a great many articles.

In conclusion, Mr. Bickmore said that what he had attempted to show was that not merely was it not to Ceylon's disadvantage to join in the formation of the great economic unit of the Empire, but that it was actually to her advantage. Even if it was not to her advantage, the risk she ran by standing out was too great for her to face; and if she did decide to stand out then it was absolutely necessary that at the earliest opportunity they should try to find some alternative for the preference proposals.

On 14th December, the Motion was referred to a Select Committee.

DEBATE IN STATE COUNCIL.

Preference and the tea industry.

On 17th January, on the presentation of the Report of the Select Committee,

Mr. W. A. de Silva (*Moratuwa*) said the most important article on which preference was sought generally by the public opinion of the country was tea. Preference on tea was not new. There was a preference on tea in 1924 and 1928, and it was dropped when tea was made free in England. A twopence preference was given in 1932. Whenever preference had been given Ceylon tea had suffered considerably because markets changed the prices to the blenders, who adjusted matters according to the increase in the price of cheaper teas.

Cotton piece goods.

As regarded [cotton] piece goods, the price of these coming from Japan was less than half the price of piece goods from England. What effect would a 10 per cent. preference have for stimulating English manufactures or enabling the people of Ceylon to buy articles coming from India?

Value of preference proposals to Great Britain.

Proceeding, Mr. de Silva said that rightly or wrongly Great Britain wanted preference established. If they [in Ceylon] could by some means help Great Britain to obtain what was desired, he thought they should set aside all question of rights and wrongs, and should stand by Great Britain and say: "However small we are, in your endeavour to recover trade we are prepared, in spite of our own misgivings, to stand by you." That was an attitude he could understand; but if they went as hypocrites, as men offering something, knowing that that something would not be of any value, it would not redound to the credit of the Council or of the country.

The preference they were going to give would not enable Great Britain to sell a single article in Ceylon in competition with articles imported from other countries. In the case of certain articles, Ceylon was to give a preference of from 10 per cent. to 15 per cent. on imports from Great Britain; but the price on the same articles of foreign manufacture was about one-third or one-half that of the British article. If they put 10 per cent. on cotton piece goods, they would not be benefiting England, but would be getting it out of the poor man in Ceylon, and perhaps it might go to the revenue which the Board of Ministers did not desire to obtain by taxing the poor.

In conclusion, Mr. de Silva said he strongly deprecated the measure, and trusted that when it came to voting upon it the House would unanimously reject the motion.

Mr. S. de Fonseka (*Panadure*) said their Customs Tariff was a purely revenue tariff. As such they could not afford to sacrifice any part of their revenue in order to provide England and her Dominions with an easy market in Ceylon. If and when Ceylon decided to grant a

preference to the Empire it should only be on the basis of retaining the existing tariff and by levying a surcharge on foreign goods. That surcharge might mean the killing of foreign trade, but that had to be faced if preference was not to be made a mere gesture of goodwill, and was at the same time not to involve them in any sacrifice of revenue.

The advantages proposed to Ceylon were so trivial that they would not be justified at a time such as the present to impose on consumers an extra burden. Moreover, the advantages proposed were entirely for the benefit of the producer. In order to enrich the teaplanter and his hordes of Indian labourers on the one hand, and the British manufacturers and the Colonial producers and the hordes of British labourers on the other, it was proposed to offer the poorest of the poor as a sacrifice on the altar of Imperial Preference.

Foreign buyers and Ceylonese products.

Great Britain and the Dominions were not the only buyers of Ceylon goods. America and a host of European countries also bought their products, and bought not so much their tea but their truly Ceylonese products in which Ceylon money was invested, Ceylon labour was employed and Ceylon enterprise was displayed. With the solitary exception of tea, so far as their truly Ceylonese products were concerned, it was the foreign countries that bought; and they were now asked, in order to allow the tea industry to sell a little more of its produce within the Empire, to antagonise the foreign markets.

If they wanted preference, let it not be one Schedule but a series of agreements with the various parts of the Empire. That was what England and every Dominion had done. Their self-respect as a nation must be established in some portions of the Empire. Let them try to make preference a lever to obtain equality at least in those parts where their rupees and cents counted.

Mr. M. J. Cary (*Nominated*) said that only if they thought preference would help Ceylon in her present direful condition would they be entitled to vote for it.

Referring to Mr. de Silva's remarks regarding the effect of preference on the tea industry, Mr. Cary said that the Report of the Imperial Economic Committee—the journal from which Mr. de Silva had quoted at paragraph 76—showed that preference had helped the tea producers of the Empire countries. He (Mr. Cary) was merely quoting another paragraph (78) to show how one could quote from the Report to suit one's own ends.

Value of trade with the United Kingdom.

When they came to look at the question as a whole, they found that Ceylon imported from the United Kingdom in 1930 £4 million worth of goods, and in 1931 £2¾ million worth of goods. England imported from Ceylon in 1930 £10 million worth of goods, and in 1931 £7⅞ million worth of goods. Ceylon took half per cent. of the United Kingdom exports and the United Kingdom took 48 per cent. of Ceylon's exports.

It was impossible to give facts or figures to prove the value of preference in rupees and cents. But he believed it to be in Ceylon's interest to come into the preference league. So far as business was concerned, this preference gave Ceylon the best chance it had of increasing its prosperity.

A Tariff Board overdue.

Mrs. N. Saravanamuttu (*Colombo N.*) said the constitution of a permanent Tariff Board to advise in regard to tariffs was long overdue and she hoped that such a Board would be constituted without delay.

They had accepted the principle of Imperial Preference already. Having accepted it they were in duty bound to give effect to it in a practical way so that in the preference they proposed they were giving away as much as they got.

The 2d. preference on tea was at present a gain. She could not understand people who carried their communalism even into trade and argued that the industry was built up mainly by British capital which was not of much benefit to the permanent population of the country. If there was nothing else there was the income tax, towards which the tea industry would contribute more perhaps than any other industry.

The most important exception to the list prepared by the Financial Secretary which she would urge Members to consider was the item cotton piece goods, and she would like to add to it artificial silk. By the duty proposed on cotton piece goods they would only be increasing the cost of clothing to the poor without doing any good to Empire countries.

Mr. S. W. R. D. Bandaranaike (*Veyangoda*) said that the Secretary of State might not agree to certain proposals they made regarding the Schedule. To what extent were they bound by any laws or agreements that England had arrived at? The point had been made that the Treaties had been entered into for a period of five years and that if they passed the Schedule they would be bound for a period of five years. That period merely applied to the Treaty to which they were not a party.

On 18th January,

Continuing, Mr. Bandaranaike said it was not a scheme where each person was at liberty to choose the countries and differentiate the extent of preference that was to be given on certain articles. They (Ceylon) were at liberty to choose the items on which they gave preference. They could say that they would not give preference on tea or cotton piece goods. That was the freedom for "bargaining" and "haggling" that existed within the Empire. He was against the principle of Imperial Preference, and thought the Empire as a whole had made a mistake in adopting it. But stark facts faced them. If Ceylon kept out of it they stood to lose an appreciable amount of Empire trade without gaining corresponding foreign trade. If they kept in Imperial Preference they got the benefits of preferential treatment in Empire countries and stood to lose nothing from foreign countries.

Regarding cotton piece goods, the most contentious item in the Schedule, a large quantity was imported from Japan at prices about half or even less than half the price of Lancashire cotton piece goods and very much lower than the price of Indian piece goods. A preference of 10 per cent. would not help Lancashire and India to compete. It would be bound to result in a slight increase in price to the consumer. The increase would not be to the extent of 10 per cent., because Japan might swallow a portion of it. Cotton piece goods was one of the necessaries and the Ceylon production was very small. Much more than 90 per cent. of the cotton piece goods used in Ceylon was imported.

Mr. V. S. de S. Wikramanayake (*Hambantota*) in submitting that the Motion should not be passed, said he was opposed to it for various reasons.

The Customs Ordinance should not be utilised for the purpose of giving preference. Preference should be given by means of a separate Ordinance. If they did that there would be definitions, and the term "Empire country" would be defined therein.

Australia was not treating them fairly, but if the Motion passed they would be giving Australia the same advantages they proposed to give to the United Kingdom, who was giving them a certain preferential treatment. Australia was giving them practically nothing. In a separate Ordinance they could define "Empire country" to exclude any country which did not give them satisfactory preference.

He suggested as another method that in the Ordinance there should be certain Schedules, and they could so manipulate them that more preference would be given to countries that dealt liberally with Ceylon.

Mr. G. K. W. Perera (*Matara*) asked how would they be helped by preference? They would be able to sell more to Empire countries. At present they were selling all they produced. It did not matter who bought their produce. Was it contended by any Member of the House that because they sold more to the Empire the price would go up? There would be no such result.

He was struck by the suggestion that they should have a Tariff Board. It was an institution that must be seriously considered by the House if the Government would permit them to do so. He was opposed to the principle of Preference because they knew that the manipulation of tariffs was a very dangerous matter. They might be involved in circumstances from which there would be no way out.

The Minister of Labour, Industry and Commerce (Hon. Mr. P. Sundaram) said he was quite sure that if the original Resolution to have their own representative at Ottawa had been permitted by the Secretary of State, they certainly would have made a better bargain for Ceylon.

The whole question should be considered not on the basis of the gains they were likely to get out of Imperial Preference, but from the viewpoint of the present circumstances which compelled them to consider their position in the whole scheme.

They would like to have been in a position to enter into separate agreements with every one of the countries concerned, but that position had been denied to them.

He felt that the question was of such importance that they had no option but to adopt the method suggested by the Board of Ministers, that while expressing dissatisfaction with the arrangements made that full benefits had not been secured for them by the Secretary of State, they must at the same time accept the preferences as suggested by the Board, and then ask for higher preferences on articles, such as plumbago, in England. If the preference offered on plumbago, on tea and coconuts was not satisfactory then they could proceed to negotiate on the matter.

On 19th January,

The Minister of Education (Hon. Mr. C. W. W. Kannangara) moved to add to the Motion the following words:—

"This Resolution shall cease to have effect at the expiration of three years from the date of its coming into operation unless it is previously amended or revoked, or unless its operation is extended beyond that period by a Resolution of the State Council."

At the conclusion of the debate the items in the Schedule were discussed and amended, and the Amendment proposed by the Minister of Education was agreed to. On a division, the Motion as amended was passed by 28 votes against 19.

With the exception of the Minister of Labour, Industry and Commerce, all the Ministers voted in favour of the Motion.

The effect of the amendments was to exclude from the preference certain commodities, of which the most important were: Cotton piece goods; Wearing apparel; Cement; Iron and steel plates and sheets and other iron and steel products; Silk and artificial silk hosiery. The amendments also reduced the preference on silk and artificial silk products, other than hosiery to 5 per cent.*

BERMUDA.

ALIEN ACT, 1926, AMENDMENT BILL.

The object of this Bill is to amend the Alien Act in order to make it easier for land in the Colony to be owned by aliens. The terms of the amending Bill are based upon the Report of a Select Committee appointed on 31st October, 1932, to consider what Amendments were desirable in the Act. The Bill was introduced on 16th February, 1933, by Mr. A. C. Smith.

In order that the restrictions regarding land held by aliens, designed by the Alien Act, shall operate only in respect of land under the actual control of aliens, the Bill provides (*Clause* 1 (4)) that "land" means an immediate beneficial interest in land.

The area of land to be held by aliens at any time is limited under the Bill to 300 acres in any one parish; an individual alien may not hold land to a greater extent at any one time than 15,000 superficial feet, if in Hamilton or St. Georges, or 15 acres elsewhere (*Clause* 3).

Upon the sanctioning of the application of any alien for the acquisition of land, the Governor-in-Council may extend the sanction to the holding of the land at any future time by the issue of the alien or the husband, wife, brother or sister, or their issue.

On account of the common practice in America and elsewhere of appointing a Corporation as trustee or executor of estates, the provision in the Alien Act of 1926 that an "'alien' shall not include a corporation," is amended by excepting a corporation *bona fide* acting as executor or trustee under any will or deed or as mortgagees, as set out in *Clause* 1, *sub-Clause* (2), *vide* p. 442.

In order that owners of land may not be hampered in raising money, the Bill contains an Amendment empowering alien corporations to hold a mortgage on real and personal property on the same footing as a British corporation (*Clause* 11 (3)).

Provisions are made in the amending Bill to remedy defects in the present Register of land held by aliens, and so that an accurate record of land so held may be maintained.

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* On 6th February the Colonial Office announced that: ". . . Under the Customs Ordinance, preferences retained in the Resolution could not come into force without the sanction of the Secretary of State for the Colonies, which has been given, and the preferences, as agreed to by the State Council, came into operation as from 1st February. But the Secretary of State has dispatched to Ceylon the following telegram which has, by his direction, been published in the Island:—

"'I have learnt with the utmost concern that certain important preferences, notably those on cotton piece goods, cement and certain iron and steel items, have been deleted by the State Council from the proposals submitted to the Council with the approval of the Board of Ministers. In view of the situation created by the action of the State Council, His Majesty's Government in the United Kingdom must reserve their right to reconsider the scope and scale of the preferences granted to Ceylon by the United Kingdom during the past year.'"

DEBATE IN HOUSE OF ASSEMBLY.

On 21st February,

Mr. A. C. Smith (*Paget*), in moving the Second Reading of the Bill, said the Committee, in making their Report* and having the Bill drafted, had retained the basic principle that the acquisition of land by aliens in Bermuda should be under the control of the Governor-in-Council, and that the acreage that might be acquired and held by aliens should be limited to a definite quota. They had, however, made a number of suggestions; but the main change in the law was that the control of alien holding of land should be restricted to the actual possession of the land.

It was exceedingly inconvenient that one should have to go to the Governor-in-Council for permission to acquire, say, a future estate or a bare legal estate which gave the particular applicant no actual present beneficial interest in the property. The Committee recommended that this control should be directly on to the actual possessor, and that when the time came that that individual was possessor, the control should operate. The Committee also thought that on principle the holding of land by aliens should be, as far as possible, restricted to small holdings, and they had suggested amendments to give effect to that. They also suggested that each parish should have an equal chance of obtaining its quota of alien-held land. The present law was 400 acres in any one parish, or 2,000 in the whole, and it was obvious that 400 would not go nine times into 2,000.†

Mr. T. H. H. Outerbridge (*Hamilton*) said that as a member of the Committee he agreed with Mr. Smith, except in the limitation of 400 acres in each parish and 3,600 in the whole. He had agreed to make it 3,600 because he thought it was desirable to increase the acreage, and he also thought it would be well to leave that little bit of leeway which was in the old Act. It did not tie it down to a straight 400 acres in every parish. The whole was 2,700, he thought. They did not want to tie the 3,600 acres down absolutely, 400 in each parish. Some parishes might not sell and other parishes might be sold out; and it might be it would cause a sale for the people if they left that little leeway there used to be. Then it would be time to bring the Bill back to the House again.

The Motion for the Second Reading was agreed to.

Alien Corporations as Executors or Mortgagees.

On 21st February, in Committee,

Mr. Smith, having read the Select Committee's Report* dealing with the amendment of a definition clause (Section 1, subsection (2)) which read "alien shall not include a corporation," said it was proposed to add:—

"except a corporation *bona fide* acting as executor or trustee under any will or deed, whether executed or to be executed, or as mortgagees. . ."

Mr. Smith said that with regard to the last part of the Amendment, the Committee in a way had an open mind as to whether an alien corporation should be allowed to take mortgages on land in Bermuda. There was a lot to be said on both sides. There was the side that it was

* Reference is made to the Report of the Select Committee mentioned above.

† The amount of land held by aliens in each of the nine parishes is set out in the Report of the Select Committee.

desirable to attract capital for investment purposes into Bermuda; there was the side of the alien landowner who became involved abroad and wished to give security to his creditors who might be—usually were—alien corporations, and yet he could not legally pledge his land in Bermuda to his creditors who might be a corporation abroad. Those were points in favour of allowing alien corporations to become mortgagees in Bermuda.

On the other side, it might be undesirable that alien corporations should, by loans such as investment loans, or by other means, be in the position of creditors of landowners of Bermuda and be able to get that amount of control which the holder of a mortgage had over that land. Mr. Smith said he was not certain which way he felt about it. If any Member definitely objected to alien corporations having the right to take mortgages on land he would suggest they moved to strike out the last sentence of sub-Clause (2)*.

Regarding the extension of the Act to allow alien corporations to become executors or trustees, one often heard in Bermuda of aliens and others who appointed a trust company abroad as executor and trustee, or executor or trustee under their wills. As the law stood, if a man had devised his land to the "so-and-so trust Company" as executor and trustee upon trust for this, that and the other when dead, that law became liable to escheat. It was not likely any local Bermudian would get caught; but aliens who had holdings there usually had wills drawn by their lawyer in their home town, who did not stop to think what the law in Bermuda was on the subject. Yet that law became liable to escheat, in all probability, because he had appointed the alien corporation as trustee. The corporation usually took no beneficial interest in the property other than to administer it and pass it on to the actual beneficiaries of the will, and those were the people that the amending Act was designed to catch. Concluding, Mr. Smith said he saw no objection why such a corporation should not be allowed to hold land without applying to the Governor-in-Council.

Hon. S. S. Spurling (*St. George's*), referring to the Clause dealt with by Mr. Smith, asked if there was anything in the Bill to prevent foreign corporations holding property in Bermuda under a will or deed, or as a mortgagee in perpetuity?

Mr. Smith, replying to Mr. Spurling, said if the corporation was holding as a trustee, plus a beneficial interest, it would have to apply to the Governor-in-Council for sanction to hold it. If it was holding as a bare trustee, and administering it for the benefit of others, the people who got the benefit, if they were aliens, still had to apply to the Governor-in-Council for permission to acquire or hold.

He agreed that if it was decided as a question of policy that alien corporations should not be allowed to take mortgages on real estate, the words should be omitted from the Clause, except this: there might be deeds already executed in which alien trust companies might be trustees. The difficulties could be avoided, but it would be better if the Clause was to be amended that simply the part "or as mortgagees," etc., should be struck out.

On 28th February,

Mr. Smith stated that he would accept Mr. Spurling's Amendment, striking out the provisions by which an alien corporation could

* *Vide* pp. 441 and 442.

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hold land on mortgage, though there still remained the difficulty of alien corporations acquiring by deed or will, and other difficulties to be settled.

On 1st March,

Mr. Spurling said he was more than ever concerned with the seriousness of the proposals contained in the Bill, and although he would not object to going into Committee because it might bring forth some debate which would be illuminating, he was opposed to going any further with the Bill that day until he, at least, had had some further opportunity of considering all its effects.

Sir Henry Watlington (*Devonshire*) said he could not see where the great complaint about the Alien Act came from. He had had a good deal to do with it in the last few years, and it seemed to him that it had worked admirably. They had not got very much land in Bermuda, and they did not want to part with it to any great extent. The Bill practically put an alien on the same basis as a British subject and put an alien corporation on the same basis, which he absolutely objected to.

Mr. Outerbridge said a British subject could buy any amount of property he wanted to. An alien could not buy property at all until he had got the sanction of the Governor-in-Council.

The only thing the Bill did was to relax the conditions under which people who were ready to buy a property could administer it and own it, and in that way a few desirable aliens might come into the country, buy property, and spend a little of their good money in the country in building up new homes.

Nobody in Bermuda had to sell their property, but it was a very comforting feeling to be able to sell it if one wished to do so.

PARLIAMENTARY ELECTION ACT, 1928, AMENDMENT BILL.

This Bill was introduced in the House of Assembly on 23rd March by the Attorney-General (Col. T. M. Dill). It provides that every candidate for election to the House of Assembly shall deposit the sum of £50.

It passed the House of Assembly on 30th March by 15 votes against 13.

PARLIAMENTARY ELECTION ACT, 1928, AMENDMENT BILL (No. 2).

This Bill, which was introduced in the House of Assembly on 30th March, by Mr. C. S. Peniston (*Smith's*), is intended to prohibit "plumping," *i.e.*, voting for one candidate only, when there are four vacancies to be filled.

The Bill consists of one Clause, which provides that

"Every ballot paper which has not on its back the signature of the Returning Officer, or on which votes are given for more candidates than the voter is entitled to vote for, or on which the voter has not voted in respect of all vacancies which are to be filled in the House of Assembly, or on which anything is marked by which the voter can be identified, shall be void and not counted."

The Bill passed the Second Reading on 4th April.

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