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Journal of the Parliaments of the Empire

1933 - July

VOL. 14, NO. 3

JOURNAL OF THE PARLIAMENTS OF THE EMPIRE

Vol. XIV. No. 3. July, 1933.

Issued under the Authority of the
EMPIRE PARLIAMENTARY ASSOCIATION
(United Kingdom Branch),
WESTMINSTER HALL, HOUSES OF PARLIAMENT,
LONDON, S.W.1.

Price to Non-Members 10*s*. *Net.*

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INTRODUCTION.

In the last (April) number of the JOURNAL attention was called to the summaries of discussions on international affairs that took place in the various Parliaments in relation to the then forthcoming Monetary and Economic Conference: in the present number the story of the Conference in its main features is given in the course of the debate which is summarised in the United Kingdom section. References to the work of the Conference also occur in the summaries dealing with the Parliaments of the Dominion of Canada, Commonwealth of Australia, Dominion of New Zealand and the Union of South Africa.

The subject of disarmament and the Four-Power Pact is considered in the sections devoted to the United Kingdom, Canada and Australia; while War Debts and the Sino-Japanese dispute are referred to in the United Kingdom and Canadian summaries, and the connection of Australia with the League of Nations and the International Labour Office is reviewed in the Australian summary.

International trading agreements with Germany, the Argentine and Denmark are referred to in the United Kingdom section.

The international position of Canada is emphasised in connection with the legislation which provides for the extra-territorial operation of Canadian Acts passed prior to the Statute of Westminster; and the Canada-France Convention and Trade Agreement Acts are also of interest in this connection.

Inter-Empire trade and the working of the Ottawa Agreements have been discussed from various aspects in the Parliaments of the United Kingdom, Canada (Dominion and Provincial), Australian Commonwealth, New Zealand and the Union of South Africa.

Increases in trade between the countries of the Empire are referred to in the United Kingdom and Canadian sections; the value of the British market and the work of the Tariff Board are commented upon in the Australian summary; the meat quota and the agricultural market are touched upon in the United Kingdom and New Zealand sections; the advantages of the Ottawa Agreements are referred to in the Union of South Africa section; and the imports from Empire countries are mentioned in the Malta section.

Other matters of first-rate Empire importance are the future of the Empire Marketing Board and Migration to Victoria in the United Kingdom section; relations between Great Britain and the Irish Free State in the United Kingdom and Irish Free State sections, the last-named summary including a declaration of policy by the President and the final

Resolution recording the abolition of the Oath of Allegiance; trade with South Africa in the Irish Free State section; and Japanese trade competition in the United Kingdom and Indian sections.

Financial and monetary problems as affecting both external and internal conditions are considered either directly or indirectly in practically all the Parliaments whose proceedings are summarised in this issue and are of special interest in the United Kingdom, Australian Commonwealth, New Zealand (including the Debt Conversion Act), Newfoundland* and India sections.

Apart from the general question of disarmament, defence matters are referred to in the Australian Commonwealth Parliament as regards the Navy, in the Irish Free State Parliament regarding the Army, and in the Indian Central Legislature as to the establishment of a Reserve of Officers for the Royal Indian Marine, and the Indianisation of the Army.

Other matters of general interest concern the problem of unemployment in the Quebec, New Brunswick, New Zealand (settlement on small farms) and Union of South Africa summaries; the conferring of titles and the question of the Royal Prerogative in the Dominion of Canada summary; old age pensions and woman suffrage in the Quebec summary; stabilisation of exchange in the New Brunswick summary; the efforts to create a new industry in the Irish Free State summary; agricultural marketing in the Northern Ireland summary; the expulsion of Indians from Indo-China, and the Medical Council Bill in the Indian summary; the acquisition of mineral rights and the alteration of ministerial titles in the Southern Rhodesian summary; emigration matters in the Malta summary; and constitutional and administrative matters in the Ceylon summary.

THE EDITOR.

EMPIRE PARLIAMENTARY ASSOCIATION
(*United Kingdom Branch*),
WESTMINSTER HALL,
HOUSES OF PARLIAMENT,
LONDON, S.W.1.

31*st July*, 1933.

* *Vide* also under "The United Kingdom."

UNITED KINGDOM.
(Great Britain and Northern Ireland.)

In the April number of the JOURNAL *the debates in the two Houses of Parliament were dealt with up till, and in a few instances subsequent to, the adjournment for the Easter Recess.*

Further proceedings of the Session, which began on 22*nd November*, 1932, *are summarised in the following pages.*

INTERNATIONAL AFFAIRS.

(The Disarmament Conference: reasons for adjournment; British Government and aerial bombing for police purposes; Far Eastern situation: League of Nations and Japan; Value of the Four-Power Pact; Conditions in Germany.)

On 5th July, 1933, in the House of Commons, international affairs were debated on the Foreign Office Vote.

DEBATE IN HOUSE OF COMMONS.

Rt. Hon. G. Lansbury (Leader of the Opposition), in moving to reduce the Vote by £100, said it was agreed that the adjournment of the Disarmament Conference was inevitable. He thought that for the British Government, of all Governments, to make a reservation at Geneva on the question of air armaments and bombing was very bad. The defence that it was for police purposes was really a scandal on the lips of an Englishman. On the Labour benches they were still resolutely in favour of the total abolition of air warfare, as of submarine warfare, and were strongly in favour of the internationalisation of aviation. It was a very thin line which divided the commercial machine from the bombing machine.

Referring to the Far Eastern situation, Mr. Lansbury said he had again and again called attention to the position there. Almost immediately the Japanese took action he asked a question, and was severely taken to task for calling it international piracy. Since then it seemed to him that the actions of the Japanese Government had confirmed the judgment he formed at the beginning. The Japanese had blasted their way through Manchuria and into other parts of China. An armistice, they were told, had been concluded some weeks ago, but nobody believed that there could be any real peace. He would like the Foreign Secretary to tell the House categorically what was the position of the League of Nations with regard to the occupation of Manchukuo.

The League and Japan.

A Commission was sent out and its Report declared Japan to be in the wrong. The Report was accepted by the League Assembly, which had called upon its constituents not to recognise the actions of the Japanese Government. Was nothing else to be done? If the matter was to remain where it was, it was certain that other people would not think much of the obligations entered into by the nations under the Covenant of the League. If Japan was allowed to remain in possession of that territory after the protest of the whole world, it seemed to him to prove that the League as a means of preserving justice and fair play was really impotent.

Continuing, Mr. Lansbury referred to statements made on fairly good authority that in Germany there was a terrific revival of the war spirit. They wanted Germany to have fair play in regard both to aviation and armaments, but they were not, without protest, going to see Germany re-arm. The best method of dealing with the position was for Great Britain in connection with her Allies to carry out in the letter and the spirit all the implications of the Treaty of Peace and to challenge the German Government to adopt the same policy. If the Disarmament Conference could by any means have come to an agreement on the question of reducing armaments, it would have been possible also to carry the further proposition that a Commission should be appointed to examine the state of armaments in the various countries.

He was not going to apologise to the German Government or to anyone else for calling attention to the brutal, ruthless persecution reigning in Germany. Was it not possible under Article 11, to bring the action of the German Government to the notice of the League of Nations?

Police bombing.

Rt. Hon. Sir Austen Chamberlain (**Unionist,** *Birmingham, W.*) said he felt that the Government's decision on so-called police bombing was wrong. His case was that the question arose now in relation to a general Disarmament Convention. Could they expect other nations to allow them to be the exception to a general rule? He said to the Government: "Can you allow a Disarmament Conference to break down by your insistence on this system?" The answer was inevitable. Referring to the Far East, Sir Austen recalled that it was part of the Lytton Commission's Report not merely that Manchukuo, as it existed at present, was not a free national movement, but that the restoration of the old *status quo* was not a possible solution. Was it not possible that there might yet be reconciled the admitted interests of Japan in Manchukuo and the admitted sovereignty of China over that country—something in the nature of a really autonomous and free State?

Speaking of Germany, Sir Austen asked whether they could be really friendly with a nation which proscribed, on racial grounds, a race within its own borders and refused to treat its own citizens as equals and fellows? The spirit shown within Germany to Germans was a menace to every nation beyond her borders and to any other race over which she might ever succeed in establishing her domination. Until Germany showed that there was a moderate, reasonable and acceptable readjustment of the Peace Treaties which would be final, and would be treated by her as final, no man served the interests of peace if he allowed the Germans to suppose for one moment that any revision was possible. As long as every speech made in Germany, as long as every bit of their propaganda was menacing, inflammatory, biased, one-sided, how could they expect that those whom by this propaganda they menaced should disarm in order that Germany might be in a better position to attack them?

He was not sorry that the Disarmament Conference was adjourned. The moment was not propitious for its progress, and he begged the Government to beware how they took the responsibility of pressing other nations, nearer to the point of peril than Great Britain, to lessen their armaments until at least they could be assured that they did not endanger their safety.

Four-Power Pact.

Brig.-Gen. E. L. Spears (**Unionist,** *Carlisle*) said that as the Four-Power Pact had finally emerged there was no doubt that it was a very considerable achievement. It embodied important features which should contain the germs of fruitful collaboration between the four Powers who had signed it. Perhaps the most useful achievement of the Pact was that it had substituted a council of four for the rather dangerous grouping of Powers which they had observed in latter years. The friendship between Italy and Germany had, up till recent times, caused a good deal of uneasiness and suspicion in France and in the countries of the Little Entente. It would be a great step forward if controversial questions were to be discussed *à quatre* rather than by those negotiations *à deux* which had caused so much disquiet in the past.

The Under-Secretary of State for Foreign Affairs (Mr. Anthony Eden) felt confident that all Parties in the House welcomed the outcome of the conversations between Sir John Simon and M. Litvinoff.* With respect to the Far East, the

* *Vide* p. 459.

substance of Mr. Lansbury's complaint was that the League of Nations had not been able to act as a super-State. It might be that if they allowed their judgment to be influenced by that conception of the League's opportunities and responsibilities, they would be asking it to achieve results which by its very nature were beyond its present powers. He did not think the League had any need to be ashamed of its record in those negotiations: indeed there seemed cause for congratulation that there should have been virtual unanimity in February last on the Resolution which the Assembly then adopted. The machinery of non-recognition of Manchukuo had been agreed upon by the Committee of 22 nations charged by the Assembly with the duty of watching events in the Far East.

The Disarmament Conference.

Turning to the Disarmament Conference, Mr. Eden asked the House to look upon its decision, not as an adjournment, but rather as a change of method. Instead of proceeding by public discussion at Geneva, the method of private interchange of views between the heads of delegations under the guidance of the President was to be attempted. The Conference had now completed the First Reading of the United Kingdom Draft Convention. It would need a little time before it could embark upon the Second Reading, if only because before it did that regulation of some of the existing differences must be sought. In present conditions in Europe it was surely not surprising that the nations required a little time before they could be asked to take those vital decisions without which the Conference could not reach a conclusion.

As regards the British Government's reservation in respect of aerial bombing in outlying districts for police purposes, Mr. Eden said he was convinced that the Conference appreciated the immense strength of the British case. He assured Mr. Lansbury that there was not the least question of the Conference breaking down upon this issue. The size of the problem in relation to the size of other problems was minute. While admitting that there were excuses for complaints of the slow progress the Conference had made, he expressed confidence that even the exchange of views at Geneva had done something to ease a situation which might otherwise have been worse. Despite a severe battering the 96 Clauses of the British Draft Convention were still there, and had been accepted as the basis for the Convention itself, which showed that the nations were agreed that they would not find a better or a fairer basis than that which the United Kingdom Government took the responsibility of putting before them.

Security of the Empire.

Rt. Hon. L. S. Amery (Unionist, ***Birmingham, Sparkbrook*****)** said that he did not believe it was possible in the long run to maintain the security of India except at an utterly prohibitive expense unless they retained the Air power. If they deprived India of the security of her frontier, and of a cheap and effective method of defence, they would destroy at the outset any prospect of a future Indian Federation being a success. India ran far graver risks at Geneva than at the meetings of the Select Committee. He was astonished and dismayed to hear the Under-Secretary refer to the question as a minute one. It was one of the gravest questions, affecting the whole future security of the Empire, far more important, far more real than anything that had been done at Geneva.

Wing-Comdr. W. H. James (Unionist, *Wellingborough***)** contended that the term "police bombing" was misleading and that if it were called "preventive bombing" it would tend to put the whole case into its proper perspective. The object of this type of air activity was not to police an area in the ordinary sense of the word, but rather to prevent irruptions from an area that they did not police. To-day, whether they liked it or not, the fact remained that from Suez, east and south, the whole of British power rested upon the Air arm. The object of the reservation by the British Government of preventive bombing was simply and solely to preserve peace in areas for which they were responsible.

The Manchurian problem.

The Secretary of State for Foreign Affairs (Rt. Hon. Sir John Simon), referring to Manchuria, said that, while the British Government were loyally standing by the decision of the League of Nations that there should not be recognition of the new State, at the same time they maintained inside the area their Consuls and the Consul-General. Speaking of the Four-Power Pact, he expressed the opinion that not enough attention had been paid to a really valuable contribution in the direction of maintaining and promoting peace in Europe. As regards the British debt to the United States, he said that the approaching discussions would have to be concerned with the whole Debt and not merely with a particular instalment. The negotiations would be entered into somewhat later in the year at Washington and their object would be to obtain such revision of the existing Agreement as a whole as might be compatible with the revival of prosperity.

"There is in this country, and there has been for many years past," the Foreign Secretary added, "a great body of opinion that has been by no means blind to the claims of the great German people to sympathetic consideration in view of their position after the War. The tragic thing is that events that are happening now and that have recently happened, have done so much to forfeit in the minds of those very people who are most sympathetic to the German people some of the sympathy which, I presume to say, Germany needs. . . . We earnestly desire that the time may come when we may with a good conscience and a full heart contribute to the solution of the problems of Europe, but we can only contribute if we have complete confidence in the treatment which minorities receive in all parts of the world."

On a division the Amendment to reduce the amount of the Vote was negatived by 222 votes against 34.

WORLD ECONOMIC CONFERENCE.

(Review of problems under discussion ; An auspicious start and a serious check ; United States and currency stabilisation : President Roosevelt's pronouncement ; Chancellor of the Exchequer's statement : an international monetary standard required.)

On 10th July, in the House of Commons, the Foreign Office Vote was discussed in Committee of Supply, the subject of debate being the World Economic Conference.

DEBATE IN HOUSE OF COMMONS.

The Chancellor of the Exchequer (Rt. Hon. Neville Chamberlain) stated that at the commencement of the Conference the desire on the part of all the delegates to come to a satisfactory agreement with one another was so evident, and their emphasis upon the unfortunate results which would follow if the Conference were not to be a success was so insistent, that he thought all of them felt good hopes that they would in the end arrive at some very valuable conclusions. The Conference met on 12th June and two days afterwards he made a statement of British policy on behalf of the United Kingdom Delegation. It received very general approval in the United Kingdom; it was unanimously supported by the Dominions; it also received the adhesion of a large number of foreign countries.

After describing how the work of the Conference was divided up between two main commissions, which in turn appointed sub-committees, Mr. Chamberlain explained how the question of stabilisation of currency gradually acquired greater and greater gravity until it actually brought some of the work of the Conference to a temporary halt. As to the

desirability of some permanent stabilisation and ultimate stabilisation, he did not think there could have been any difference of opinion among the delegates. He thought it was obvious to everybody that it was impossible to conceive of a complete return to the normal functioning of trade and commerce in the world unless they could have an international monetary standard which was acceptable to and accepted by all the nations of the world.

Exchange stabilisation : United States' attitude.

Continuing, Mr. Chamberlain showed how, by 5th July, a Tariff Truce during the period of the Conference had been agreed to by no fewer than 59 out of the nations at the Conference, subject to certain reservations and safeguards, but no such truce was arrived at in connection with the temporary stabilisation of exchanges. An attempt was made before the Conference met by the Central Banks of France, the United States and Great Britain to come to a temporary arrangement which would have maintained some approximate stability of exchanges while the Conference was going on. The Banks did actually come to an agreement among themselves, but in order to give effect to it a confirmation by the Governments concerned was necessary. When, after the proposal had been submitted to the American President, a reply was received to the effect that the American Government did not consider temporary stabilisation as timely at the moment, a somewhat serious situation arose.

Eventually they arrived once more at an agreement at the Conference on a Declaration that the respective Governments would do what they could to check speculation in the exchanges. That Declaration was also rejected by the American President in a statement and message to the American Delegation. Its effect not only upon the Delegations of the gold countries, but upon public opinion in those countries, was very profound and very disturbing. They felt that not only had the President indicated that he attached little or no importance to any reactions which his domestic or internal policy might have upon other countries, but also that he seemed to suggest that he was thinking of an ultimate international monetary standard of a kind which was not likely to command confidence in those countries. Such a pronouncement, coming from such a quarter, seemed to the representatives of the gold countries to make it impossible for them usefully to discuss any longer at the Conference either those questions which had been referred to the Monetary and Financial Commission, or those questions which dealt with tariffs, prohibitions, and other weapons which could be used as a means of defence against a depreciated foreign currency, which had been referred to the Economic Commission.

Dominions consulted.

The United Kingdom delegates, faced with those facts, had to decide what their attitude should be. For that purpose they consulted, not for the first time, with the representatives of the British Dominions and India. Afterwards they came unanimously to the conclusion that the course they would advocate was to continue the Conference, but to limit, as far as might be found necessary, the work of certain organs of the Conference. On the other hand, the countries on the gold standard, while they professed that they did not in any way claim to prevent other countries from discussing monetary matters, did not feel that they should discuss that subject themselves. There was still this cleavage of opinion, and there was no use in attempting to deny that, as matters had turned out, the work of the Conference had received a very serious check.

In any case the Conference would continue to carry on its discussions upon certain very important lines of thought. The question, for instance, of the regulation of production and marketing was not affected by the instability of the exchanges. A number of primary products had been scheduled for further discussion, and if it was found possible among the producing countries, in the case of those various commodities, to arrive at some agreement among themselves there would be a very solid basis for presuming that they could raise the prices of those commodities to a satisfactory level and retain those prices when they had been reached. It need not too readily be assumed that the check had dealt a mortal blow at the chances of coming to an agreement upon these vital world problems.

An international monetary standard.

If they could agree upon the conditions under which a return to the gold standard as an international monetary standard would be possible, then they would have done work which probably could not have been done if the Conference had not been called, but which would greatly facilitate a return to normal conditions at a later stage. The United Kingdom Delegation had made it clear that in their view—it was also very strongly the view of the British Dominions and India—the raising of the prices of wholesale commodities still remained the primary objective. They still believed that it was not possible to effect that raising of price level by monetary action alone, although certain monetary factors must be present as an indispensable preliminary. The more they examined the problem the more they came back to the central fact that at the bottom of the whole trouble lay the lack of confidence. All their efforts must be devoted to the restoration and building up of that confidence.

Rt. Hon. G. Lansbury (Leader of the Opposition), in moving to reduce the amount of the Vote by £100, said it was a great mistake if the Conference was to carry on simply for the purpose of registering pious opinions. These were days when something definite and specific was required to be done in order to deal with the ills of the world. The commissions which had done any work at all, so far as he had been able to gather, were commissions which had been discussing how to restrict production, how to cut down supplies, not how to extend consumption in any sort of way: and unless this Conference, or some other Conference, took that problem in hand they would still be beating the air. President Roosevelt had thrown upon the screen the fact that they must provide some means by which the productive power of the world, instead of being a curse, should be a blessing. So far as he could judge, the British Government had no solution except to support the cutting down of supplies of wheat, sugar, cotton and other commodities in the hope that by restricting abundance they could raise prices. He thought that was sheer lunacy.

Standard of living.

The only way of solving the problem was to secure that, as machinery improved production, as machinery increased output, the standard of life of the whole of the people should be raised in relation to that increase. All the gentlemen who met at the Economic Conference were there to get the best for their own individual nations, and all could not have the best when it came to competitive trade and competitive industry: they must be prepared to adopt the Socialist policy of true co-operation. He hoped someone would tell them clearly that night what was the Government's policy in regard to the gold standard, whether they intended to restore it or not, and when and on what terms. "This country," Mr. Lansbury remarked, "does not want to be crucified on a cross of gold, and we here are going to fight very hard against the notion that the gold standard is something so sacrosanct that it must not be broken." The Labour Party, he added, thought it was a profound mistake to have held the Ottawa Conference and to have made the Agreements there before the present Conference came into being.

With regard to future action, they must have world co-operation to bring about a solution of world economic problems. There was very considerable potential wealth untouched in the United Kingdom, but it was a flea-bite compared with what there was in the Dominions and Colonies. In the old days they built up the Dominions and the Colonies by sending out men and women who through sheer hard work created a new life. Now they were told that was all useless. Why did they want to worry about the Dominions if their lands were not to be developed? He wanted to know when the Government were going to formulate a policy for developing their own country in conjunction with the Dominions policy for developing theirs.

United States and gold.

Rt. Hon. Winston Churchill (Unionist, *Epping*) frankly rejoiced that the United States had gone off gold. The results which had followed were all satisfactory and beneficial to the United Kingdom, or might be later. He was tired of hearing claims to superior virtue and integrity attached to the gold standard countries. The liberation of all countries from gold was a possibility which must certainly be taken into account for the future. In such circumstances the prestige and influence of sterling must become enormously enhanced, and consequently the position of London as the financial centre of the world would become even more secure. One result of what had happened in the United States had been to remove a barrier which had hitherto prevented them from carrying out the declared policy of the Chancellor of the Exchequer of raising the wholesale price level.

He did not share the astonishment at the refusal of the United States to agree to a temporary price stabilisation of currency. How anyone could have imagined that Mr. Roosevelt, on the morrow of taking his tremendous plunge, having just severed his country from gold and launched on a revaluation of commodities, would agree to tie it all up again to gold, out of love for France, was beyond human comprehension. Merely to tie up currencies to hoarded gold would be no solution of the world's difficulties and certainly should not be attempted till the revaluation of commodities had been achieved.

He trusted that the Government would keep the World Conference in being. It was of the utmost importance that it should be continued in existence during the unforseeable and not by any means unhopeful conditions which the next few months might bring about. It seemed to him that the Government should at the best moment proceed to organise a sterling convoy, in the centre of which lay the whole of the British Empire, upon a set plan of controlled revaluation: should endeavour to raise prices in relation to sterling as far as and as much as they could without losing touch with the Dominions and foreign countries who were keeping company with the United Kingdom. It was safe enough: there was no more risk of a direct monetary collision or conflict between sterling and the United States. They

ought to follow the general movement in the United States at a prudent distance, with every possible precaution which was open to experienced navigators.

Loosening commerce restrictions.

Rt. Hon. Sir Herbert Samuel (Liberal, *Darwen*) said it would be regarded as a disaster if the Conference were to abandon its task. There was no reason why it should not consider by what means it could, in a general way, clear the channels of trade and fulfil its own declared official objective, the loosening of the restrictions on world commerce as a whole. He submitted that a tariff was not the right form of defence against a depreciated currency in some other country. It could seldom be high enough to meet the need, and it was completely wrong to adopt a tariff which affected the goods of all countries equally. The Chancellor of the Exchequer had in very emphatic terms reaffirmed the principle of commercial internationalism. He had said that unless world trade as a whole was stimulated and restored no one country could enjoy prosperity. Everyone agreed that international trade must be restored and that economic nationalism was an evil.

Rt. Hon. L. S. Amery (Unionist, *Birmingham, Sparkbrook*) referred to what, to his mind, underlay the failure of the Conference: it was that they were trying to reconstitute the economic world of the nineteenth century. That world had gone. In place of it they had a world which thought less in terms of immediate profit to the individual, which thought much more in terms of an ordered society, in terms of steady employment, and of standards of wages and living. What they had to do was to face and accept modern economic nationalism, which was not merely a point of view of aggression towards other countries, but was much more a point of view of the maintenance of internal conditions. If they had tariffs, they wanted separate tariffs for different nations, according to how they treated their trade, according to the state of their currencies, and so on. The true compromise that was emerging was that those nations which for historical, traditional or geographical reasons, or reasons of defence, wished to work permanently together should form themselves into economic groups large enough to meet the essential needs of modern production and marketing.

Imperial development.

"In our case," Mr. Amery said, "we have already made a substantial step forward in that evolution at the Ottawa Conference. I believe that the result is going to be good, not only for the British Empire, but for the world, if it leads to the more effective development of the countries composing the British Empire and a raising of the standard of living of their people. Why should we not encourage the peoples of Europe to form a similar group, not only for monetary, but for all economic purposes ?" They could not make progress on those lines outside the British Empire, Mr. Amery added, unless they first got rid of the "most-favoured-nation" clause.

Mr. A. Bevan (Labour, *Ebbw Vale*) said it was not the failure of the gold standard that they were really discussing, but the failure of modern industry to distribute purchasing power in the place where goods might be consumed. Until they devised a financial and economic system that bridged the gulf between modern production and consumption they were not going to solve the difficulty. They would not have the financial difficulties that arose out of the undisposable surplus of goods if they allowed people in Great Britain to consume those goods in larger quantities. Having done that, they would then control by some means of rational regulation the surplus that they must have for export.

They would put that surplus of goods into some complementary part of the world where people were producing goods which they required. They would do that by selective foreign trade, and not by permitting financiers to put money where they liked and then having to adjust their internal economy to meet what they had done.

Public works.

Rt. Hon. Sir A. Sinclair (Liberal, *Caithness and Sutherland*) remarked that the Liberal Party believed that a programme of public works, vigorously carried out, was essential to give that impetus to industry which it required for revival, and to give a substantial amount of direct employment to large numbers of their unemployed. What they had to do was to remove the obstacles which existed, not only in capitalist countries, but, above all, in the only Socialist country in the world, to the greater consumption of goods by the great masses of the people.

The Chancellor of the Exchequer stated, in reply to a remark from the Opposition side, that the Exchange Equalisation Account was not intended to be used, and had not been used, for the purpose of depreciating British currency. It was used, and would be used, solely for the purpose of evening out those fluctuations which were due not to economic factors, but to abnormal considerations such as speculation by private individuals or movements of capital due to other seasonal causes.

On a division the Amendment to reduce the amount of the Vote was negatived by 239 votes against 42.

BRITISH DEBT TO THE UNITED STATES.

(The June instalment; A "token" payment of $10,000,000; President Roosevelt's acceptance; Future discussion of War Debts problem.)

On 14th June, in the House of Commons, the Chancellor of the Exchequer made a statement on the subject of the payment of the half-yearly instalment of the British debt to the United States of America due on 15th June.

STATEMENT IN HOUSE OF COMMONS.

The Chancellor of the Exchequer (Rt. Hon. Neville Chamberlain) reminded the House that the previous instalment of the debt, due on 15th December, 1932, was the subject of an exchange of Notes between the British and the American Governments.

In the Note of 11th December, the British Government set out at some length their conviction that the continued payment of these inter-Governmental obligations was a fatal barrier to the recovery of the world. Their standpoint on the matter was reinforced by the Preparatory Committee for the World Conference, which, at the outset of their Report, pointed out that the problem of inter-Governmental indebtedness had not been included because it lay outside their terms of reference. The Committee went on to say :

"In our opinion, however, it is essential that this question shall be settled, and that the settlement shall relieve the world of further anxiety concerning the disturbing effects of such payments upon the financial, economic and currency stability. Until there is such a settlement, or the definite prospect of such a settlement, these debts will remain an insuperable barrier to economic and financial reconstruction. We therefore attach the greatest importance to the early resumption and successful conclusion of negotiations upon this problem."

Continuing, Mr. Chamberlain stated that when the December payment was made the British Government explained that it "was not to be regarded as a resumption of the annual payments contemplated by the existing Agreement." They urged the importance of an early exchange of views with the object of concluding the proposed discussion [for a final settlement] before 15th June in order to obviate the risk of a general breakdown of existing inter-Governmental agreements.

Lausanne Agreements.

The British Government hoped that it would have been possible for the Government of the United States to accede to their request that the payment of the June instalment should be postponed pending the discussion of War Debts as a whole, but in the end it became clear that this hope would not be realised.

"It seemed to us impossible," Mr. Chamberlain said, "to contemplate that this country should continue to make payments of this magnitude while under the Lausanne Provisional Agreements we had suspended the corresponding claims upon our own debtors. Further payment would, therefore, have necessitated putting an end to the Lausanne Agreements, reopening all the vexed questions of Reparations and War Debts which were there provisionally settled and plunging the world once more into the condition of uncertainty and despair from which it was rescued last year. These considerations appeared to the Government to be of such fundamental importance as to outweigh all others.

"On the other hand, we felt the strongest objection to any course which would have placed us in the position of having repudiated our obligations. In our view, the proper way to treat the June instalment was to consider it as merged in the body of the debt which we had already discussed informally and as to which we were prepared to enter upon formal negotiations as soon as they could be arranged. We therefore decided that in order to make perfectly clear our view that the suspension of the June payment did not and was not intended to prejudice the ultimate settlement, we would propose to make a payment of 10 million dollars as an acknowledgment of the debt, pending a final settlement. I am happy to say that the President, while formally taking note of our communication, has issued a statement which shows that he has appreciated the spirit in which our proposal was made."

Not a default.

In a communication which Mr. Chamberlain read to the House, the President said it seemed the part of fairness and wisdom to postpone formal representations on the debt subject until later. In view of the representations of the British Government, and of the payment, he had no personal hesitation in saying that he did not characterise the resultant situation as a default.

The British Government, Mr. Chamberlain added, proposed to make the payment in silver, which they had been informed by the United States Government would be accepted at 50 cents a fine ounce. The Government had acquired this silver from the Government of India. The Government had asked when and where the formal negotiations about the whole debt question could be begun. The President had suggested that they should be taken up in Washington as soon as convenient.

Sir Stafford Cripps (Labour, ***Bristol, E.***) congratulated the Government on having arrived at a solution of the question of the immediate payment which was satisfactory to Great Britain and to President Roosevelt. The Labour Party hoped that the negotiations would be entered upon with as little delay as possible and that, in view of the urgent necessity for the settlement not only of the debt question, but of all international indebtedness, the World Economic Conference would be able to set up some means by which the matter of default by other States could be dealt with.

Rt. Hon. Sir H. Samuel (Liberal, ***Darwen***) also congratulated the Chancellor of the Exchequer. It was an extreme relief to all of them that there was no repudiation, that Anglo-American friendship was fully maintained, and that at the same time the onerous financial burden upon Great Britain was to be relieved.

After further congratulatory speeches, the subject dropped.

GREAT BRITAIN AND RUSSIA.

(Release of British engineers imprisoned in Moscow ; Removal of embargo and counter-embargo on importations of goods ; Negotiations resumed for a new trade agreement.)

On 3rd July, in the House of Commons, in answer to **Sir W. Davison (Unionist,** ***South Kensington***),

The Under-Secretary of State for Foreign Affairs (Mr. Anthony Eden) announced that, following interviews between the Secretary of State for Foreign Affairs and M. Litvinoff, the two remaining Metropolitan-Vickers employees in prison in Moscow had been released. He referred to a statement issued by the Foreign Office on the subject, which intimated that Great Britain's embargo on Soviet imports* would be removed and that the Soviet Government's counter-embargo would be cancelled.

Arrangements would promptly be made, **Mr. Eden** added, to resume the trade negotiations at the point where they were interrupted.†

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* *Vide* JOURNAL, Vol. XIV, No. 2, p. 218.

† The negotiations for a new Anglo-Russian Trade Agreement were broken off by the British Government at the time of the arrest of the British engineers in Russia. They were resumed at the Board of Trade on 10th July.

UNITED KINGDOM AND THE DOMINIONS.

(The dispute with the Irish Free State: attitude of the British Government; Position as regards arbitration; Future of the Empire Marketing Board; Question of migration: the settlers in Victoria; The Ottawa Agreements: inter-Imperial trade increased.)

On 27th July, in the House of Commons, on the Order for the Third Reading of the Consolidated Fund (Appropriation) Bill, a debate took place on Dominion Affairs.

DEBATE IN HOUSE OF COMMONS.

Mr. W. Lunn (Labour, *Rothwell***)** said he ageed with what had previously been said as to the disastrous effect that the Ottawa Agreements were going to have on the United Kingdom. No doubt the agriculturists and manufacturers of the United Kingdom were going to pay dearly for what transpired on the occasion of the expedition to Ottawa. Referring to migration, Mr. Lunn observed that their policy since 1924 had been only to support any scheme when there were opportunities of people obtaining a livelihood, and their pet schemes had been where families could be guaranteed some possibility of a better life than they had at home. He was satisfied that the scheme for the settlement of migrants in Victoria, which was arranged immediately after the passing of the Empire Settlement Act, 1922, was the worst scheme he had heard of in its results on the migrants.

They went to Victoria in 1923, and the Royal Commission to inquire into their complaints was appointed only in December, 1930. They inquired into 311 cases and reported early in 1933. The fact that it had taken two years to inquire into these cases showed, in his opinion, slovenliness, carelessness and indifference. The Commission said it might be that some of the settlers would not have made good farmers, but it could not be said that the cause of failure was mainly their own default or defect. The Government of Victoria were to blame for deluding people in the matter, and he thought they should indemnify them. It was the duty of the British Government to encourage the Victorian Government to do their duty by these people. Those who had read the Commission's Report could only describe the scheme as a rotten one.

The dispute with the Irish Free State.

Turning to the dispute with the Irish Free State, **Mr. Lunn** said he believed in the justice of the claim that the Land Annuities should be paid to Great Britain. But he had also said, from the very beginning, that when Mr. de Valera offered arbitration it should have been accepted. There were as good men outside the Empire as there were in. For twelve months this had been a miserable and discreditable business, and no one in the House could have satisfaction out of what had occurred. They were told the other day that the amount due to Great Britain from the Free State was £4,864,000, and that they had received under the Import Duties Act on goods imported from the Free State £2,727,000, so that they were down by £2,000,000, to say the least of it. He wished to know whether the Dominions Secretary was trying to secure a settlement.

Speaking of the future of the Empire Marketing Board, Mr. Lunn said that in the matter of publicity he would put the Board during the last few years against any other organisation. There was nothing that could be pointed to which had increased the sale of Empire produce in the United Kingdom more than the work of the Board. It was the overseas parts of the Empire that had got the best part of the bargain out of the Board, and they had never paid one penny towards it. If the Board was to continue, the overseas parts of the Empire ought to pay their share towards the continuance of its work. Work of the greatest value had been done by the Board in scientific research, and he hoped that it would not cease. Even if the Board went out of existence some organisation ought to be set up which could make use of what had been done in that direction.

A valuable work.

Rt. Hon. Sir A. Sinclair (Liberal, *Caithness and Sutherland***)** testified to the invaluable work carried out by the Empire Marketing Board, and the immense advantage which the Empire as a whole had derived from it. He hoped that some means would be found of keeping the Board in being, at any rate for some time, in the interests of the Colonial Empire, and that perhaps later the Dominions would be able to come in and once again help to expand the Board's activities. The advantage to the United Kingdom and the Empire of the immense investment of public money which had already been made in the work of scientific research would be lost if it was prematurely closed down.

With respect to the Irish Free State, there was general agreement about having an Empire tribunal before which to arbitrate. It would be a thoroughly bad precedent if on the first occasion when a difference of opinion occurred between a Dominion and the Mother Country they had to go outside the Empire for a tribunal to settle it. On the other hand, there could be no doubt about the damage that was being inflicted upon the trade of both countries, and the far more serious damage which was being inflicted on the Irish spirit towards the United Kingdom. They should be generous in their dealings with Ireland, and not commit the political folly of expecting immediate gratitude.

The greater their confidence in the United Kingdom in the justice of their case, the more convinced they were that if the case was referred to an impartial tribunal they would win, the more necessary it was that the Irish people should have confidence in the impartiality of the tribunal which would decide the dispute.

The Ottawa Agreements.

As regarded the Ottawa Agreements, he hoped the debate would not proceed along the lines of metaphorically calling the Dominions to the Bar of the House and lecturing them on what was called the Ottawa spirit. The Dominion Governments were not responsible to that House, but to their own people, who would visit their sins and follies on their heads in their own time. It was the United Kingdom Government who wanted the original bargains binding for a period of years. It was pointed out on the Liberal benches that changing economic conditions and fluctuations in the values of currency would soon make the Agreements out of date. Now the British Government told the Dominions that the letter of the Agreements, so sacred only a few months ago, had become relatively unimportant, and it was the spirit that mattered. If the Agreements did not embody the spirit of Ottawa, why did the Government sign them?

There was the opportunity at Ottawa to come to an agreement with friendly Governments to exclude dumping, but nobody thought it worth while. Now, when certain Governments in the Empire, in the course of national planning, found it to their advantage to go in for the vicious method of export subsidies, they could not blame them; for the Agreements were signed in such a way as to enable them to do it. Nevertheless, he hoped the Dominions would recognise that all sections of opinion in the United Kingdom deplored dumping and supported the Government in their efforts at the World Economic Conference to deal with export subsidies by foreign nations. "We therefore hope," Sir Archibald remarked, "that the Dominions will come in and try to prevent the adoption of all these artificial stimuli, which have the inevitable effect of encouraging over-production and driving prices down in a headlong fashion."

Dominions and lowering of tariffs.

The farmers were not alone in their complaints: the export trades, too, were in a ferment. The Canadian Tariff Board was not appointed until May and had not yet lowered any tariffs. There were some insignificant reductions at the time of the signing of the Ottawa Agreements, but against that new tariffs had been imposed in Canada against United Kingdom goods, and also in Australia. Mr. Bennett had made his attitude quite clear. In the Canadian House of Commons, in answer to Liberal questions, he declined to give a pledge that the Canadian Government would not increase the tariff against British goods.

In the concluding stages of the Ottawa Conference a Resolution was proposed by the United Kingdom Delegation setting forth British policy as one leading to a lowering of tariffs. According to the reports the Dominions refused to accept it, and, so far, the British Government had never explained it. It was clear that the Dominions were not in agreement with the policy which the British Government declared was their own policy. Ottawa was supposed to be the foundation of a great new Imperial system. The cracks were already gaping in the stones before they had started to build. How were they to obtain constructive co-operation from the Dominions? Never would the Dominions give it on the basis of the Government's Socialistic policy of restriction and control. Liberals regarded price raising as the means and expansion of production as the end at which to aim. It was on those lines only that they could obtain the co-operation of the Dominions.

Empire co-operation: plea for Empire Marketing Board.

Rt. Hon. L. S. Amery (**Unionist**, *Birmingham, Sparkbrook*) supported the plea for a continuance of the work of the Empire Marketing Board. That work had been of interest and value to the whole Empire, and he agreed that it was only right that in the long run it should be supported by the whole Empire. When it came to saying that the work should be stopped at once unless the Dominions were ready to agree at the moment to a scheme of financial co-operation for carrying it on—and, he might add, the equally important and valuable work of the Imperial Institute—the whole of that priceless work should come to an end, he began to ask himself where was the statesmanship of the country gone to? This particular form of Empire co-operation was comparatively new. Were they really going to stop dead after the first few years because the whole of the Dominions were not yet ready to come into the scheme?

He suggested that the Board should be set up as a body under a Charter on the lines of the Imperial War Graves Commission, as suggested by Sir Fabian Ware in an appendix published with the report of the Committee on Imperial Co-operation. The Charter should be such that any member of the Empire making a regular contribution would be entitled to have a seat on the Board. Contributions from other sources might also be accepted. In that way, he was sure, they would get at a very early date co-operation and contribution from at any rate some Governments. If they destroyed what had now been built up, they were not merely stopping a useful expenditure; they were destroying a living organisation with a spirit of its own and with a new tradition, something which was positive and creative, and of incalculable value in the development of the Empire.

Attitude of agriculturists.

Rt. Hon. G. Lambert (Liberal National, *South Molton*) said there was arising in the agricultural mind a distinct hostility to the Ottawa Agreements. It was growing, and in the interests of Imperial co-operation he wanted it allayed. An eloquent appeal had been made on behalf of the Empire Marketing Board: but how could they ask the taxpayers of the United Kingdom to advertise dumped Dominion products? The Ottawa Agreements could not be made a success if that dumping went on.

Mr. Ronald Ross (Ulster Unionist, *Londonderry*) remarked that when the Irish Free State enjoyed the advantages of being in the Empire, as they still were, it was only fair that they should bear the corresponding obligation of being subject to an Empire tribunal. The Dominions Secretary was not getting the full amount of the moneys that should be paid by the Irish Free State. The duties which the United Kingdom had against the Free State were far less in number than the duties which the Free State had against the United Kingdom. Why would it not be equitable for them to copy the duties which the Free State put on? The policy which the Dominions Secretary began with vigour seemed to have reached the stage of comparative stagnation.

Mr. D. R. Grenfell (Labour, *Gower*) described the Ottawa Agreements as a makeshift policy, which did not even make a lasting contribution to Empire building, and, indeed, would stand as a permanent obstacle to that great task in which they all hoped to share. There was a growing volume of opinion in favour of protection against the dumping which was carried on quite consistently with the Ottawa Agreements. The problem was not how to stop these goods, but how New Zealand, for example, could pay her debt to the United Kingdom unless she was allowed to send her commodities.

Inter-Imperial trade.

The Secretary of State for Dominion Affairs (Rt. Hon. J. H. Thomas) said that the Government did not agree for one moment that Ottawa was a failure. If he could show that since Ottawa, inter-Imperial trade had increased, and even a bigger share of Imperial trade had been given to the United Kingdom, as well as that the United Kingdom had given it to the other parts of the Empire, that in itself ought to be the best justification for Ottawa. The Dominions were interested in their secondary as well as in their primary industries and the bargain the United Kingdom made was this: Instead of having in the future a prohibitive tariff, let it be, so far as the United Kingdom is concerned, a competitive tariff. Canada had to institute a Tariff Board. There were difficulties in the personnel, because the first condemnation which would have been made of the tribunal unless it was absolutely impartial would have been: "It is a biased, or prejudiced, tribunal because there are certain politicians on it."

The result was that there had not been the progress in the examination of many of the claims for which they in the United Kingdom had hoped and wished. Referring to Canada, Mr. Thomas said: "So far as the exports of coal are concerned since the Ottawa Agreements, for the six months ending March, 1933, as compared with March, 1932, the figures have increased by 88 per cent. in bituminous and anthracite coal. In chemicals there is an increase of 11 per cent.; in cutlery of 57 per cent.; in galvanised sheets of 54 per cent.; in cotton yarns—not unimportant—40 per cent.; and in fabrics of flax 272 per cent. It is nc good condemning Ottawa when we show that even in these difficult circumstances there has been a marked improvement.

Increased imports from United Kingdom.

"I can take four figures for Canada, Australia, the Union of South Africa and Rhodesia showing the proportion of imports from the United Kingdom into the Dominions to the total imports into those Dominions, comparing six months of 1933 with six months of 1932. Canada shows an increase from 19·4 to 23·4; New Zealand from 49 to 51; the Union of South Africa from 45 to 49; and Southern Rhodesia from 42 to 48. Those figures are given for a very difficult period when it was impossible to judge the full forces of the policy in that particular period."

With respect to agriculture, Mr. Thomas said it had been accepted by the Dominions, without an exception, that the first duty of the United Kingdom Government was to their own people. That policy had been persistently pursued by the Minister of Agriculture and Major Elliot was hopeful of negotiating a satisfactory settlement with the Dominions on that basis. As regarded the Empire Marketing Board, it was made clear at Ottawa that the British Government were prepared to continue, provided the Dominions were equally prepared. They were unable to see their way to do so, and rather than allow a smash to take place the British Government undertook to continue to finance the Board until 30th September. A Committee was appointed and the British Government's instructions to their representatives were to press for the continuance of the Board. They did so, but for various reasons the Dominions were unable to acquiesce, with the result that they unanimously decided that they could not recommend the continuance of the Board.

Dominions and Empire research work.

"But they not only agreed," Mr. Thomas stated, "that the main operations of the work should be continued, especially the magnificent work on the scientific side, but they unanimously decided that they would all co-operate in that effort. The presence of the Dominion representatives in London has enabled me to discuss with them the whole situation, and I am in a position to say that I have every reason to believe the Skelton Report will be adopted and accepted by all the Dominions. In addition to that, all the individual branches which affect British agriculture, timber, and the scientific side, both ourselves and the Colonies will endeavour to keep in being. I go even further. I shall be ready at any time to co-operate with the rest of the Dominions if it is possible to develop an Empire Marketing Board again."

Strong feeling had been expressed, Mr. Thomas continued, with regard to the position of the Victorian settlers, and he deplored the situation because it did incalculable harm to the general question of migration. He said frankly and fully that the conditions under which the men went there had not been complied with. He had every reason to believe that a final settlement would be reached within a few days and he hoped it would be such a settlement as would do justice to a body of men who were taking a very great risk on promises made.

The dispute with the Irish Free State.

Turning to the dispute with the Irish Free State, Mr. Thomas said that geographically it was madness to be quarrelling and it was madness to have differences. In the judgment of the British Government every political ambition which any Irishman might desire could be obtained and was open to him within the British Commonwealth of Nations. It was not true to say that any offer of any sort or kind had ever been made to the British Government except the official offers made in negotiations between Mr. de Valera and the British Government. During the discussions in the Free State Senate

on Government legislation making permanent the emergency duties, Mr. Lemass said :—

"The Free State Government were prepared to raise the emergency duties immediately if the British Government would do likewise. The Free State would go further and remove them now if there were any indication that the British Government would remove them soon after."

"I want to say straight away," Mr. Thomas continued, "that if that was intended to open the door, then I accept it on behalf of the British Government. Let us be quite clear what it means. If it means, as can be the only construction, namely, that the duties will be removed by Ireland and by us, and that we resort to the *status quo*, that is, that the Treaty obligations will be fulfilled and the money paid, then there is no difficulty whatever. It is very important to emphasise that fact, because the ordinary person reading it would put some other construction upon it, and I want to make it perfectly clear that as far as we are concerned we only imposed the duties because of the money withheld, and we will discontinue the duties, all of them, immediately we see a reasonable chance of a settlement by the Irish Free State representatives indicating that they realise and recognise the position."

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

DOMINIONS AND THE OTTAWA AGREEMENTS.

(Imports of agricultural produce ; Complaints of underselling of British farmers ; Negotiations for voluntary agreements to regulate supplies ; Spirit of the Ottawa Agreements : appeal to the Dominions.)

On 19th July, in the House of Lords, a debate took place on the subject of imports of Dominion produce into the United Kingdom.

DEBATE IN HOUSE OF LORDS.

Lord Strachie began the debate by asking what had been the result of the negotiations of the Minister of Agriculture with the Dominions in order to prevent British agricultural produce from being undersold under the Ottawa Agreements by unlimited importation from the Dominions. He reminded the House that no restrictions were imposed by the Ottawa Agreements for three years upon any importation of dairy produce into the United Kingdom. The Minister of Agriculture said a few days previously that there were 18,000 tons more of Dominion butter coming into the United Kingdom and that the price of butter coming from Australia had fallen from £5 5s. per cwt. to £3 15s. He added very truly that this was being dumped upon the English market.

Members of both Houses would have been more pleased if the Minister had frankly said what the Government intended to do to stop underselling and to prevent prices, already low, becoming lower. No less than 80 per cent. of cheese imports came from the Dominions and were, therefore, under the Ottawa Agreements. He would like to hear that some agreement had been made with the Dominions so that they would not continue to send in this enormous percentage of cheese, which was underselling cheese generally. The Minister of Agriculture said that if prices continued as low as they were now, ruin actually faced many farmers.

Government's declaration.

The Earl of Radnor observed that it was putting it very mildly to say that when the Agreements were published the least that agriculturists said was that their interests had been betrayed. On more than one occasion the United Kingdom Government made a declaration to the effect that their policy was that in the home market agriculture was to have the first chance, the Dominion producers the second chance, and all the rest the third chance. The Dominion representatives at Ottawa subscribed to the justice of that declaration: but the Agreements and the declaration seemed to be mutually antagonistic. Sheltering behind Ottawa, Dominion producers were doing their best to get the first position in the home market to the detriment of the home producer.

It was impossible for the United Kingdom Government honourably to throw over the Agreements and, therefore, if the Dominion Governments insisted on adhering to the letter of them they must be allowed to stick to the letter. But three years hence, so far as most agricultural products were concerned, and one year hence so far as one main product was concerned, these Agreements would come under revision. The agriculturists would have something to say when the Agreements were revised. It was necessary for the Dominions to consider their position, because if they stuck to the letter of the Agreements and did great harm to the British agricultural industry the blame would be laid on them for their lack of perception and of sympathy with the home country.

Conditions in United Kingdom.

The Parliamentary Secretary to the Ministry of Agriculture (Earl De La Warr) summarised the position under the Agreements so far as they affected agricultural produce. Continuing, he pointed out that since the Ottawa Conference the United Kingdom market situation had depreciated very considerably, and circumstances in some respects were worse for the British farmer to-day than they were before. They had to admit that if the policy of the regulation of supply was to be effective it had to be comprehensive. The regulation of imports they recognised to be quite useless if imports from the Dominions were free to fill any gap that might be created. The co-operation of the Dominions, therefore, must be sought and obtained if any measure was to be effective for the regulation of imports. This aspect of the problem had been engaging the attention of the Government.

As regarded the imports of manufactured milks, the Dominions, other than the Irish Free State, had agreed that, so far as they were concerned in the market for these products, they would co-operate in the emergency steps that had been taken in consultation and agreement with the foreign countries affected. As to oats, the Minister of Agriculture had announced that he had discussed the position with Mr. Bennett and was hopeful that it would be possible to arrive at a mutually satisfactory arrangement. The Government still felt that they were right to conclude the Agreements, in which they laid the foundations of the principle of quantitative regulation, particularly with regard to meat supplies. If they had not evolved that machinery at Ottawa, they would not have been in the position they were in last November to arrest the crash which was threatening to take place in the meat market.

Empire co-operation.

At Ottawa they formed the machinery for Empire co-operation: they laid the foundations of the spirit of Empire co-operation. But, while those were the positive advantages of Ottawa, undoubtedly since then circumstances had changed —circumstances, incidentally, that affected the producers not only in the United Kingdom, but in the Dominions. Taking the dairy produce situation, they had the fact that whereas at the time of the conclusion of the Ottawa Agreements butter was standing at 114s. per cwt., it had now come down to 85s. 6d. per cwt. The cheese and the egg position had similarly deteriorated: the only position that had not deteriorated was that with regard to mutton and lamb. Why? For the reason that they had been able by voluntary agreements to secure a regulation of that market. It was on the lines of negotiating with the Dominions, dependent it was true only on their good-will and on their ability to see their own self-interest as well as the interest of the United Kingdom, that they intended to continue.

During the last few years the imports of butter from the Dominions had increased very largely. Since 1928 there had been an increase of about 1,800,000 cwts., an increase three times greater than that from foreign countries. In the case of eggs there had been an increase of 14,000,000 great hundreds, whereas from foreign countries there had been a decrease of 800,000,000 great hundreds. With regard to mutton and lamb, whereas foreign imports had declined by 400,000 cwts., Dominion imports had increased by 1,700,000 cwts. They believed that the positive advantages they obtained from the Agreements were worth while, and they did not in any way despair of the fact that they were not in a position to present a pistol at the heads of the Dominions. That was the last position in which the United Kingdom Government would wish to find themselves.

The spirit of the Agreements.

"The fact that in certain respects for the moment one finds certain things going against one," Lord De La Warr remarked, "the fact that we find at times, as you must find, certain items of co-operation difficult to bring about, in no way disposes of the fact that if we wish the British Empire to persist that British Empire must be conducted on the basis of mutual co-operation. Of course, Lord Radnor is perfectly right when he says that it is the spirit of the Ottawa Agreements, very much more than the letter of those Agreements, that must be followed. And it may very well be in the light of altered circumstances—we believe that the time has come when it is so—that the Dominions may find that it would pay them to relax the letter of those Agreements in order to carry on their spirit."

If the Dominions wished to stand on the letter of the Agreements, Lord De La Warr continued, there was no one who could challenge their position. If they did so, it must inevitably mean that the markets in the United Kingdom, which were so important to them, would deteriorate. They had evidence in the debate that what they might call the Ottawa spirit among farmers was weakening. One heard only too often, in talking to farmers, the remark that a glut of dairy produce from the Dominions was just as serious to the life of a British farmer as was a glut of produce from a foreign country. And lastly, if one side to a bargain insisted on standing to the letter, then they might well drive the other side to take the same line.

Reconsideration.

"We have an Agreement with regard to meat," Lord De La Warr added, "that ends in approximately one year, and at the end of both periods the position is free for reconsideration. When we reconsider the position we will continue to do so on the principle of the home producer first, the Dominion producer second, and the foreign producer third. Noble Lords can rest assured that when we say the order is first, second and third, we mean that the home producer shall be first. . .

"I would venture to prophesy that it will be a very brave Government that would resist the British farmers unless we are prepared to do something that will relieve the situation in the near future. Lord Strachie may think from what I have said that we consider it may be necessary in the future to admit the failure of this great attempt at Empire co-operation at Ottawa. If he so understands me, he understands me quite wrongly. Personally I am still convinced that it is going to be possible to come to some understanding."

After further debate a Motion for Papers made by Lord Strachie was negatived.

EMPIRE MARKETING BOARD.

(Recommendations of Imperial Committee; Transfer of Board's activities; Discussion with Dominion representatives.)

On 19th July, in the House of Commons, in reply to **Mr. A M. Lyons (Unionist,** *Leicester, E.*),

The Secretary of State for Dominion Affairs (Rt. Hon. J. H. Thomas) said: "The Empire Marketing Board is one of the inter-Imperial agencies whose position was reviewed by the recent Imperial Committee on Economic Consultation and Co-operation. It will be seen from the Committee's Report (Cmd. 4335) that it contains no recommendation for the continuance of the Board in its existing form. It was, however, recommended that certain of the activities of the Board should be transferred to other bodies.

"Arrangements are being made to discuss the position arising out of the Report of the Committee with the heads of the Dominion Delegations now in London. The Empire Marketing Board has been financed entirely by His Majesty's Government in the United Kingdom, the amounts paid during the last three years being: 1930-31, £612,500; 1931-32, £549,000; 1932-33, £320,000."

Mr. Lyons: "Will the right hon. Gentleman assure the House that, if there is any further arrangement for the continuance of this or some similar idea, this country will not be called upon to pay the whole cost of the establishment?"

The Secretary of State for Dominion Affairs: "I have no hesitation in giving that assurance."

INTER-IMPERIAL TRADE.

(Imports of meat from the Dominions ; Canadian Government and readjustment of duties on United Kingdom goods ; Supplies of dairy products from the Dominions : question of restriction.)

Limiting competition in home markets.

On 25th April, in the House of Commons, replying to **Mr. T. Williams** (**Labour**, *Don Valley*),

The President of the Board of Trade (**Rt. Hon. W. Runciman**) said he was informed that an understanding had been reached between the British and Canadian manufacturers of unglazed and machine glazed Kraft paper regarding the limitation of competition in their respective home markets, and that this understanding was entirely satisfactory to the British industry.

Mr. Williams : " If monopolies in this country and any of the Dominions enter into arrangements to restrain trade and to exploit customers in each country have we any power to deal with them ? "

The President of the Board of Trade replied that he was afraid they had not.

Duties readjusted.

Answering **Mr. H. Graham White** (**Liberal**, *Birkenhead, E.*),

The Secretary of State for Dominion Affairs (**Rt. Hon. J. H. Thomas**) said that at the instance of the Canadian Government consultations had taken place between them and the United Kingdom Government, in accordance with the provisions of Article 23 of the United Kingdom-Canada Trade Agreement, as the result of which the duties on certain classes of United Kingdom goods entering Canada had recently been readjusted.

As a set-off against the imposition of a duty on United Kingdom telephone apparatus and the withdrawal of Preference in the case of a few United Kingdom goods, increased Preferences, coupled in most cases with free entry, had been accorded to a number of other classes of United Kingdom goods.

The Canadian Government, having regard to Article 17 of the Trade Agreement, had also agreed to fix the value of the pound sterling for exchange dumping duty purposes at 4.25 dollars instead of 4.40 dollars.

Meat imports : the quota system.

On 4th May, replying to **Mr. J. H. Stewart** (**Liberal National**, *Fife, E.*),

The Minister of Agriculture (**Major the Rt. Hon. W. Elliot**) said that the total imports of chilled and frozen beef from all sources during the first quarter of 1933 were over 7,000 tons less than in the corresponding quarter of 1932. As regarded mutton and lamb, the increase in imports during the first quarter of 1933 was largely attributable to supplies from Australia and New Zealand, the arrangements with which Dominions related to the year 1933 as a whole and not to quarterly periods.

The increased supplies from these Dominions would, therefore, be offset by smaller shipments later in the year. He was satisfied that the arrangements were proving advantageous to the livestock industry of the United Kingdom.

Canadian typewriters.

Replying to **Mr. A. M. Lyons** (**Unionist**, *Leicester, E.*),

The President of the Board of Trade said that the number of complete typewriters imported into the United Kingdom and registered as consigned from Canada during the first three months of the year was 503 in 1932 and 3,602 in 1933.

Mr. Lyons : " Does not this show conclusively that the Canadian corridor is being used for bringing foreign goods into this country ? May I ask whether there is any machinery at all to prevent this being done through the manipulation of values being made at the Canadian place of acceptance ? "

The President of the Board of Trade : " It is a little too early to draw exact deductions from these figures : and may I point out that the importation from all sources is less than half it was two years ago."

Imports of dairy produce.

On 15th May,

Rt. Hon. G. Lambert (**Liberal National**, *South Molton*) asked whether any and, if so, what representations had been made to New Zealand and Australia for the restriction of milk product exports to Great Britain ?

The Secretary of State for Dominion Affairs, in reply, stated that, arising out of representations by the High Commissioner for New Zealand as to the general fall in wholesale price levels in the case of butter, discussions had taken place with the Governments in the Commonwealth of Australia and in New Zealand with a view to the possibility of the regulation of imports in a manner satisfactory to all parties.

It would be appreciated that, in view of the Ottawa Agreements, the regulation of imports into the United Kingdom of butter, cheese and other milk products from the Dominions before August, 1935, could only take place by voluntary arrangement.

On 29th May, in reply to a series of questions,

The Minister of Agriculture said : " I have reason to believe that the foreign countries mainly concerned with the export to this market of cream, condensed whole milk, condensed skimmed milk and milk powder will agree, as an emergency measure . . to limit their exports of these products to the United Kingdom during the three months June, July and August next to an amount not exceeding 80 per cent. of the quantities shipped in the corresponding period last year, with a review each month of the market and supply position. Those foreign countries whose exports to this market are comparatively small have been asked to ensure that their shipments remain at previous low levels.

" I have every hope that the overseas Dominions, whose representatives I have consulted, will use their best endeavours to co-operate with us so far as they are concerned with the export of these products."

Australian butter.

On 21st June, answering **Mr. Lambert,**

The Secretary of State for Dominion Affairs said he understood that the price of what was known as " Kangaroo " butter in Melbourne on 16th May, the latest date of which he had information, was 123s. 10d. (Australian currency) per cwt. On the same date in London the price of butter of the same quality was from 79s. to 80s. (sterling) per cwt.

Mr. Lambert asked whether that did not show that Australian butter was sold dear in Australia in order to be sold cheaply in Great Britain, thereby crippling the British farmer ?

The Secretary of State for Dominion Affairs : " I think it does look like it."

Japanese competition.

On 23rd May, in reply to **Mr. S. S. Hammersley (Unionist,** *Stockport*),

The Secretary of State for Dominion Affairs said he was aware that the exports from the United Kingdom to Australia were subject to increasing competition from certain Japanese products, and the general question of Japanese competition was engaging the attention of the Government.

Mr. Hammersley asked whether, in view of the abnormal increase of Japanese imports into Australia, Mr. Thomas would consider inviting the opinion of the Commonwealth of Australia as to the best way of dealing with this menace of the products of very low-priced labour ?

The Secretary of State for Dominion Affairs said the question of the importation of Japanese goods and of cheap labour was not applicable to Australia alone. It applied to many other parts of the world, and, as he had said, was receiving the Government's attention.

Answering a question respecting the West African Colonies,

The President of the Board of Trade said : " Notice of withdrawal of the British territories of West Africa from the Anglo-Japanese Treaty was given in view of the fact that Imperial Preference could not be introduced throughout these territories owing to certain international obligations. It is not intended to take similar action at present in respect of other Colonies."

Australian duties.

On 30th May, in answer to **Mr. W. R. D. Perkins (Unionist,** *Stroud*),

The Secretary of State for Dominion Affairs said he was aware that the Government of the Commonwealth of Australia had recently imposed a duty of 35 per cent. on United Kingdom-made elastic fabric of less than one inch in width as against a duty on similar foreign-made fabric of 55 per cent. He understood that this duty was imposed in accordance with a recommendation of the Commonwealth Tariff Tribunal after receiving evidence from the United Kingdom interests concerned. He had no information to show that in making this recommendation the Tribunal failed to take into account the principle laid down in Article 10 of the Trade Agreement with His Majesty's Government in the Commonwealth of Australia.

Mr. Perkins : " Does not the right hon. Gentleman consider that this recent action by the Australian Government was in direct opposition to the whole spirit of the Ottawa Agreements, and will he explain to the Australian Government that it is impossible for this country to continue to buy her agricultural produce unless she is prepared to buy from us ? "

The Secretary of State for Dominion Affairs : " It would be better to leave it where the hon. Member put it."

TRADE AND COMMERCE.

(Japanese competition with British goods ; Invasion of foreign and Dominion markets ; Demand for counter-measures ; Quantitative restriction of imports ; Criticism of Ottawa results.)

On 2nd June, in the House of Commons, on the Motion to adjourn for the Whitsuntide recess, the subjects of debate included Japanese competition with British trade and commerce.

DEBATE IN HOUSE OF COMMONS.

Mr. T. Levy (Unionist, *Elland*) said that Japan was taking away British markets not only in the Dominions, Colonies, and Protectorates, but also in other parts of the world. He understood that the Secretary to the Overseas Trade Department was in negotiation with the Japanese Ambassador. He wanted him to enter into negotiations with the Dominions, the Colonies, and other countries at the World Economic Conference. In 1930, Great Britain exported to all parts of the world, including Empire markets, 59,750,000 square yards of rayon pieces. Rayon was a commodity which was taking the place of British cotton goods because of its cheapness. In 1932, Great Britain only exported 46,250,000 square yards.

In 1930, Japan exported to countries in the Empire alone 45,250,000 square yards, and in 1932, 76,250,000 square yards, an increase of nearly 70 per cent. To the whole world in 1932 she exported 152,638,000 square yards. She was relentlessly crushing Great Britain out of markets which used to be essentially Britain's and, what was more significant, out of the markets of Britain's own kith and kin. This economic peril was real and progressive. Unless it was tackled their manufacturers would have to close down. It was no use waiting until the yen appreciated in value, or until Japan had decided to work shorter hours, give her workpeople more money, and raise the standard of living.

Dominions and Ottawa Agreements.

Unless British Ministers could come to some arrangement to the material advantage of both Japan and Great Britain there could be no alternative but to put a quantitative restriction upon goods coming into the British market, and certainly with regard to the Dominions and Colonies. If the Dominions and Colonies intended to follow out the spirit of the negotiations which took place at Ottawa, they were not playing the game if they expected Great Britain to take their goods, while they bought the goods they required from Japan. While the Preferences which Great Britain obtained might be all right and applicable to the ordinary competition of European countries, they had no bearing at all upon the very cheap goods produced in Japan.

Mr. Hamilton Kerr (Unionist, *Oldham***)** said that the prosperity of Lancashire had been seriously shaken during the last quarter of a century by the rocket-like outburst of Japanese economic activity. If an agreement could not be reached with Japan—and he saw enormous difficulties in the way—was it too much to ask that the Empire should take a united stand against this frontal attack? The new idea formed at Ottawa was to pool their resources and pull together for the common good. Throughout the Empire there were numerous rich Dependencies which relied upon Great Britain for both aerial and naval defence in time of need. Was it

too much to ask of them that, in consideration for what Great Britain gave to them, they should give preference to British goods?

Japan's aim.

Mr. S. S. Hammersley (Unionist, *Stockport***)** remarked that this was not ordinary business competition. It was an attack on foreign markets in accordance with a national creed of economic penetration in which every instrument was co-ordinated to one end. It was a national creed which did not reject the use of a deliberate inflation of the currency, or a piracy of trade marks. Japan was aiming at an over-lordship of the East which would rest on a secured and dominant position in many of the markets of the world. It had been suggested, with a great deal of truth, that these products of low price labour were not finding new markets, but were being dumped into markets which were already saturated. There was no export market in the world which was not jeopardised by this abnormal competition.

It would be a great mistake to advance a policy which dealt with the problem purely in the home market, but failed to deal with it in the Dominions and in the free markets of the world. The best way to co-ordinate their policy in respect of the Dominions would be to try to see that the Dominions implemented the existing Ottawa Agreements: that by legislative as well as administrative action they made the Agreements reached at Ottawa more fruitful. "We might," said Mr. Hammersley, "ask the Dominions in respect of those goods on which we ourselves consider it necessary to have a quantitative restriction, to have a quantitative restriction in the Dominion markets in exchange for our giving to the Dominions an agreement not to include their products in the particular quota scheme which we may put forward in this country."

Complexity of the problem.

The Parliamentary Secretary to the Overseas Trade Department (Lt.-Col. J. Colville) observed that hon. Members had raised the question of Japanese competition in only artificial silks and cotton goods, but the problem covered a wider range of products. It was right to divide the problem into four heads—the home market, Dominion markets, Colonial markets and foreign markets. Those who talked lightly about drawing a ring fence round this and that must remember that the complexity of the problem made it impossible to deal with it in that way. The growth of Japanese exports to markets in which United Kingdom manufacturers were vitally interested had naturally led to demands for counter measures either in the form of high duties or quantitative restriction.

Particularly had it led to a demand for discriminatory action against Japan by the abrogation of the Anglo-Japanese Treaty, which would enable special duties to be applied.

The Government of India had given notice of the determination of the Treaty with Japan, which would enable them to take special measures in regard to Japanese imports, if they so desired, when the Treaty ran out. The Government of India were concerned only with the preservation of the Indian market: the British Government were concerned with helping their manufacturers in all markets overseas and in the market at home. So far as the home market was concerned, the machinery under the Import Duties Act provided an opportunity for British industry to obtain additional Protection by tariff where it could be shown to be necessary. In the case of foreign markets, there was no direct action the Government could take: anything that was done must be by agreement.

Improved exports to Dominions.

As the result of the Ottawa Conference, the Dominions had given the United Kingdom certain ranges of Preference, and there, again, the fiscal autonomy of the Dominions had to be recognised. British exports to Australia, New Zealand, and India had increased during the last 16 months, and they were anxious to increase the rate of improvement if they could.

Rt. Hon. Sir H. Samuel (Liberal, *Darwen*): "How much is the increase?"

The Parliamentary Secretary to the Overseas Trade Department: "I have not the figures before me, but I have the impression that the increase is very substantial."

Continuing, Col. Colville said that in most of the Colonies, British goods already enjoyed the advantage of Imperial Preference. The majority of the Colonies had recently amended their tariffs with a view to assisting British exports and cotton exports particularly. Referring to the action taken by the British Government, he explained that the President of the Board of Trade had seen the Japanese Ambassador and had made it plain that the Government viewed the position as one of great difficulty for British industries. It was suggested that an endeavour should be made in the first place to arrange a conference between the Japanese industries and the United Kingdom industries with a view to the mutual allocation of markets throughout the world.

West African Treaty.

When the meeting was held with the Ambassador, the President of the Board of Trade gave notice that the West African Treaty must be abrogated. That action left those Colonies free at the end of one year from 16th May, the date of the notice, to impose preferential rates of duty upon Japanese goods. If the conference between the industries of Japan and the United Kingdom could be brought together, the British Government would endeavour to facilitate the negotiations in any way they could.

Mr. H. Sutcliffe (Unionist, *Royton*) directed attention to Japanese competition in China, which ranked next to India as the greatest country receiving Lancashire cotton piece goods. British trade there had suffered grievously ever since Japan extended her influence. He urged that they should not make the same mistake as they made with India. They made a fatal mistake soon after the War when they granted fiscal autonomy to India and gave away their market. Japan had now complete control over Manchuria and great care would have to be taken to ensure that the British market there was not entirely lost.

Britain and world trade.

On 4th July, there was a further discussion on trade and commerce on the Board of Trade Vote.

The Parliamentary Secretary to the Board of Trade (Dr. L. Burgin) stated that the position of the export trade of the United Kingdom was certainly not unsatisfactory in the light of restrictions on world trade as a whole. The general tone of industry was healthier than for some time past, and industrial and commercial activities would respond very quickly to successful results in the international field. The best news for British trade would be that countries that were potential customers of Great Britain were themselves improving in prosperity. Their satisfaction would be enormously increased if world trade itself were showing signs of enlargement.

It was small wonder that with world trade shrinking and with the inevitable effect on invisible exports they must turn to measures of a wider significance than Acts of Parliament passed by that House. They must indulge in Imperial and international agreements in order to try to secure other markets. He reminded Members, if they were passing judgment on the Ottawa policy, that it was a long-range policy, that the Agreements had been in operation only since the last quarter of 1932, and as far as India was concerned only since the beginning of 1933.

Trade with the Dominions.

The Dominions had been enjoying some measure of Preference in the United Kingdom markets since March, 1932. The Ottawa Agreements, therefore, so far as the Dominions were concerned, enabled them to import more freely into an existing market, and the tendency would be for far greater Dominion trade with the home country immediately. So far as exports from the United Kingdom to the Dominions were concerned, it meant making a new market in many respects, a market which had had the shortest period in which to develop. Exports, therefore, were bound necessarily to take a longer period to show signs of development. The exports of domestic produce from the United Kingdom to certain Dominions showed no visible increases.

"The periods I will take," Dr. Burgin said, "are the six months ended March, 1932, and the six months ended March, 1933. With regard to Canada, the figures are approximately the same, but with a slight decrease: Australia, the exports of domestic produce from the United Kingdom have gone up from £7,500,000 to between £10,000,000 and £11,000,000; New Zealand, the figures are approximately level; South Africa, from just under £10,000,000 to a little over £10,500,000; Southern Rhodesia, from £500,000 to £700,000; India, from just under £8,500,000 to approximately £8,750,000."

Agreements with foreign countries.

Continuing, Dr. Burgin said he had seen the criticism that the Ottawa Agreements had produced nothing. The answer on the facts he had given was, "not nothing, but at any rate something, and an increasing something." The policy of the British Government, having entered into the Ottawa Agreements, was to enter into trading agreements with foreign countries. They were seeking to gain markets for British manufactured goods which could not be obtained except under a policy of give and take. It was significant to record that country after country was knocking on the door and asking to have its name inscribed on the waiting list of those with whom agreements could be made.

Mr. G. H. Hall (Labour, *Aberdare*), in moving to reduce the amount of the Vote by £100, said there was an actual increase in the imports into the United Kingdom from British countries of no less than 4½ per cent. in the first quarter of 1933 as compared with the first quarter of 1932, while the increase in exports from the United Kingdom to British Empire countries was less than 1 per cent. According to those figures, they were still to be the milch cow for the Dominions, but when it came to the real principle that should underlie the Ottawa Agreements they found that the Dominions in that matter had the advantage to the extent of over 3 per cent. The Labour Party were very pleased that the dispute between Great Britain and Russia had been settled. The interruption to trade was inflicting a great loss on both countries and a growing body of manufacturers had been pressing for an end to that costly stoppage.

Liberal view of Ottawa results.

Sir H. Samuel contended that from the point of view of the advantages to British export trade the results of the Ottawa Conference were a miserable failure. They were told that most important principles were laid down at Ottawa, and that the carrying out of those principles by reductions of tariffs in Australia, Canada, and elsewhere would bring enormous advantages to the export trade of the United Kingdom. Nearly a year had gone and none of the expectations, or hardly any, had been realised. There had been some trifling advantage here and there, but in the main, taking the great volume of trade with the Dominions, the subsequent results had been even more negative than those achieved at the time. Dr. Burgin had spoken of the revenue derived from tariffs. Covering a period of 1¼ years or 1¾ years, £24,000,000 was a very trifling contribution to their Exchequer needs. And how much had been lost in revenue owing to the restrictions upon trade?

After further debate the Amendment to reduce the Vote was negatived by 196 votes against 52, and progress was reported.

TRADE AGREEMENTS.

(Pacts with Germany, the Argentine, and Denmark; Government's tariff concessions; Meat imports from the Argentine.)

On 1st May, in the House of Commons, there was a debate in Committee of Ways and Means on a Resolution providing for a reduction in the rate of Customs duties on certain categories of goods imported from Germany as a consequence of the conclusion of a further Commercial Agreement with that country.

DEBATE IN HOUSE OF COMMONS.

The President of the Board of Trade (Rt. Hon. W. Runciman) explained that the British Government had set out to deal with the problem of exports of coal to Germany which, under the quota system, had fallen to 100,000 tons a month. He stated that under the Agreement the total amount in the future under the quota would be not less than 180,000 tons per month. If the German consumption of coal went up, then the quota went up proportionately; if the German consumption went down, there was no reduction in the quota for British coal. Bunker coal and free port coal were left perfectly free. They would continue to be sent according to the requirements of German consumers and the shipping which used the coal thus imported.

The Germans asked the British Government to make concessions in some of the tariff duties on goods in which they had a special interest. Having quoted examples, Mr. Runciman said it would be seen that there still remained for the British industries concerned a considerable measure of Protection. The Agreement was mainly concerned with retaining for the producers of coal in Great Britain orders which they were in danger of losing, and it was necessary to make concessions to Germany. It was absurd to suppose that they could drive bargains of this kind and at the same time give nothing away. The tariff changes proposed still left the minimum rates at a far higher level than could have been contemplated as possible in the comparatively recent past.

Tariff walls.

Rt. Hon. A. Greenwood (Labour, *Wakefield*) said the old argument used in favour of a Protectionist system was not that Protection was good in itself, but merely as a means of arming the United Kingdom with power to reduce the tariffs of other countries. They were told, especially after Ottawa, that there would appear such a succession of trade agreements that the result would be to pull down the walls of tariffs which, during the last eighteen months, Britain had been helping to build.

But this was not to be regarded as an agreement of the kind which the Government promised to reduce the tariff barriers of other countries. What Mr. Runciman was trying to do was to stabilise at an abnormally low level British coal exports to Germany, and in return to reduce British import duties on certain musical instruments, chemicals, and so forth. His own view was that the policy of the Government, from the Ottawa Agreements down to that day had been such as to imperil the possibilities of the Economic Conference.

A great economic Power like the United Kingdom was not going to pioneer its way to the economic salvation of the world by small, tinkering trade agreements.

Rt. Hon. Sir A. Chamberlain (Unionist, *Birmingham, W.*) moved the adjournment of the debate. He remarked that they could not so easily as Mr. Runciman supposed say that, if a great industry was benefited, it was right or that they must agree to sacrifice the smaller industries which were required to give up their prosperity in order to help the return of the prosperity of the larger industries.

Handicap to industry.

It was surely a handicap to the British producer if he could never have a duty, or any measure of protection, without the elaborate process of proof and argument before the Tariff

Advisory Committee, and if within a few months of it being accorded to him it could be removed by a simple agreement.

Rt. Hon. L. S. Amery (Unionist, *Birmingham, Sparkbrook*) pointed out that they were on the eve of a World Economic Conference, where it was possible, even if it was unlikely, that world currency might be stabilised. Would it not be as well either to postpone the Agreement until they knew where they stood, or to insert some proviso like a very serious protection against changes of currency? Again, would it not have been wise to wait until the whole "most-favoured-nation" situation had been cleared up at the Conference? He believed that at that moment the "most-favoured-nation" clause was the most serious obstacle that existed to any real development of a mutual free trade agreement between countries. It was an entirely obsolete proviso that was once intended to extend the bounds of freer trade and for years past had operated in exactly the contrary direction.

Mr. Isaac Foot (Liberal, *Bodmin*) said that many men of Free Trade predilections and upbringing were won over to Protection on the ground that they could use a tariff to end a tariff. The Agreement reduced the tariff in regard to a great number of articles. To that extent, as Free Traders, Liberals supported the Agreement and were glad to see the tariff down.

On a division the Motion to adjourn the debate was negatived by 269 votes against 80. The Resolution was afterwards carried by 285 votes against 33.

Agreements with the Argentine and Denmark.

On 10th May, on a Motion for the adjournment of the House, there was a debate on Trade Agreements concluded with the Argentine and Denmark.

The President of the Board of Trade stated that at no time during the last twenty years had the purchases made by Denmark of British goods been comparable to the amount of purchases made in Denmark by the British or for British consumption. The Agreement would enable some of the British industries to expand with a degree of certainty which had not been their lot for a long time and it would add to a very large extent to the market for coal, which was now one of the most pressing needs of the United Kingdom.

In dealing with the Argentine Agreement, the right hon. Gentleman referred to the question of imports of meat into the United Kingdom. With regard to Dominion meat, he said, they had cleared up the position at Ottawa beyond any doubt or misunderstanding. It had been made clear that in order of precedence the home meat trade should come first, Dominion second, and the Argentine third. It would be seen, after making a close examination of the terms of the Agreement which covered meat, that they had provided for all the necessary freedom of action which the British Government must retain.

Meat imports from the Argentine: Dominion and home supplies.

In chilled meat the Argentine was limited to the level of July, 1931, to June, 1932. That in itself was a reduction of 10 per cent. on the previous four years. The year 1931-32 showed the lowest figures for six years. If it was thought necessary, a further 10 per cent. reduction might be made with the object of maintaining the price level, provided the gap was not filled by other countries.

When they turned to frozen meat the figures were very remarkable. They had already provided in the Ottawa Agreements that there should be a heavy reduction in the amount of frozen meat allocated to Argentine supplies. By June, 1934, the Argentine would have lost one-third of its former supplies of frozen meat, and that gap would have been filled entirely by supplies from the Dominions and home supplies. Provision had also been made for the regulation of quantities, so that by a reduction of the quantity of supplies they could do what was necessary to preserve the high price level.

Mr. C. R. Attlee (Labour, *Limehouse*): "Who will pay?"

The President of the Board of Trade: "The consumers. Let there be no misunderstanding about that." Mr. Runciman added that unless there was a restoration of the price level there would not be any prosperity anywhere. If they could increase the purchasing power of those who lived in the countries where they produced wheat, meat, wool and the other great primary commodities they would add enormously to the British market.

Position of the Dominions.

Mr. T. Williams (Labour, *Don Valley*) recalled that the Argentine Agreement permitted the Argentine people to import chilled meat into the United Kingdom on the basis of the sales for the year ended June, 1932. Unless certain events arose, he said, they would continue to import on that basis. Almost on every page of the Agreement there was a sort of veiled threat to the Dominions not to import as much in future as they had done in the past. If, for instance, any restriction occurred in the Argentine imports into the United Kingdom, and New Zealand or Australia should increase their imports of frozen beef or mutton, the Government had power either to enter into negotiations with them to restrict their imports, or to compel them to do so.

That was an absolute violation of the Agreements reached at Ottawa. Paragraph 4 on page 24 of the Agreement with Australia said:—

"The policy of His Majesty's Government in the United Kingdom in relation to meat production is, first, to secure development of home production, and, secondly, to give to the Dominions an expanding share of imports into the United Kingdom."

The Argentine Agreement, Mr. Williams continued, would not permit that. It made it almost impossible for any expansion to take place. In fact it warned the Dominions that if they exceeded certain quantities, and particularly should the price tendency be downward, something would have to be done to upset the Agreements that the British Government had entered into both with regard to the quantities imported down to June, 1932, and the 10 per cent. extra which they were supposed to be allowed.

Bringing down foreign tariffs.

Rt. Hon. Sir A. Sinclair (Liberal, *Caithness and Sutherland*) said they could not bargain effectively unless they subordinated all other considerations in tariff policy to the one main issue of getting foreign tariffs lowered. Negotiations with one country after another, confined within the limits of the "most-favoured-nation" clause and the Ottawa Agreements would never produce anything more satisfactory or substantial than the Agreements they were considering.

Mr. Amery drew attention to the relationship of the Danish and Argentine Agreements to the whole policy initiated at Ottawa. It was hoped, he said, that beyond the letter of the Ottawa Agreements every opportunity would be seized by the British Government to show their Imperial faith and to advance further on the line of extending inter-Imperial trade. He admitted that there was nothing in the Agreements they were discussing that day which was actually contrary to the letter of the Ottawa Agreements. But the whole spirit of the Ottawa Agreements was contradicted by the conclusion and even by the language of those Agreements, which definitely barred in many directions any extension of Imperial Preference.

The Minister of Agriculture (Major the Rt. Hon. Walter Elliot) said that the Government stood by the Ottawa Agreements. They could cut Argentine imports of chilled beef into the United Kingdom by 10 per cent. below the quantity imported in 1932 without any reduction being made whatever by the Dominions.

After further debate the Motion for the adjournment of the House was withdrawn.

MANDATED TERRITORIES.

(British naturalisation certificates ; Amendment of the law ; Consultation with Dominions.)

On 3rd May, in the House of Commons, in reply to **Sir Cooper Rawson (Unionist,** *Brighton*),

The Secretary of State for Dominion Affairs (Rt. Hon. J. H. Thomas) said that agreement had been reached in principle at last Imperial Conferences that the power of granting certificates of naturalisation should be extended so as to cover persons resident in Mandated Territories. There were, however, other minor points on which it was thought that amendment of the British Nationality Law might be desirable. Consultation with the Dominions would be necessary with regard to these with a view to dealing with all such points simultaneously, and he was not yet in a position to say when the introduction of legislation would be practicable.

Sir C. Rawson : " Will the right hon. Gentleman remember that there are numerous people in these Mandated Territories who fought for us during the War and have been trying to obtain naturalisation papers ever since ? "

The Secretary of State for Dominion Affairs : " I am aware of the hardships referred to, and we are doing all that we can in the matter."

UNITED KINGDOM AND IRISH FREE STATE.

(Abolition of the Parliamentary Oath ; Treaty obligations of the Free State ; Irish Parliament's action : not a repudiation of allegiance.)

On 4th May, in the House of Commons, the Secretary for Dominion Affairs was asked if his attention had been drawn to the action of the Irish Free State Government in passing the Constitution (Removal of Oath) Bill in the Dáil on the previous day.*

The Secretary of State for Dominion Affairs (Rt. Hon. J. H. Thomas) said : " I have observed the action of the Irish Free State Government and Parliament in regard to the Bill. The position of His Majesty's Government in the United Kingdom is as follows :—

" They have throughout made clear their view that the attempt to abolish the Parliamentary Oath in the Irish Free State is in direct conflict with the obligations undertaken by the Irish Free State under the Treaty of 1921. This is confirmed by the form of the Irish Free State legislation. The Treaty is the fundamental basis of the position of the Irish Free State, and in order to achieve their object the Irish Free State Government have been compelled to include in their legislation clauses purporting not only to abolish the requirement of the Parliamentary Oath, but also to repeal those provisions of the Constituent Act and the Constitution of the Irish Free State which set out that the Treaty has the force of law and over-riding authority in relation to the Constitution.

" As regards the position which arises on the passage of the legislation, His Majesty's Government in the United Kingdom consider that the passing of the Bill will not affect the duty of allegiance to the King or amount to an act of secession. They are advised that the allegiance of the Members of the Irish Free State Parliament does not depend upon the swearing of the oath which by the Treaty and the Constitution they are required to take, and therefore that a failure to take the oath is not in itself a repudiation of allegiance.

" This does not alter the fact that in the view of His Majesty's Government in the United Kingdom the removal of the Oath is a breach of the Treaty."

* *Vide* under " Irish Free State."

INDIA AND ADEN.

(Proposed transfer of administration ; Views of British Government ; Question to be discussed in Indian Legislative Chambers.)

On 19th June, in the House of Commons, in reply to **Mr. D. R. Grenfell (Labour,** *Gower*),

The Secretary of State for India (Rt. Hon. Sir Samuel Hoare) said that the British Government had recently received representations from different communities among the inhabitants of Aden, as well as from certain quarters in India, expressing their various views in regard to the transfer of the administration of Aden from the control of the Government of India to the British Government. The matter was one which was now receiving the consideration of the British Government and of the Government of India in connection with the impending constitutional changes. Full opportunity would be given for discussion in the Indian Legislative Chambers at their next session and for all the interests concerned to state their views.

" The reasons which suggest that Aden should not remain linked with India under the new Constitution," Sir Samuel Hoare said, " are that it is an area geographically remote from India; that it would not naturally fit into the new Federation; that it is already to some extent under Imperial control, and that it is inseparable in practice from the Aden Protectorate, which has already passed wholly out of Indian control.

Conditions of transfer.

"If it should be decided that the administration of Aden should be separated from that of India, His Majesty's Government contemplate that the following conditions would be established:

"(1) India would be relieved of the annual contribution of approximately £150,000 sterling, or Rs. 20 lakhs, at present payable towards the military and political administration.

"(2) The right of appeal in judicial cases to the Bombay High Court would be maintained.

"(3) His Majesty's Government would maintain the existing policy of making Aden a free port unless some radical change in the present economic situation should take place. From their own point of view the abandonment of this policy would clearly in existing economic conditions be financially unsound, since the prosperity of Aden depends largely on its transit trade.

"(4) His Majesty's Government would do their utmost to maintain the present standard of administration and would not impose any additional taxation unless such a course became, in their opinion, absolutely necessary.

"(5) A proportion of Indian service administrative personnel would be retained in Aden service for some years after transfer took place.

"(6) No racial legislation or segregation would be permitted by His Majesty's Government."

GRANTS TO NEWFOUNDLAND AND BECHUANALAND PROTECTORATE.

(Financial position; Assistance from British Exchequer; Future of Newfoundland: the Royal Commission inquiry.)

On 28th June, in the House of Commons, a Supplementary Estimate for £540,000 for Dominion services was discussed in Committee of Supply.

Particulars of the Estimate were as follow:

Grant-in-aid of £140,000 to Bechuanaland Protectorate to meet an estimated deficiency accentuated by abnormal conditions due to drought and foot and mouth disease.

Grant-in-aid of £400,000 to Newfoundland to enable the Government to meet interest payments, due on 1st July, 1933, on its external debt.*

* *Vide* also under "Newfoundland."

DEBATE IN HOUSE OF COMMONS.

The Under-Secretary of State for Dominion Affairs (Mr. Malcolm MacDonald) said that a Commission appointed by the Secretary for the Dominions to inquire into the financial and economic position of the Bechuanaland Protectorate had presented its Report. It made two things quite clear: in the first place that the Budget of the Protectorate was unbalanced; secondly, that there was no immediate prospect of restoring equilibrium between revenue and expenditure. It was now estimated that the deficit in the Budget of 1933-34 would amount to just over £170,000 and to that had to be added the deficit of last year's Budget, amounting to about £19,000.

As regarded Newfoundland, the position was discussed in the debate of 7th March last.* For some considerable time past the financial position in the Dominion had been unsatisfactory and since the autumn of 1931 special efforts had been made to rectify the situation. The Royal Commission sent out at the beginning of March had been carrying on its investigations in Newfoundland and in Canada. He understood that the Members of the Commission believed that a long-range constructive policy was required, and they had not been able yet to reach a final conclusion as to what that policy should be. The Budget for this year was drawn up with very greatly increased taxation and with considerable economies.

Canada's attitude.

Unfortunately, owing to the world economic depression and the terrible slump in the prices of Newfoundland's chief products, it was clear that there would be a considerable deficit once more. The British Government hoped that the Canadian Government would join with them again in making an advance to tide over the difficulty pending the Report of the Royal Commission. The Canadian Government did not find it practicable to join with them on this occasion and the British Government had had to consider whether they would make the total advance that was required.

They had decided to do so for two reasons. In the first place, they felt it would be extremely unfortunate if any part of the British Empire defaulted on its external debt, particularly at the present time. In the second place, they felt that the position of Newfoundland ought not to be prejudiced pending the Report of the Commission. The terms of the loan which would replace the advance would be decided in the light of the Commission's recommendations. They would not have this problem satisfactorily settled until they could see along what lines they could construct a permanent policy.

* *Vide* JOURNAL, Vol. XIV., No. 2, p. 264.

Mr. D. R. Grenfell (Labour, *Gower*) moved to reduce the amount of the Vote by £100. He said that they wanted to go beyond this immediate sum of money and to examine the whole question of Dominion debts. The process appeared to be that when a debt occurred and interest was not paid the Government lent the debtor more money. It was a case of adding new debts to old—a sort of homœopathic treatment.

Unscientific economics.

This kind of economics was unworthy of the House of Commons, was unhelpful, and only postponed the solution of the difficulty. The whole thing was unscientific. The Newfoundland people were a hard-working people and were entitled to every kindness. They could not get any relief by this procedure. If anything was being done to reduce the burden of debts of Newfoundland, the Labour Party would be considering the question in an entirely different spirit. To postpone this matter by sham generosity six months after six months was only to delude themselves and the people whom they pretended to serve.

Mr. H. Graham White (Liberal, *Birkenhead, E.*) said they had learned with surprise that the Canadian Government were no longer partners in this deal. Previously they went in on a fifty-fifty basis and they had now withdrawn. They were anxious in Great Britain to do everything possible to help Newfoundland, which, like many other parts of the Empire, was suffering from the special distresses of the time. But they had embarked upon a very serious principle if they were to guarantee the interest and meet the obligations in respect of loans over which they had no control.

Future of Newfoundland.

The Secretary of State for Dominion Affairs (Rt. Hon. J. H. Thomas) hoped the House would not treat too lightly the idea that a Dominion could repudiate obligations and default, never mind what the circumstances might be. A default by a Dominion, seeing that Dominion issues had been given the status of a trustee security, would have repercussions far more serious than anyone cared to contemplate.

Referring to the Royal Commission, Mr. Thomas remarked that anyone with a knowledge of Newfoundland would doubt very seriously whether it was wise to have Dominion Government, with all its expense, for a population such as they had. The Commission had to say what was to be the future of Newfoundland: its relationship, possibly, to Canada, or whether it should be a Crown Colony, or whether it should remain a Dominion, and on what terms.

Rt. Hon. G. Lansbury (Leader of the Opposition): " Will the right hon. Gentleman tell us why Canada is not sharing with us this time ? "

The Secretary of State for Dominion Affairs: " We asked Canada to share in this liability as she did before. That she does not do so is not out of disregard for Newfoundland. . . There is a change in the financial situation in Canada. Canada had to meet all manner of obligations to certain of her Provinces, and the result was that the Canadian Government found themselves unable on this occasion to share with us as they did in December."

Part of a world problem.

Mr. Lansbury said he did not think the financial position of Canada was such that she could not share in this if she were quite sure it was a safe thing to do. Those who looked on this as part of a world problem, which concerned Great Britain probably more than any other creditor country, must feel disturbed about the fact that on scarcely any evidence at all of any future ability on the part of Newfoundland to pay this money Great Britain was called upon to foot the bill.

The Labour Party felt that in this matter British credit was being used to bolster up a system of moneylending or usury which in their judgment could not possibly be solvent. So far as they knew, there was nothing in the policy of the Government either in regard to Newfoundland or the other debtor countries, and nothing in the policy of the other Governments concerned, which pointed to a solution of the financial difficulties now facing the world. They felt that Governments other than their own were playing with the question and that what they ought to consider was how to liquidate and wipe out the debts.

On a division the Amendment to reduce the amount of the Vote was negatived by 247 votes against 39. The Estimate was afterwards agreed to.

FINANCE ACT.

(Problem of international debts: need for a speedy settlement; Government and economic Imperialism; Labour Party and a hazardous experiment; Restoration of trade: British exports increased.)

On 28th June, the Royal Assent was given to the Finance Act. The Budget proposals, which were unfolded by the Chancellor of the Exchequer on 25th April, were summarised in the last number of the JOURNAL.*

* *Vide* JOURNAL, Vol. XIV., No. 2, pp. 266-267.

DEBATE IN HOUSE OF COMMONS.

On 17th May, the Finance Bill was the subject of debate in the House of Commons on the Order for Second Reading.

Mr. Morgan Jones (Labour, *Caerphilly*), in moving the rejection of the Bill, pointed out that the total National Debt of the United Kingdom stood at the colossal figure of £7,645,000,000, and expressed the hope that the debts question would speedily be settled, not only for their own good, but for the good also of the other nations of the world. There was an overwhelming case for a conversion of the rest of the War Loan. When they paid in interest charges something like 8s. in the £ for every pound paid in income tax, clearly the margin left for reconstructional effort within their own society was limited. He wished the Government well in every endeavour they might make at the Disarmament Conference to secure agreement among the nations.

In 1932-33 the estimated United Kingdom expenditure upon the Army, Navy and Air Force stood at 14 per cent. of the total ordinary expenditure, while this year the percentage had risen to 15·3. Referring to the claims of the unemployed, Mr. Jones argued that the whole drift of the Budget was to shift the burden from those who could afford to pay on to the shoulders of those who could not afford to pay. The Labour Party found fault with the Budget also because the Chancellor of the Exchequer did not indicate that the Government's mind was upon the problem of national reconstruction. Their only contribution to planning, so far as he could see, was a reliance upon the policy of tariffs. In the Labour Party's view the Government entered upon a hazardous experiment some 18 months ago when it embarked upon the principle of economic Imperialism.

Tariffs and quotas.

Sir Percy Harris (Liberal, *Bethnal Green, S.W.*) said that the only hope of maintaining their standard of living was in trade recovery. Experience suggested that the methods of tariffs, quotas, and trade restrictions were not the way to secure that recovery. Great Britain was a small island with a crowded population, and they could not keep going without trade on a world scale. They were a nation of traders and could only live by trade.

The Chancellor of the Exchequer (Rt. Hon. Neville Chamberlain) stated that the charge for the interest service of the National Debt had been reduced by the operations of the present Government by no less than 20 per cent. There was nothing in the way of long-term loans that they could convert until 1940, when the 4½ per cent. Conversion Loan of £370,000,000 could be dealt with. Up to then there were only small amounts—they might probably reach £150,000,000 altogether—and when they came to be converted the saving that could be expected could not be more than £2,000,000 or £3,000,000 a year.

As regarded armaments, the strength had not been increased although the cost had gone up in certain respects, owing to the high cost of labour and materials. Great Britain had given a lead to the world in disarmament such as had been followed by no other country, and had reduced her forces to the very extreme limit of safety.

Restoration of trade.

Complaint had been made that the Finance Bill disclosed no effective policy on the part of the Government for the restoration of trade. That was because no policy which could be effective could be embodied in this Finance Bill. It did not mean that the Government had no effective policy for the restoration of trade. As a matter of fact, although the trade itself had diminished in volume and value, they could say that Great Britain alone had actually increased her export trade. That was the justification of the policy of the Government. They could not expect that Great Britain alone could be prosperous when other people were in the trough of depression. The position could only be put right if the causes which affected the world were dealt with. Those causes could only be dealt with by the co-operation of other nations.

After further debate, the Amendment for the rejection of the Bill was negatived by 368 votes against 48, and the Second Reading was afterwards agreed to.

During subsequent stages of the Bill amendments were made at the instance of the Chancellor of the Exchequer rendering the undistributed income of co-operative societies, as well as other organisations working on a mutuality basis, liable to income tax, exempting steamships engaged in coastal traffic from the new oil duty, and permitting the sale of spirits in half bottles by off-licence holders.

On 23rd June, when the Bill came up for Third Reading, an Amendment for its rejection was moved by **Mr. Morgan Jones (Labour,** *Caerphilly*) and was negatived by 290 votes against 42. The Bill was afterwards read a third time.

EXCHANGE EQUALISATION ACCOUNT ACT.

(Increase of £200,000,000 ; Safeguarding the sterling exchange ; Flight of foreign capital to London : a new phenomenon.)

On 18th May, the Royal Assent was given to the Exchange Equalisation Account Act, which authorises the Government to increase the amount of the Account from £150,000,000 to £350,000,000.

DEBATE IN HOUSE OF COMMONS.

On 4th May, in the House of Commons, a debate took place on the Financial Resolution which preceded the introduction of the Bill.

The Chancellor of the Exchequer (Rt. Hon. Neville Chamberlain) stated that the fact that he was asking for an increase had nothing to do with the circumstance that America had gone off gold. The purpose of the Fund was not at all directed to any permanent alteration in the relative exchange value of the £. Owing to a variety of causes, mostly connected with trading transactions, the £ was strong in the spring and weak in the autumn. If those fluctuations were left entirely to themselves they would have a sort of see-saw in the value of the £, which undoubtedly would be disturbing and embarrassing to traders generally. It seemed only a reasonable and common-sense precaution to build up resources in the spring in order that they might, if possible, stem a too rapid fall in the autumn.

If that were all they had to deal with, probably the £150,000,000 with which they started would have been ample for the purpose of evening out these seasonal variations. But they had been faced with a new phenomenon in the presence of refugee capital, which had come to London because the owners had got alarmed about conditions in their own countries. They could not count upon that capital remaining in Great Britain: it might go at any time, and, when it went, unless they had some special means of dealing with the situation, it might have very disturbing effects upon the exchange. So far as they had gone, the work of the Account had been beneficial to the traders of the country in preserving a reasonable stability in the exchange.

Proper way of using money.

Sir Stafford Cripps (Labour, *Bristol, E.*) congratulated Mr. Chamberlain on his conversion to Socialism. He had at last discovered that the proper way of using money of this sort was not for making profits, but in the general interests of the country, whether there be a profit or a loss. The Account was being increased for the purpose of counteracting the movements of a floating fund which had been going about the world ever since the currencies went off gold trying to find the place where it could make the greatest profit on short-time transactions and where it inconvenienced national currencies to the maximum extent. It was a fund which had been reported to be somewhere between £250,000,000 and £500,000,000.

When the Chancellor of the Exchequer was looking round for something to tax, he might consider taxing the import of such a fund, which was highly undesirable. The Labour Party felt that it was quite a hopeless proposition, if they were aiming at any reasonable currency stability in the present circumstances of the world, to be anchored to any metal, or, for the matter of that, to any mixture of metals. There would be a very serious risk in getting back, either directly or indirectly, on to a gold standard which had entirely ceased to operate in the normal way. If they were to increase the floating debt by £200,000,000, would it be better to use it as a counter-speculation fund against the international capitalists who had this bad money floating about, or to use it for an industrialist expansionist policy?

Britain and United States.

Rt. Hon. Sir H. Samuel (Liberal, *Darwen*) said it was of great importance that in all these matters Great Britain should not "get across" the United States. America had ample reason in her own domestic situation for the course she had taken. It would be a profound misfortune if they added fresh currency conflicts to the tariff wars, which had done enough to upset commerce, and the quota walls, which were worse still. It was bad enough for goods to be sold below the cost of production from one country to another—if such, indeed, occurred—but it was just as bad, or even worse, for currency below legal parity to be sent from one country to another in an effort to secure advantages in the world's trade. He hoped that the World Economic Conference would take measures that would contribute to the establishment of a more permanent system of financial stability.

After further debate the Resolution was agreed to without a division.

On 9th May, on the Order for the Second Reading of the Bill,

The Financial Secretary to the Treasury (Mr. L. Hore-Belisha) said that the Chancellor of the Exchequer's intention never was, and never could have been, to anchor sterling either to the franc or the dollar. He never set out to repeal the natural law of commerce under which the balance of payments fundamentally regulated the relationship of one currency to another. As regarded the suggestion that they should tax capital that wanted to find a temporary refuge in Great Britain, it was quite impossible to distinguish between money which came for legitimate commercial deposit, at any rate in the initial stages, and money which came for speculative purposes.

On a division the Second Reading was carried by 238 votes against 41. The Bill was subsequently passed through its remaining stages.

Northern Ireland.

The following summary deals with further proceedings of the Fifth Session of the Third Parliament which reassembled on 25th April, 1933, and is in continuation of the summary given in the last issue of the JOURNAL *(Vol. XIV., No. 2, p. 276). On 13th June Parliament was adjourned until 3rd October.*

THE BUDGET.

(Finance Minister's statement; Expenditure and Revenue for 1932-33; Estimates for 1933-34; Financial proposals.)

On 23rd May, 1933, in the House of Commons, the Minister of Finance delivered his Annual Financial Statement.

The position at the end of 1932-33, and the Estimates for 1933-34, were stated to be as follow :—

1932-33.	
Revenue	£12,114,000
Expenditure	11,841,000
Surplus and Imperial Contribution	£273,000
ESTIMATES : 1933-34.	
Expenditure	£11,754,000
Revenue	11,407,000
Deficit	£347,000

IN THE HOUSE OF COMMONS.

The Minister of Finance (Rt. Hon. H. MacD. Pollock) referred to the Ottawa Conference as the "one bright spot" in the past year. As a result of the Conference, Ulster had already derived advantages in some sections of their industry, and he had no doubt whatever that when the measures adopted at Ottawa sufficiently matured they would result in a great impetus to Empire trade.

Monetary and Economic Conference.

Otherwise the year had left them as the one before it, with little or no change in the conditions of the world which would encourage them to hope for a revival of prosperity, unless out of the very welter and chaos in which the nations of the world found themselves there had been developed an urge to come together and endeavour to evolve a better system. The meeting of the Monetary and Economic Conference in June was an indication of the desperate plight of all, and from this Conference their hope sprang afresh for better times.

Revenue and Expenditure for 1932-33.

The Minister then stated that the total Expenditure for the past year had amounted to £11,841,000.

With regard to Revenue, transferred taxes had produced £902,000—£40,000 less than the Budget Estimate. Reserved taxes, collected by the Imperial Government, estimated at £7,853,000, had been exceeded

by £124,000, £55,000 of which was due to Customs and Excise and £69,000 to Inland Revenue. The new tariff policy adopted by the British Government had resulted in considerable extra revenue accruing to the Northern Ireland Exchequer, and this fortunate result of a tariff not primarily intended as revenue-producing was of considerable importance to them at this time of decline in revenue generally. As compared with 1931-32 there was from Customs and Excise an increased sum of £1,078,000, of which approximately 40 per cent. was due to the above mentioned cause, and the remainder for the most part to the collection of tobacco duties having once again become normal. Liquor duties had again declined and had brought in £48,000 less than in 1931-32. Inland Revenue produced £3,319,000 against the estimate of £3,250,000.

Non-Tax Revenue amounted to £2,676,000. The total Revenue from all sources was £12,114,000. This, deducted from the total Expenditure, left a balance of £273,000 as the amount available for surplus and Imperial Contribution. Accounts at the close of the year showed only a cash surplus of £7,000, the difference between this and £273,000 being held by the Treasury pending the final determination by the Joint Exchequer Board of the amount of Imperial Contribution.

Estimates for 1933-34.

Transferred Revenue for 1933-34 was estimated at £1,469,000; Reserved Revenue, £8,197,000; adjustment of accounts with the Treasury, £420,000; miscellaneous revenues, £1,321,000; giving a total Revenue of £11,407,000.

The estimated Expenditure was: Supply Services, £8,653,000; Reserved Services, £1,756,000; Annuities and Loans, £372,000; Consolidated Fund, £973,000; making a total of £11,754,000.

Financial proposals.

In order to bridge the deficit of £347,000, the Minister said he had reviewed the position and had been impressed by three facts: First, that they had a non-recurring loss of income tax by the alteration of the January liability from 75 per cent. to 50 per cent.; secondly, that they had a non-recurring expenditure of £32,000 for issue expenses of their 3½ per cent. stock; and thirdly, that their possible losses on guarantees were fit charges against any reserves accumulated in former years of comparative prosperity. He had ascertained that there was a considerable surplus in the Capital Fund, which was accumulating to provide for liquidating the deficit on the Unemployment Fund, accrued prior to the Re-Insurance Agreement in 1926, about £400,000 of which he would transfer to reserve and make available for any possible Loans Guarantee losses, thereby eliminating an item of expenditure amounting to £150,000. Further, in view of the non-recurring loss of income tax and cost of floating their Loan, he proposed to take £100,000 out of the surplus fund of the Land Annuities Sinking Fund. He also proposed to take £12,000 from the Constabulary Reward Fund, representing an accretion in the Fund of court fines awarded prior to 1931, for which there was no special use. From the Capital Fund for the provision of buildings he proposed to take £100,000, representing not part of the original sum of £400 received under the Colwyn Award, but simply accrued interest and profit on investments which were not earmarked to any constructional work. These four items totalled £362,000, which, compared with the deficit, showed a balance of £15,000, which was available for Imperial Contribution.

On 29th May the Motion for the approval of the financial proposals was agreed to.

LOANS GUARANTEE (No. 2) ACT.

This Act amends the Loans Guarantee Acts of 1922 to 1933* by enabling the Ministry of Finance to give guarantees under the said Acts in respect of re-borrowings in certain cases where guaranteed loans are redeemed. It received assent on 13th June.

IN THE HOUSE OF COMMONS.

On 29th May, on the order for the Second Reading of the Bill,

The Minister of Finance (Rt. Hon. H. MacD. Pollock) said the Measure was to enable the Government to acquiesce in any proposal submitted for the continuance of the guarantee of the Government in a case where the borrower was in a position to arrange with the lenders for a lower rate of interest than that for which the original loan provided. The advantage to the Ministry of such an operation was obviously a reduction of the contingent liability assumed by the Exchequer under the original guarantee.

The Minister added that he would like to point out that the Bill might have a very direct bearing on employment in Northern Ireland. If the example was taken of a shipping company being able to reduce the interest upon its loans, it meant that a certain amount of liquid resources would be available for the purpose of providing for the construction of new ships. Therefore it was, in his judgment, of direct benefit not only in that respect but also in respect of the liability of the Government.

AGRICULTURAL MARKETING ACT.

This Act was assented to on 13th June. The object and provisions of the Measure were dealt with by the Minister of Agriculture in his speech on the Motion for the Second Reading of the Bill.

IN THE HOUSE OF COMMONS.

On 10th May,

The Minister of Agriculture (Rt. Hon. Sir Edward Archdale), moving the Second Reading, said the Bill enabled schemes to be prepared by the Ministry for enabling farmers to undertake the better marketing of their agricultural produce and provided that in preparing these schemes the Ministry should take into consultation representatives of producers of the agricultural product which it was proposed to regulate, and of any other interests concerned. Immediately a scheme was approved it would be submitted to Parliament, which had the right to revoke the scheme if it was not satisfied with it and, in any case, must within a limited period formally pass a Resolution approving the scheme.

* *Vide* JOURNAL, Vol. XIV., No. 2, p. 280.

In no instance would the powers conferred on boards in Ulster exceed the powers which had been conferred on marketing boards in Great Britain. Whilst the Bill in its most important aspects followed closely and was indeed a complement of the Bill at present on the Statute Book in Great Britain,* it did in certain minor but nevertheless important matters deflect in form from the procedure followed in Great Britain.

In the British Act the initiative in formulating schemes appeared to rest with the producers, but there was a provision enabling the Minister to prepare schemes and to charge any board that might be formed to operate the schemes with the whole cost of the Reorganisation Commission. In the Bill the Ministry of Agriculture was charged with the task of preparing schemes, and the reasons were not far to seek. In the case of a product the importation of which was controlled, Northern Ireland must prepare and operate a scheme, otherwise the sale of that product would be controlled by Orders issued by the Secretary of State for the Home Office. If a marketing scheme was in operation in Great Britain it would be extremely dangerous for them not to have a scheme and thus refuse to co-operate with the marketing boards in Great Britain. The Ministry was in the best position to decide upon a policy which was in the best interests of producers as a whole.

Under the Bill power would be given to the Ministry to nominate 3 members of any marketing board, one of whom would be chairman. With the exception of the 3 members nominated by the Ministry all the members would be elected by a direct vote of the producers and the nominated members could never be more than a small fraction of the total membership of the board.

MARKETING OF DAIRY PRODUCE ACT.

This Act was assented to on 13th June. It amends the Marketing of Dairy Produce Act of 1929.† The effect of the Measure was outlined by the Minister of Agriculture in his speech on the motion for the Second Reading of the Bill.

IN THE HOUSE OF COMMONS.

On 29th May,

The Minister for Agriculture (Rt. Hon. Sir Edward Archdale), in moving the Second Reading, said the Bill had the entire support of the creamery industry and of the Minister's Advisory Committee on dairying, and was introduced at the request of the Ulster Agricultural Organisation Society and supported by representatives of other creameries outside that organisation.

Under the 1929 Act premises used as auxiliary creameries, central creameries, butter factories, or wholesale depots for the despatch of butter to Great Britain required to be registered. As a result considerable expenditure had been incurred in improving the equipment of creameries and modernising plant.

* Agricultural Marketing Act, 1931. *Vide* JOURNAL, Vol. XII., No. 4, pp. 890-91.

† *Vide* JOURNAL, Vol. XI., No. 1, p. 82.

Unfortunately, the supply of milk was not sufficient to enable the Creameries to run at full capacity throughout the whole year and it was necessary for many creameries to deal in imported butters. Hitherto the practice had been to purchase imported bulk butter and to cut it into rolls ; and it was then sold locally, subject to the requirements of the Merchandise Marks Act, 1926, and Order, 1932.

In the proviso to sub-section 1 of Clause 1 of the 1929 Act the creameries were specially authorised to carry on this business without liability to be registered as a butter factory. It was now desired to authorise the creameries, subject to certain conditions, to undertake the process of blending butter.

The creameries believed that by their large purchasing power and technical skill they could perform the function of converting imported butter from bulk (56 lb. boxes) to 1 lb. packages, and that the performing of this service would be an advantage to the public as well as helping the creameries to maintain their staff during the winter and thus preventing unemployment.

The Minister said he was confident that as a result of their technical skill the creameries would be able to prepare a blend of high class butters which was more palatable and most suitable for the winter trade than straight-cut imported butter.

The second Clause of the Bill related to the registration of premises. At present in considering registration, the Minister had no right to take into consideration the supply of milk or cream in the area in which it was proposed to erect a creamery, and a creamery might be erected in an area where there was already an adequate supply of registered premises. The proposed Amendment would enable the Ministry to take into consideration the needs of the district before granting registration.

CANADA.

Dominion.

The following summary deals with further proceedings of the Fourth Session of the Seventeenth Parliament which opened on 6th October, 1932, and was prorogued on 27th May, 1933, and is in continuation of the summary given in the last issue of the JOURNAL (*Vol. XIV., No.* 2).

DISARMAMENT.

(President Roosevelt's Message.)

On 18th May, 1933, in the House of Commons, on the Orders of the Day,

Hon. E. Lapointe (Liberal, *Quebec E., Que.*) asked whether Canada had received the Disarmament Message of President Roosevelt? The newspapers gave a list of 54 nations to which this Message had been sent, and the name of Canada did not appear.

Rt. Hon. Sir G. Perley (Minister without Portfolio) replied that the President's communication had been sent to the heads of all the different Governments of the world. In their case, as one of the constituent parts of the British Commonwealth, this communication had been sent to His Majesty, and a copy had been transmitted to the Governor-General for the consideration of the Government of Canada.

Mr. Lapointe : " It was not sent to the Imperial Government ? "

Sir G. Perley : " No. It was sent to His Majesty on behalf of all parts of the British Commonwealth."

WASHINGTON CONFERENCE.

(Statement respecting conversations with President Roosevelt.)

On 1st May, in the House of Commons, on the Orders of the Day,

The Prime Minister (Rt. Hon. R. B. Bennett) stated that the President of the United States had invited the Dominion to send a representative to the Conference which was being held at Washington with many of the nations of the world. Before leaving, the following joint statement was agreed upon between the President and himself and given to the Press :—

Our conversations have been eminently satisfactory in establishing a common ground of approach to the principal problems of the World

Monetary and Economic Conference. We are agreed that our primary interest is to ensure an increase in the general level of commodity prices. To this end simultaneous action must be taken, both in the economic and in the monetary fields. Economic and monetary policies must be adjusted to permit of a freer international exchange of commodities.

It is recognised that as soon as practicable an international monetary standard must be restored, with arrangements which will ensure a more satisfactory operation of monetary relationships. We have examined a series of proposals for the more effective employment of silver.

No one of these problems can be profitably dealt with in isolation from the others, nor can any single country accomplish a satisfactory solution. We therefore recognise the vital importance to mankind of the World Economic Conference and the necessity of reaching, in the weeks which remain before it is convened, as great a measure of mutual understanding as possible.

We have also discussed the problems peculiar to the United States and Canada. We have agreed to begin a search for means to increase the exchange of commodities between our two countries, and thereby promote not only economic betterment on the North American Continent, but also the general improvement of world conditions.

SINO-JAPANESE DISPUTE.

(Policy of Canada at Special Session of the League of Nations.)

On 16th May, in the House of Commons, the Secretary of State, in Committee of Supply, made a statement in regard to the Sino-Japanese dispute and the attitude which he had adopted when representing Canada at the General Session of the League of Nations when the Lytton Report came before the Assembly.

DEBATE IN HOUSE OF COMMONS.

The Secretary of State (Hon. C. H. Cahan) stated that a Special Session of the League had been convened at Geneva in December, 1932, to consider the Report of the Commission of Inquiry into the dispute which had arisen between China and Japan and the appeal of the Government of China, under Article 11 of the Covenent, " to take immediate steps to prevent the further development of a situation endangering the peace of nations." The Lytton Report was referred by the Council of the League to the Assembly, convened on 6th December, at which he had represented the Government of Canada. Dealing with the Report, Mr. Cahan said that while the Commission was pursuing its investigations in China, Japan and Manchuria, an intense propaganda was conducted in portions of the Press which tended to condemn Japan exclusively and to create the impression that China was in nowise responsible

for the disorders. The erroneous opinion was seemingly current in Canada that the Lytton Report contained an unqualified condemnation of Japan. That opinion was without foundation. The Report directed attention to the conditions in China at the date of the Nine-Power Treaty, signed at Washington in 1922 by Sir Robert Borden on behalf of Canada, by which the contracting parties agreed

to respect the sovereignty, the independence and the territorial and administrative integrity of China.

But so long as chaotic conditions prevailed in China it was difficult to find a solution of China's difficulties with other nations by applying the terms of the Covenant, the Washington Treaty and the Kellogg Pact, which were applicable to responsible national Governments rather than to a politically disorganised Asiatic State.

Article 10.

Article 10 of the League had been the subject of considerable discussion in Canada. At the Peace Conference Sir Robert Borden had taken strong exception to its terms. At the Fourth Assembly of the League in 1923 the Canadian Delegation had sought to repeal the Article, or to amend it so as to provide that " no member shall be under the obligation to engage in any act of war without the consent of its Parliament, legislative or other representative body."

" I deemed it expedient," continued Mr. Cahan, " at the Special Assembly in December last to refer to Canada's now historic point of view, inasmuch as it was then evident that there were Delegates from some of the recently organised States of Europe who foresee that coming events may place their own State boundaries in jeopardy, and who were disposed to press for an arbitrary condemnation of Japan and the premature enforcement, in their interests, of the sanctions prescribed by the provisions of Article 16. I would like to suggest that one occupying the position I did, representing Canada and standing before that assembly of representatives from all parts of the world, must necessarily feel a great responsibility indeed, in view of the fact that to attain the ultimate end sought by many of the Delegates might have involved placing upon Canada the responsibility of again sending her military forces into the Far East for the preservation of peace in Manchuria. And knowing, as I did, the historic development of opinion in Canada with regard to Article 10, I conceived it my bounden duty to state to that Assembly what I believed to be the prevailing public opinion in Canada which has been accepted and endorsed by each successive Government in our country, in order that there might be no misapprehension as to the position which I, as a Delegate of Canada, was then taking . . I think that I truly interpreted the opinion of this Government and of this Parliament in suggesting that the time had not then arrived for the adoption of such extreme measures" [as involved in Article 16].

The address which he had made on the Sino-Japanese question on 8th December, 1932, before the Special Assembly of the League had been criticised in Canada by those who had not carefully studied the Lytton Report, but he believed that his address had been widely approved by eminent Delegates from several of the leading States, that it did not detract from the reputation previously acquired by Canada, but that it influenced the League's decision to give Canada, as a State adjacent to the Pacific, permanent representation on that Committee. He had no desire to modify the views he then expressed, which he believed to be consistent with the Report and in accord with predominant political opinion throughout the British Commonwealth. The issue that had at once arisen was this: Should the Assembly confine itself to making reasonable efforts towards effecting conciliation and co-operation of Japan and China in Manchuria under the nominal sovereignty of Japan? That was the supreme question they had in view at the time he made his address. There were representatives of other parties who were insistent that the League should proceed to sanction more extreme measures. Such measures had to be considered, but they might have meant ultimately involving Canada in a war in the Far East for the protection of certain ill-defined interests, and it was certainly his duty, as representative of Canada, to avoid saying or doing anything which would seem to imply that the Government of Canada was prepared to take such extreme action. How many thousands of troops would Canada be prepared to put into the Far East as part of a joint international force? He had had to tell them in private that he did not believe that under the then existing conditions the Parliament of Canada would appropriate a single dollar towards maintaining a single company of troops in the Far East for that purpose. And that was exactly the same position taken in private by the Governments of England and France and by other Governments of the chief European States.

Rt. Hon. W. L. MacKenzie King (Leader of the Opposition) pointed out that the Parliament at Westminster had carefully avoided discussion of the Sino-Japanese situation. The Parliaments of most of the countries of Europe, as well as the Congress of the United States, had done the same. He did not think that they in Canada would be acting wisely were they to depart from what had been a very wise restraint on the part of the other deliberative Assemblies.

Mr. W. Irvine (United Farmers', *Wetaskiwin, Alta.*) declared that the whole trend of the Secretary of State's discourse seemed to be towards the futility of the League and the signatories to all the Peace Pacts, and the virtual declaration that the only hope of protection which any nation had was in its own individual military powers. If Canada was not prepared to put one dollar or one man behind the League, they ought not to spend one dollar to send Delegates over there to make speeches which they had no intention of backing up. In this case, by its inaction the League had declared to the world that the whole idea of the League was impossible and that it was impotent. When the Minister made the speech to which he referred he had not represented the general opinion of the people of Canada. They had at that time some faith in the League, they believed that Japan was invading China and that it was the duty of the League to stop that sort of invasion. There were only two possible courses for Canada to take. The League should be considered an instrument for serious use; they should urge the enforcement of the provisions of the Covenant against Japan, and they should withdraw their official representatives from Japan, or throw up their hands as far as the League was concerned and have nothing more to do with it.

EXTRA-TERRITORIAL ACT.

(Acts prior to Statute of Westminster.)

The object of this Act, which was assented to on 23rd May, is to give extra-territorial operation to Acts passed by the Canadian Parliament prior to 11th December, 1931, in accordance with the provisions of the Statute of Westminster.*

The Act provides that every Act of the Parliament of Canada now in force enacted prior to 11th December, 1931, which in terms or by implication was intended to have extra-territorial operation, shall be construed as if at the date of its enactment the Parliament of Canada then had full powers to make laws having extra-territorial operation as provided by the Statute of Westminster, 1931.

DEBATE IN HOUSE OF COMMONS.

On 9th May, in Committee on the Bill,

The Solicitor-General (Hon. M. Dupré), explained that this question of extra-territoriality, of primary importance, was dealt with by the Imperial Conference of 1926. The Conference on the Operation of Dominion Legislation, which met in 1929, recognised that in view of the state of uncertainty, and the differences in the Dominion Constitutions, it was desirable that legislation should be passed by the Parliament of the United Kingdom to make it clear that constitutional limitation did

* *Vide* JOURNAL, Vol. XII., No. 4, p. 903 (Canada), and Vol. XIII., No. 1, p. 16 (United Kingdom).

not exist. Accordingly a Clause was recommended for inclusion in the Statute of Westminster, and that action was approved by the Conference of 1930. That Clause (section 3) read as follows :—

It is hereby declared and enacted that the Parliament of a Dominion has full power to make laws having extra-territorial operation.

As a result, all legislation enacted by the Parliament of Canada since 11th December, 1931, on which date the Statute of Westminster came into force, had extra-territorial operation in all cases in which that intention had been clearly indicated. The Statute, however, had no effect upon Canadian enactments prior to that date. The question had arisen with regard to the case of Dunphy *v.* Croft, which was based on a clause under Chapter 16 of the Statutes of 1928, which authorised the seizure of Canadian registered vessels hovering within the 12-mile limit. The Supreme Court of Canada decided that the legislation not coming within the provision of the Statute of Westminster, by reason of having been enacted prior to the coming into force of that Statute, was *ultra vires* of the Parliament of Canada. That position was reversed by a decision of the Privy Council. The enactment might be regarded as a declaratory enactment, and could be justified as placing beyond controversy the validity of Canadian legislation. Its object was to settle definitely this controversial question and to prevent unnecessary litigation.

Hon. E. Lapointe (Liberal, *Quebec E. Que.*) supported the Bill. Parliament had the right of extra-territorial legislation jurisdiction in its legislation, but the decisions of the courts had varied in such a way that it was better to have the Bill made law in order to remove any doubt.

CANADA-FRANCE CONVENTION ACT.

This Act, which was assented to on 23rd May, empowers the Governor-in-Council to make regulations necessary to carry out the provisions of the Convention between Canada and France concerning the Rights of Nationals and Commercial and Shipping Matters, concluded on 12th May, 1933.

The Convention provides that the nationals of either of the Contracting Parties shall be entitled to enter, sojourn and circulate in the territory of the other and depart therefrom in conformity with the laws applicable to foreigners of the most favoured nation. Existing rights to enact laws relating to immigration and to define the status of foreign workers and salaried persons are not affected (*Art.* 1). The nationals of either of the Parties shall not be submitted to rates or taxes other than those imposed on nationals in similar circumstances (with the exception of sojourn taxes, etc., which will not, however, be higher than those imposed on the nationals of any other foreign State). The Parties agree to conclude a Convention on the subject of fiscal matters in relation to companies and double taxation (*Art.* 2).

Article 3 deals with the acquisition and disposal of property. Each of the Parties agrees not to impose upon the nationals of the other (whether persons or companies), in respect of property and other rights, any measure of disposition or restriction which shall not be applicable to its own nationals. Article 4 deals with exemption from compulsory military service, and Article 5 provides for free access to the courts. Article 6 grants most-favoured-nation treatment to the commercial travellers of each Party, and allows for the importation of samples free of duty.

Companies, etc., constituted in either of the two countries in conformity with the laws shall be reciprocally recognised and have the right to appear in courts, and shall be at liberty to create agencies (*Art.* 7). Each of the Parties shall be at liberty to appoint Consuls, etc., and shall enjoy the immunities accorded to similar agents of the most favoured nation (*Art.* 8).

Article 9 grants most-favoured-nation treatment to goods shipped from the territory of one of the Parties to that of the other, in relation to conditions and costs of transportation. Article 10 deals with goods in transit.

Each of the Parties shall assure to the vessels of the other in its ports and territorial waters the same treatment as is accorded to its own vessels or to those of the most favoured nation (*Art.* 11). Vessels of either Party may enter the ports of the other for the purpose of landing their cargoes and passengers ; but the coasting trade, as well as fishing and hunting within territorial waters, shall be exempted from this Article and shall remain under its national laws. Exemption is made in regard to (1) the advantages accorded to the products of national fishing ; (2) the advantages which either of the Parties may extend to its nationals as a means of facilitating the development of its merchant marine, either by premiums or subsidies (*Art.* 13). Canadian merchant vessels complying with the regulations relative to public order and safety shall enjoy most-favoured-nation treatment in the ports of the French Colonies. Articles 13 to 19 do not apply to warships, etc., or to fishing vessels (*Art.* 14). Article 16 deals with the engagement of seamen in emergency. Subject to the respective immigration laws, the shipping of either of the Parties engaged in the transport of passengers and immigrants shall enjoy the same treatment as national shipping or that of the most favoured nation (*Art.* 17). Articles 18 and 19 accord to ships compelled to refit or wrecked the same treatment as in the case of nationals.

Disputes which cannot be solved by diplomatic means shall be submitted to the Permanent Court of International Justice (*Art.* 20). The Convention is to remain in force until the expiration of six months after the date on which either Party shall notify the other of intention to terminate (*Art.* 22).

IN THE HOUSE OF COMMONS.

On 15th May,

The Secretary of State (Hon. C. H. Cahan), moving the Second Reading of the Bill, explained that in some respects this Convention constituted a departure from the general practice followed until a recent date. In former years it was the practice of His Majesty's Government in the United Kingdom to negotiate general commercial treaties with foreign countries dealing not only with tariff questions, but also with the rights of nationals and commercial and shipping matters. These treaties were sometimes extended to the whole Empire, and their provisions governed the rights of Canadian nationals, corporate enterprises and shipping in those foreign countries with which the United Kingdom concluded like treaties. At first Canadian commercial treaty policy was almost exclusively concerned with the exchange of goods. Some progress was made towards the adoption of a broader treaty in the Convention of Commerce negotiated with France in 1922. Since that time Canada had adhered to a number of international conventions dealing with trade marks, patents and commercial names so that, both Canada and France having adhered to these conventions, which were inaugurated by the Assembly of the League of Nations and at The Hague, it was unnecessary to enter into particular agreements with respect to these matters in the present Convention. In the meantime, it became the settled practice that Canada, in common with the other Dominions, should be kept advised by the Government of the United Kingdom of the negotiation of treaties affecting Canadian interests. Later, the Resolutions of the Imperial Conference of 1926 prescribed that no treaty could be concluded by the Government of the United Kingdom which would impose obligations upon any of the Dominions without the express consent of the Government of the Dominion concerned. It had more recently appeared that foreign countries were rather reluctant to accord, in treaties with the United Kingdom, special rights to Dominion nationals, corporations and shipping, particularly in treaties to which the Dominions were not parties and in respect to which the Dominions did not grant reciprocal benefits. Under the existing international and constitutional practice there were two possible courses in the negotiation of commercial conventions. The convention might be negotiated by the representative of one part of the British Commonwealth, a separate full power being granted in respect to each of the other autonomous parts that desired to avail itself of the benefits of such treaty. The second course was for each member of the Commonwealth to negotiate its own commercial conventions, confining the operation of such convention to its own territories and nationals. That was the course that had now become the normal procedure throughout the Commonwealth, and which had been followed in this Convention.

For the purposes of the Convention they had confined it to shipping registered in Canada. The shipping laws of the British Commonwealth were being revised, and at an early date Canada must recast her own shipping law in compliance with the Resolutions of the Imperial Conference. He had sought to avoid any distinct engagement which was not thoroughly consistent with their existing Statutes in regard to shipping matters.

After some discussion in Committee, the Bill was read a third time and passed.

DEBATE IN THE SENATE.

On 12th May, on the Second Reading,

Senator the Hon. C. P. Beaubien (*Que.*) asked what, if these provisions were necessary, was the situation with respect to the Treaties they had made in the past, consisting of just two paragraphs, and under which most-favoured-nation treatment had been granted to Italy, Germany, Sweden and Norway. Those Treaties must be most inadequate. If provision protecting their nationals against compulsory military service was necessary, what about their nationals in Germany and Italy ?

Rt. Hon. A. Meighen (Leader of the Senate) replied that this Treaty did a great deal more than grant favoured-nation treatment to Canadian nationals, corporations and shipping in France; it put them on a parity with French citizens in many respects. Until very recently it was the practice that Canada made no such treaties, but was included in treaties made by Great Britain. This Treaty would regulate the conditions under which Canadian nationals, corporations and shipping interests would operate in French territory, and in so far as France was concerned they should be regarded as having removed from the anchorage of any British treaty. He would not go so far as to say that they were removed from the cover of British treaties with other countries, but it was in contemplation that they should now make their own treaties if they wanted something better than the common law of nations, and as they made them, one by one, they would be dependent upon them, and not upon any treaty previously negotiated.

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

CANADA-FRANCE TRADE AGREEMENT ACT.

This Act, which was assented to on 23rd May, brings into force the Trade Agreement between Canada and France signed on 12th May, 1933.

The Agreement provides that the products of Canada, enumerated in Schedule A, shall enjoy the French Minimum Tariff, *i.e.*, most-favoured-nation treatment, while those enumerated in Schedule B shall enjoy the percentages of discount enumerated therein (*Art.* 1). French products, enumerated in Schedule C, shall enjoy the rates of the Canadian Intermediate Tariff, on the understanding that, of the amount of duty to be paid, the importer shall have the benefit of the percentages of discount indicated in the Schedule. Other French products, enumerated in Schedule D, shall be admitted at the intermediate rates. Under both Schedules they shall enjoy any other more favourable rates which Canada may accord to similar products of any other foreign country (*Art.* 2). The above products from either country shall enjoy the most favourable rates accorded to any foreign country that may arise from modifications made in the Tariff classification as a result of administrative action or of conventions entered into with other countries (*Art.* 3). These advantages are confined, in the case of Canada, to products conveyed without transhipment in any country that does not enjoy the said tariff advantages and, in the case of France, direct from a port in French Customs Territory or a port enjoying the benefit of the Preferential or Intermediate Tariff (*Art.* 4). Most-favoured-nation treatment does not extend (A) To favours already or hereafter granted by one of the Parties to adjoining States in order to facilitate the traffic for frontier districts; (B) To favours already or hereafter granted to a third State in order to adjust its own taxes and those of that State; (C) To particular arrangements concluded in conformity with the Resolutions of the International Conference of Stresa; (D) To the rights hereafter granted by one of the Parties to third foreign States in multilateral conventions in which the other Party would not participate, provided that these rights are embodied in conventions of a general purport under the auspices of the League of Nations and open to the accession of all States, that the benefits derived therefrom assure to the other Party new advantages, and that the other Party does not accord reciprocity. Similarly, most-favoured-nation treatment does not interfere with (E) measures of protection, such as compensation for difference of money exchanges; and (F) measures directed against all forms of dumping (*Art.* 5). The Parties undertake not to interfere with the course of trade by any prohibitions or restrictions of importation or exportation, though they reserve the right to enact restrictions (of the type enumerated) under the sole condition that there shall be no arbitrary discrimination against the other Party as compared with any other foreign country where the same conditions exist (*Art.* 6). The products of either of the Parties shall not be subjected to other or higher duties than those paid on the exportation of similar articles of any other foreign country (*Art.* 7).

Article 8 provides that internal taxes shall be the same for the goods of each of the Parties as for national products. *Articles* 9-13 deal with certificates of origin, technical conditions in relation to composition of goods, dishonest competition, appellation of goods, valuation, etc.

Article 14 provides that Canadian products enumerated in Schedule A, imported into French Colonies, called *assimilées, i.e.,* which have the same tariff as France, shall enjoy the minimum tariff. Those enumerated in Schedule B shall enjoy the percentages of discount from the General Tariff enumerated in the said Schedule. In French Colonies (*non-assimilées*), *i.e.,* with a special tariff, Canadian products in Schedules A and B shall enjoy the lowest tariff. French Colonial products, and those of countries under French protectorate and mandate, enumerated in Schedule C, shall be subject to the Canadian Intermediate Tariff. Other products enumerated in Schedule D, from the French Colonies, etc., shall be admitted into Canada at Intermediate Tariff rates.

Article 17 provides that the Agreement is for one year and may be rescinded at three months' notice from termination or extended by tacit consent.

DEBATE IN HOUSE OF COMMONS.

The Secretary of State (Hon. C. H. Cahan), moving the Second Reading, explained that this was a new Agreement to provide for reciprocal tariffs in substitution for the 1922 Agreement terminated in June, 1932. Under the 1922 Convention France had retained the right to increase all or any of her tariff rates at will, without consulting Canada. Widespread increases had been the outstanding characteristic of French tariff policy since the Convention had come into force. In 1931 France had entered into the Stresa Convention, by which she agreed to exceptional measures in order to assist Hungary and Jugoslavia. Later on the terms were extended to Roumania. This Convention granted to each of these three countries the privilege of supplying 10 per cent. of the annual importations of wheat into France. France was also vigorously encouraging the production of wheat in her North African Colonies. Wheat formed by far the largest part in value of Canada's exports to France, and the question of retaining the minimum tariff for Canadian wheat was one of the greatest difficulties that had beset him during the negotiations.

France had negotiated with Germany a new Trade Convention in 1928, by which Germany received from France complete most-favoured-nation treatment, and owing to the competition which then ensued Canadian products were subjected to more severe competition in the French market, while the French Government had further increased their minimum and maximum rates on many Canadian products included in the 1922 Convention. While France was at complete liberty to raise her tariff rates, Canada had granted fixed rates on 31 items, and by reason of these and of the fact that by successive trade agreements Canada had granted most-favoured-nation treatment to 23 other countries, the whole tariff structure of Canada had been anchored. It was therefore essential that Canada should recover freedom of action.

During the negotiations assurances had been received from the British Government that there would be no objection to the inclusion of special articles in the Agreement, and he had inserted a proviso in regard to these items coming into force by Order-in-Council, in order that official recognition of these concessions might be first obtained from the British Government. This was a provisional agreement which had been made pending the conclusion of a commercial convention which would regulate in a more complete and permanent manner trade relations between Canada and France. There were insurmountable difficulties in the way of concluding a more permanent convention, due to the application of the French minimum tariff to Canadian wheat and to the fact that international monetary policy had not been so stabilised as to enable the respective Governments to determine on what basis duties would be levied.

Hon. J. Malcolm (**Liberal**, *Bruce N.*, *Ont.*) stated that they had no objection to a treaty being made with France, but it would take a year to find out what the workings of the tariff would be on many of these items. Fluctuating rates of exchange, dumping duties and other regulations had been a tremendous barrier to importation, and he doubted if the situation would be clarified by the terms of the Treaty. Under the old Convention Canada had not been obligated to give France any preferences accorded to other parts of the Empire, and at that time no foreign country was accorded tariff reductions more favourable than those specifically granted to France in the Treaty. The Minister had given to France the British preferential tariff on some items. There were no rates fixed in Article 1, so that there was no particular change between that Article and the old Convention; France could raise her duties at any time. The Minister had drafted a treaty which, so far as the agreement not to put on embargoes or restrictions was concerned, gave him ample power under the clauses that followed to impose all the restrictions he liked. It was unfortunate that a long-term and definite treaty could not have been made.

In Committee,

Mr. T. F. Donnelly (**Liberal**, *Willow Bunch*, *Sask.*) asked whether there were any restrictions in the Treaty to prevent France raising or lowering her tariff against their wheat?

The Secretary of State: "Not the slightest."

Mr. Donnelly: "So there is no difference between this and the previous Agreement with regard to the importation of Canadian wheat into France?"

The Secretary of State: "Except that under the former tariff they were at complete liberty to increase the rate, and they did so four times during the life of the Treaty." Under the present Treaty they were at liberty to raise the tariff still higher, but it was for Canada either to reduce the corresponding advantages or to give notice of the rescission of the Treaty.

In reply to another question, the Minister stated that the concessions given to France would be given automatically to 23 other countries which enjoyed most-favoured-nation treatment in Canada.

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

DEBATE IN THE SENATE.

On 17th May,

Senator the Rt. Hon. A. Meighen (*Ont.*), moving the Second Reading, stated that wheat was one of the articles admitted to France under this Treaty at the low rate, and while the Treaty stood good till 12th May, 1934, as regarded wheat, as it did with respect to other articles, special provision was made for the resumption of negotiations in March, 1934, with a view to reaching a more permanent arrangement with respect to wheat. Up to now the quota system adopted by France had reduced the importation of foreign wheat to 1 per cent. of home consumption.

Senator the Hon. R. Dandurand (*Que.*) believed that while it was true that France had granted a reduced rate on wheat she would have been disposed to forego the charge on their depreciated dollar if it had not been that because of the Ottawa Conference Agreements she was unable to secure certain advantages. The Agreements made at the Imperial Conference would somewhat hamper them in their dealings with other countries.

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

THE BUDGET.

(Trade; British market; Agricultural Stabilisation Fund; Inflation; Revaluation of gold; etc.)

On 24th March, in the House of Commons, the debate was opened on the Budget Statement (*vide* JOURNAL, *Vol. XIV.*, No. 2, pp. 295-99) and was continued on subsequent dates.

DEBATE IN HOUSE OF COMMONS.

Hon. J. L. Ralston (**Liberal**, *Shelburne-Yarmouth*, *N.S.*) declared that they had not been able to balance the Budget or live within their income. There had been an increase in the Debt since 1930 of $455,162,319.16. $113,000,000 had been spent in connection with relief, but they were faced with unemployment more widespread than ever and with taxation the like of which had not been known since Confederation.

When the British Government had realised that there was going to be a deficiency in revenue, they had cut down expenditure; but the Minister of Finance had maintained his expenditures just as they had been voted, regardless of the fact that his revenues were not coming up to expectation, and the result was a tremendous deficit. They had started out with a Vote of $20,000, in part for public works and in part for direct relief. They had got into public works and had forced on the Provinces and municipalities an expenditure of $100,000,000, which was a noose around their necks, and now they had come back to direct relief because of constitutional difficulties.

Agricultural Stabilisation Fund; Balance of trade.

With regard to the taxation of foreign investments, Canada was a debtor country, and any tax on capital coming there to help their industrial development must be considered very carefully. The Minister had indicated that he was going to establish an agricultural stabilisation fund, which meant that there was to be paid to the exporter of certain products the difference between the current rate of exchange and $4.60 in connection with goods shipped to Great Britain. In principle he was opposed to that sort of legislation. He could not see how they could pick out one part of the community shipping to Great Britain and say that they would have a certain amount made up on what they lost, when other exporters were given no such consideration. There was but a pitiful favourable balance of trade. Their population was being starved for goods which were necessary in order that they might worship this god, the balance of trade: $442,000,000 in imports as against $494,000,000 in exports! Their total trade was down nearly 50 per cent. from 1931 and over 60 per cent. from 1928. In the first place, they shut out the goods; in the second, they cut off revenues; and in the third, they shut in their own goods and then taxed the man who could not sell his goods in order to make up what had been lost in Customs duties.

The "Buy British" policy had been found to be one of doubtful utility. There was no suggestion of anything that they in Canada might do, but they were leaning on the World Economic Conference. If they could get a relaxation of exchange controls; if excessive restrictions on exchange could be removed; if there could be stabilisation of currencies; if the world-level of prices rose; if there was a world debt settlement and an appeasement of political rivalries, they were on the road to economic recovery; otherwise, liquidation.

He hoped that the Prime Minister would pursue the negotiations with the United States which it was rumoured were taking place, and that they would see a reciprocity agreement. He was glad that the Minister of Finance had seen fit to alter the rate of exchange and to make the fixed rate at $4.25 instead of $4.40. That indicated that he recognised the representations made in Canada and from Great Britain. There was nothing more fundamentally wrong than that exchange dumping duty which the Government had pledged themselves to remove as soon as possible after the Imperial Conference.

"No confidence" Amendment.

Mr. Ralston concluded by moving the following Amendment:—

The proposals of the Government as set forth in the Budget presented to this House by the Minister of Finance make no provision for the fundamental changes in existing policies regarding trade, credit and employment which are required to cope with the present economic situation. They imply a continuance of fiscal and other policies which have not only signally failed to afford any solution of our national problems, but have been proven to have the effect of diminishing trade, of decreasing revenues, of increasing unemployment, and without any corresponding reduction of expenditures, of increasing taxation and debt, thereby aggravating the existing depression and distress.

The increases of taxation proposed in the Budget Resolutions will fall most heavily upon those least able to bear the burden thereof and, combined with other unjust exactions, will serve to intensify the distress already experienced in many homes throughout the Dominion.

The absence, at this time, of any provision in the Budget indicative of Canada's desire to negotiate trade agreements with countries willing to trade with Canada on a reciprocal basis is further evidence of the lack of a definite constructive policy in meeting the needs of the present situation.

For these and other reasons this House is of the opinion that the present Government no longer possesses the confidence of the country.

Inflation.

Mr. G. G. Coote (United Farmers', *Macleod, Alta.*) pointed out that the fact that conditions were not improving was evidenced by the fact that the number of unemployed receiving direct relief had increased from 800,000 to 1,357,000. The Government seemed to be pinning its faith on the World Economic Conference, which could not deal with Canada's problem, which was that of distributing among their citizens the surplus which they were so well able to produce. The Minister had said that the inevitable result of inflation would be the flight from their dollar, a withdrawal on a large scale of the capital invested by foreigners. Where would the capital fly? This foreign capital had been a curse to them. It had furnished the Prime Minister with an excuse for keeping their dollar at such a high level and their commodities at such a low level. They must have inflation. In advocating the establishment of a central bank he wanted a national bank owned one hundred per cent. by the State. When they exported wheat they competed with Australia and the Argentine, but how could they compete when the pound brought them only $4.10 while it brought $6.10 in Australia? How could they compete with New Zealand in butter and cheese and with Denmark in bacon? How could their lumbermen compete with Sweden and Norway where the pound was at its old parity? The Minister was not very wise in attempting to balance the Budget. Their first task was to raise price levels.

Increase in Empire trade.

On 28th March,

The Minister of Trade and Commerce (Hon. H. H. Stevens) stated that in 1929 their imports from Empire countries were 19·8 per cent. of their trade, and in 1932 this had increased to 28·3 per cent. Their exports to Empire countries which were 38·4 in 1929, had increased to 44 per cent. in 1932. For foreign countries they found the reverse situation. They had 15 per cent. of their imports coming from the United Kingdom in 1929, and 20 per cent. in 1932; and their exports to the United Kingdom increased from 24 per cent. in 1929 to 36 per cent. in 1932. Unquestionably they were seeing the result of the Imperial Economic Conference Agreements. In regard to the agricultural stabilisation plan, the whole transaction had been successful in preventing a further serious reduction in the world price of wheat, as Winnipeg had been the pivotal point of wheat marketing. The Government was not faced with any immediate loss, as they were able to carry forward contracts and liquidate them only as market conditions warranted.

There were two main schools of thought on the economic situation. One held that the process of deflation must be continued until interest, wages, services charges and rents were brought down to the low level of all the staple commodities. On the other hand, there were those, and in this school was the Government, who hoped that they could find a method for restoring price levels and obviating the necessity of dragging down all these other things to the lowest possible level. They now had machinery under the Finance Act almost as flexible as that of a central bank. But a central bank could not fix prices, nor maintain price levels which were the result of world conditions.

Revaluation of gold.

Mr. G. B. Nicholson (Conservative, *Algoma E., Ont.*) said that in the revaluation of gold the objects to be aimed at were as follows: (1) Immediate liquidation of Germany's Reparations debts; (2) Liquidation of the allied nations' War debts, and particularly to the United States; (3) Provision for the full gold covering of all currencies inclusive of coins as well as notes; (4) Creation of an international gold coinage, which would terminate the exchange racket which made international trade virtually impossible; (5) Removal of grounds for misunderstandings from economic causes; (6) Extension of similar advantages to all nations at the conclusion of the currency treaty between the original six nations.

On 31st March,

Mr. E. E. Perley (Conservative, *Qu'Appelle, Sask.*) said that as a result of the Imperial Economic Conference Trade Agreements there had been a surprising increase in their export trade, so that Canada had attained fourth position in trade with Great Britain. During the past six months Canada had sold 55 per cent. more wheat, while Australia had sold 32 per cent. less.

On 4th April,

Hon. C. Stewart (Liberal, *Edmonton, Alta.*) declared that they might talk about the encouragement given to Empire trade by the Conference Agreements, but so long as Canada refused to buy, those engaged in the primary industries would be unable to sell their products. The Government had been forced to the subsidising of the natural products of the country. There was also talk of reducing the wheat acreage. The first benefit of inflation would be that it would help the situation in connection with at least one-half of their obligations and to some extent offset the increase in their obligations abroad.

Sub-Amendment.

Mr. W. T. Lucas (United Farmers', *Camrose, Alta.*) moved an Amendment criticising the Government's policies and resolving that it should give immediate consideration to the introduction of such measures as might—

(A) Make available the real credit of the nation through the instrumentality of a national central bank, and render possible the utilisation and control of this credit for the legitimate needs of the people of this country;

(B) Bring about such a degree of controlled inflation as would stabilise the price level of our chief commodities at a point where it would bear a reasonable relation to the costs of production and to incurred obligations;

(C) Provide employment and purchasing power to our people through the above-mentioned means and, where necessary, by the direct use of our national credit in the construction of public works of various kinds, and in other ways which might be suggested, including the construction of houses, etc.;

(D) Ensure a more equitable distribution of the national income through well-considered methods of taxation, and the legislative control of interest, profits and investment;

(E) Nationalise our national systems, including the establishment of such systems of social insurance as may be necessary for the protection and well-being of our people.

On 5th April,

Mr. W. E. Rowe (**Conservative**, *Dufferin-Simcoe, Ont.*) asked whether there was any hon. Member who could say that the British market did not mean anything to Canada, a market that consumed 65 per cent. of all the exportable mixed farming production of the world, that had been buying 76 per cent. of its supplies from foreign countries and only 26 per cent. from the Empire. It was the only free market left and the only market that bought more foodstuffs now than before the War. In that market and in their home market lay the only hope for the agriculture of Canada. In view of the difficult Imperial relationships between Great Britain and Ireland and the tariff that had been placed against Irish cattle entering the British market there were new opportunities for the Canadian producer. They had improved their position in the British market with respect to chilled beef. The Argentine's exports had fallen off by 25 per cent. in the last three years, while Canada's exports had increased from 4,000 to 19,000 carcases.

Mr. J. S. Woodsworth (**Labour**, *Winnipeg N.C., Man.*) declared that the time was rapidly approaching when they would have to face the cutting down of their bonded indebtedness. This might be done by a reduction in the face value of the bonds, or by converting those bonds so that they would pay a smaller rate of interest, or by inflation. They on that side of the House thought that inflation would be the fairest and easiest way.

On 11th April, at the conclusion of the debate, the sub-Amendment was negatived by 171 to 13 votes, the Amendment by 119 to 63 votes, and the main Motion was passed by 107 to 72 votes.

CONFERRING OF TITLES.

(Question of Royal Prerogative.)

On 17th May, and subsequent dates, the Prime Minister replied to various questions in connection with the conferring of titles on Canadians.

Mr. J. A. Mercier (**Liberal**, *Laurier-Outremont, Que.*) asked whether recent decorations granted in the Orders of St. Michael and St. George, and of St. Gregory the Great, meant that Canadians holding titles in any Order might now accept promotions in the same Order as long as such promotions did not carry any rank or title?

The Prime Minister (**Rt. Hon. R. B. Bennett**) stated, in reply, that the promotion of the Rt. Hon. Sir G. Perley, K.C.M.G., to be a member of the Knights Grand Cross of the

Order of St. Michael and St. George was made in conformity with established constitutional practice, it being the considered view of the Canadian Government that the Motion with respect to honours, adopted on 22nd May, 1919, by a majority of the Members of the House of Commons of the Thirteenth Parliament was not binding on His Majesty or His Majesty's Government in Canada or the Seventeenth Parliament of Canada.

On 22nd May,

Rt. Hon. W. L. MacKenzie King (**Leader of the Opposition**) said that the substance of this statement was that a Motion in the nature of a Resolution by a majority vote of the House of Commons in one Parliament did not bind His Majesty or His Majesty's Government in another Parliament. Did the Prime Minister present it as the view of the Government that a Resolution of the House was binding only during the Parliament in which it was passed? If such was the case the House ought to have an opportunity of discussing the whole question before any further titles were accepted by Canadians.

On 23rd May,

The Prime Minister stated that Section 17 of the British North America Act provided that there should be one Parliament of Canada, consisting of Queen (King), an Upper House and the House of Commons, and it was the considered view of the Canadian Government that a Resolution passed by one House was legally effective only as an expression of the opinion of those who supported such Resolution in that House, and this was particularly true with respect to the prerogatives of the Crown. The Sovereign could only be deprived of a prerogative right by Statute of Parliament, in very special form, which the Government did not propose to introduce.

On 24th May,

Mr. MacKenzie King asked the Prime Minister whether he would assure the House that they would have an opportunity to discuss the question of titles before the Government advised His Majesty in any way with respect to the exercise of the Royal Prerogative in regard to the conferring of titles in Canada. On 12th February, 1929,* the House had refused to entertain a Motion of the present Secretary of State (Hon. C. H. Cahan) that a Special Committee should be appointed to inquire into the question of titles with a view to considering whether the Resolution of 1919 should be rescinded. That Motion had been voted down by a very large majority.

The Prime Minister said that he had never held the opinion that a Resolution of the House had any effect upon succeeding Parliaments or that it was binding upon anyone other than the persons who were parties to it. He did not care to give any assurance with respect to a matter of executive government or

* *Vide* JOURNAL, Vol. X., No. 2, p. 335.

with respect to what might be, without governmental intervention, the exercise of the prerogative rights of the Sovereign, which had not been limited in any sense by any action taken by the Canadian Parliament.

Mr. A. La Vergne (Conservative, *Montmagny, Que.*) wondered whether the Resolution passed by Parliament was not in direct conflict with the Statute of Westminster. That Resolution was for the advice of the Imperial Government, and the King exercised his prerogative on the advice of the Imperial Government. In view of the Statute of Westminster he thought that Resolution would become void because of the new position assumed by the Dominion.

Mr. MacKenzie King thought that the Prime Minister's reply raised an even larger question, inasmuch as it meant that the prerogative of conferring titles might be exercised by His Majesty altogether apart from the advice of his Ministry. He submitted that the exercise of all the Royal Prerogatives was subject to the advice of the Ministry, the one with regard to titles as much as the one with regard to pardons.

The Prime Minister recalled the communication sent to Mr. Asquith by the Sovereign, who made it abundantly clear that it was not on the advice of anyone that he asked Mr. Asquith to accept an earldom. The prerogative of the Sovereign was still in existence; it could only be taken from him in the manner he had indicated.

Mr. MacKenzie King said that the exercise of the prerogative in these cases was in accord with the well-known and established custom of the House of Commons at Westminster. The contrary was the case in Canada.

The Prime Minister referred to the case of Lord Wensleydale and said that the Committee on Privileges in the Lords decided that the prerogative of the Sovereign could not be exercised to create him a life Peer, but only an hereditary Peer. Accordingly he was made an hereditary Peer, because it was ascertained as a constitutional matter that there was that limitation upon the exercise of the prerogative.

Provinces.

Quebec.

THE BUDGET.

On 9th February, 1933, the Provincial Treasurer delivered his Annual Financial Statement in the Legislative Assembly.

Industry.

The Provincial Treasurer (Hon. R. F. Stockwell) stated that agricultural production had greatly increased, but the price of all farm produce

was alarmingly low. The disparity between the index of retail prices of the things the farmer had to buy and the price which he received for his products was altogether too great. Until this disparity was appreciably reduced, no real improvement in economic conditions would be possible. Forestry operations had been slow, but if they could proceed on a normal basis, unemployment, outside of the large cities, would virtually disappear. Mining remained one of the bright spots in the economic life of the Province. The increase in the production of gold had been a strong sustaining influence in Canada. Unfortunately the mining of asbestos and copper was greatly curtailed owing to lowered demand and unreasonable competition conditioned by (*a*) increased use of lower grades; (*b*) cheap labour in the South African mines; (*c*) what amounted to production by slave labour in Russian mines and the Russian policy of dumping its asbestos on to the markets of the world. In the major manufacturing industries production was on a low scale, though textiles had maintained a considerable output.

Inflation.

Considerable controversy was raging on the merits of inflation. It was not seen how any potential benefits could counterbalance the commitments both of the principal sums and interest charges payable in United States Funds.

Revenue and Expenditure.

It had long been a boast that Quebec had lived within its means. Even for the two fiscal years after the financial débâcle of 1929 this continued to be their fortune, notwithstanding steadily mounting demands for additional expenditures to aid the unemployed, the Municipalities and business in general. But for the first time in thirty-four years he had to report a deficit in the ordinary revenues to meet the ordinary expenditures for the fiscal year ended 30th June last. Their estimated surplus of $158,786 had been turned into a deficit of $584,708. The fact that some years ago the Government had adopted the policy of creating full sinking funds for all new borrowing had contributed in no small degree to their credit standing.

The factors entering into the preparation of the Budget for 1933-34 were as follows:—(*a*) regard for reasonable and essential services; (*b*) conservation of Provincial assets; (*c*) continuance of work already begun, supporting the Government's policy of indirect unemployment aid; and (*d*) rigid economy. Over-expenditure by Governments, he concluded, inflation, reckless guarantees of subsidiary Governments, of industries, of institutions, in support of farm produce and commodities, such as the bonus on wheat, had never succeeded compared to coming back to simple first principles, namely, living within one's means.

DEBATE IN LEGISLATIVE ASSEMBLY.

On 14th February,

Brig.-Gen. C. A. Smart (Conservative, *Westmount*) complained, in regard to over-capitalisation, that the Treasurer had made no reference to this subject, no doubt through fear of offending the big interests, and yet this was one of the worst forms of inflation practised in Quebec.

The Debt of the Province was $109,000,000 when consideration was given to Government guarantees to institutions. Mining had shown progress, but by comparison with Ontario it was clear that there had been negligence. In regard to inflation, even the kind advocated by the Western Members in the House of Commons, namely, that millions of dollars of Dominion notes should be issued, was not as bad as what had been done by the Quebec Government in issuing vouchers throughout the Province which the holders were unable to cash.

Mr. W. R. MacDonald (Liberal, *Pontiac*) stated that the great contributory cause of the deficit last year had been the Federal employment aid policy, to which the Province had been obliged to give adhesion.

Mr. H. Béique (Conservative, *Chambly*) urged the Government to join with Ottawa in a strong movement for a return to the land. It was not through direct relief that salvation would come. Drainage should be continued so as to improve the lands and give work to farmers and labourers.

On 15th February,

The Minister of Roads and Mines (Hon. J. E. Perrault) stated that a bright spot in the situation was the gold mining development. Canada had taken second place in gold production, and Quebec was the second Province in Canada.

Amendment.

Mr. P. A. Lafleur (Conservative, *Verdun*) moved an Amendment of non-confidence in the Government.

This Amendment was negatived by 38 to 10 votes.

Lotteries ; Colonisation.

On 21st February,

Mr. H. Authier (Liberal, *Abitibi*) thought that the suggestion that gasolene should be taken over as a monopoly merited careful study. Why should they not have a Provincial lottery, the profits of which would probably enable the completion of their charitable system, pay old age pensions, guarantee medical services and generally put into practice the conclusions of the Royal Commission on Social Insurance ? What had ruined the Province and all Canada was that the Federal Government, while piling up from 100 to 200 millions of debt a year, had used the money to develop the Western Provinces by means of railway building, paying a bonus on wheat and by a project of deepening the St. Lawrence route. Part of the cost of colonisation should be charged to capital account, and the Federal Government should pay at least 50 per cent. It would cost $3,000,000 a year to establish 3,000 families on the land.

Mr. A. Guertin (Conservative, *Hull*) reproached the Government for not having some Ministers at the Imperial Conference at Ottawa. The Government had been content with sending employees and two Memorandums to the Conference, and no sooner was it over than the Premier had said that Quebec had got nothing out of it. There had been too much centralisation of industry, but the Government had encouraged centralisation and over-capitalisation.

On 23rd February,

The Minister of Agriculture (Hon. A. Godbout) claimed that the trouble was that barriers against trade had been raised, and while it was quite correct to protect young industries, there was also the question of throwing too heavy a burden upon the farmers.

Unemployment relief.

The Minister of Public Works (Hon. J. N. Francoeur) stated that under the system of unemployment relief Quebec had spent as its share of the general scheme $12,900,000, and had paid out more than $10,000,000, this during the three years of the Acts, for works and direct relief. As many men as possible should be put to work, provided that the works to be constructed were useful, even if not urgent, but at the Inter-Provincial Conference all the other Provinces had been unanimously against relief works and in favour of direct relief only. Quebec was ready to do its part in relief works if occasion was offered. The building of bridges had meant an average per month of 2,054 persons employed and wages of $2,805,281. During the year the Department had established 5,694 families on the land at a cost of $1,289,028, and repatriation from the United States had accounted for 3,364 families being established in colonisation areas.

At the conclusion of the debate the Motion to go into Committee of Supply was adopted.

UNEMPLOYED AID ACT.

This Act, which was assented to on 17th March, brings into force the Agreement entered between the Dominion and Provincial Governments, signed on 16th July, 1932, to assist selected families to settle on the land.

The Agreement provides that the Dominion and Provincial Governments, and the Municipality concerned, shall participate in the expenditure of relief moneys which would otherwise be expended in the form of direct relief for the purpose of assisting selected families to settle on the land and eventually become self-supporting.

The Dominion Government undertakes to contribute one-third of an amount not to exceed $600 per family (*Art.* 1) ; no part of the total expenditure to be for the purpose of acquiring or renting land (*Art.* 2). The total amount is not to exceed $214,285 (*Art.* 10).

OLD AGE PENSIONS.

On 12th April, in the Legislative Assembly,

Mr. A. Guertin (Conservative, *Hull*) **moved the following Resolution :—**

Whereas the Majority Report of the Commission on Social Insurance recommends that the Province, as soon as possible, accept as a temporary and transitory measure the putting into operation of the Federal Old Age Pensions Act, this House is of opinion that it is possible to establish that system of old age pensions at the present time, and invites the Government to present the necessary legislation during the present Session.

DEBATE IN LEGISLATIVE ASSEMBLY.

The Minister of Labour (Hon. C. J. Arcand) said that the Federal Government should amend its law so as to provide that those Provinces which did not participate in the Federal law should get from Ottawa the quota they would receive if they did participate. In Ontario about 42,315 persons came under the Act, and on this basis Quebec would have 33,353 under the Act, and if the average paid were the same as in

Ontario, it would pay out $7,747,272, and on the basis of 75 per cent. it would mean that Ottawa would pay the Province $5,810,454. With this sum the Province would be able to organise an old age pension scheme on a proper basis. The Premier of Quebec had already drawn the attention of Ottawa to the inferior position in which the Province was placed in virtue of the Federal law, and he hoped that a strong representation by Quebec and the Maritime Provinces might be able to achieve something. He did not think much of the Federal law; it applied only to those over 70 years of age, whereas a proper scheme should apply at 65.

Amendment.

He moved the following Amendment:—

This House, confident that the Government, after the Social Insurance Commission's investigation, will find an equitable solution for social problems, do now proceed to the next Order of the Day.

Mr. P. Bertrand (**Conservative**, *St. Sauveur*) strongly upheld the Federal system, and thought the Government might at least adopt it pending completion of plans for a contributory system, if such they were determined to have. Western Provinces benefited enormously under the Federal plan, but Quebec did not get back what it paid towards the cost of the system.

Mr. M. Fisher (**Conservative**, *Huntingdon*) maintained that it was the duty of the State to go to the rescue of the old people of the Province and stressed the fairness of the Federal plan under which the Government paid 75 per cent. of the cost.

At the conclusion of the debate the Amendment was agreed to by 47 to 10 votes.

ELECTION AMENDMENT BILL.

On 22nd February Dr. Plante introduced a Bill to amend the Election Act so as to give women the right to vote for the Legislative Assembly.

DEBATE IN LEGISLATIVE ASSEMBLY.

Dr. A. Plante (**Liberal**, *Mercier*) stated that while women were termed great educationalists they were refused the right to sit on school commissions, or to give their views on educational matters. The woman was told that she had all rights, but was refused the right of gaining her living through the closing of certain professions to her under the guise of protecting her. A singular lack of logic was shown by the Legislature. Women could be sent as Delegates to Geneva, could be Senators, Members of the House of Commons, Members of the Legislative Council of Quebec, but not ordinary electors. Having become a factor in the economic life of the nation it was not surprising that women should wish to be protected through political action. Quebec was out of step with the rest of Canada.

Dr. E. Poulin (**Liberal**, *Laurier*), moving an Amendment to hoist the Bill for six months, asked what good results had followed elsewhere from giving women the vote? It meant overturning the social order and was against the spirit of the Roman Catholic Church.

Mr. M. B. Fisher (**Conservative**, *Huntingdon*) thought that women had proved their capacity in so many other affairs that they could safely be trusted with the suffrage.

Mr. J. A. Francoeur (**Liberal**, *Dorion*) was convinced that the great majority of women did not want the vote.

The Amendment of Dr. Poulin was agreed to by 53 to 20 votes.

New Brunswick.

THE BUDGET.

(Revenue and Expenditure; Imperial Economic Conference and lumber trade; Land settlement; Unemployment Insurance; etc.)

On 8th March, 1933, the Secretary-Treasurer presented the annual Financial Statement to the Legislative Assembly.

The Secretary-Treasurer (Hon. A. J. Leger) stated that whilst economic conditions in the Maritime Provinces endured below normal, yet, against the background of the world-wide dullness, their position loomed relatively good. In New Brunswick manufacturing operations had not been greatly curtailed, but conditions in some of their basic industries, such as lumber and fishing, somewhat reflected the state of affairs which prevailed the world over. The quality and quantity of their 1932 agricultural production had been satisfactory, all crops showing substantial increases, except the apple and potato. The increase in prices, compared with last year, might, however, counterbalance the decrease in volume.

Colonisation.

The back-to-the-land agitation, encouraged by the Government through the Farm Settlement Board, its land clearing scheme and its colonisation policy had drawn the attention of the ex-farmers of their urban centres who had been attracted in the past by industrial life. The Government would continue to lend assistance, because the development of their agricultural regions constituted not only an efficacious means of economic recuperation, but co-operated with the prosperity of the country.

Revenue and Expenditure.

Instead of an estimated Revenue of $6,789,456 they had only received $5,795,630. The Government, however, had been able to reduce the estimated expenditures of $6,786,859 by $425,966, leaving a deficit of $374,589, to which had been added the abnormal exchange paid on coupons, making a total of $565,263.

Debenture issue; Taxation.

A good deal of interest had been created by the ingenious method by which the Province had covered a considerable portion of maturing Treasury Bills falling due in London by an issue of debentures to an amount of £350,000 which had been taken up, for the most part, by funds of Canadian institutions in London. The debentures bore an interest of only 5 per cent. and continued for thirty years. That the transaction was entirely one in sterling was indicated by the fact that payment of principal and interest were in sterling in London. This was one of the rare instances of the distribution of a Canadian issue in England this year.

In regard to taxation, they would budget a deficit rather than place new taxation on the people.

DEBATE IN LEGISLATIVE ASSEMBLY.

On 9th March,

Mr. J. E. Michaud (Liberal, *Madawaska*) declared that the situation was serious. The people had been taxed to the limit and there was no avenue from which additional taxation could be secured.

He concluded by moving the following Amendment :—

That this House, while willing to grant supply to His Majesty, regrets (A) That the Government has failed to present a balanced Budget, notwithstanding the withdrawal from the Dominion Treasury of the sum of $529,299, which had been standing there to our credit and bearing interest at 5 per cent. ; (B) That the Government has further increased the bonded debt during the last fiscal year ; (C) That the Government has failed to meet the unemployment situation, especially in the northern part of the Province.

On 10th March,

The President of the Council and Minister without Portfolio (Hon. W. H. Harrison) referred to the Inter-Provincial Conference at Ottawa and mentioned the steps taken with regard to the importance of having a uniform Companies Act in the Dominion. It was hoped that by adopting something of the British Acts to effect an improvement that would give to shareholders in corporations the fullest information.

Unemployment Insurance ; Exchange.

Another matter discussed at the Conference was unemployment insurance. The Province of Quebec had appointed a Commission in 1930 to deal with this, and had made recommendations that it be not placed in effect at once but that an Economic Council be appointed to investigate as to production in industry and the development of foreign trade, to consider reductions in working hours to make work for more people, and to the policy generally of working out unemployment insurance. It would never do for one Province alone to deal with it, and it could not be put into effect at present. In time of prosperity, however, some form of unemployment insurance might help deal with the whole problem of labour and industry.

Referring to the Imperial Economic Conference, Mr. Harrison said that they did not expect that the present rate of exchange would continue, and as the situation improved their products would enter the British market under much more favourable terms. Only in the last few weeks lumber had been shipped at a profit ; they might reasonably look forward to improved trade when the pound rose. No man could say that the Imperial Agreements meant nothing to their country.

In regard to unemployment, the Municipalities were carrying on as well as could be expected, and to suggest that relief could be given by means of public works was to fly in the face of the experience of all the countries in the world. Regarding the proposal for the back-to-the-land movement, within four years the Government had induced 800 families to settle on the land.

Lumber industry.

On 14th March,

Mr. R. J. Gill (Liberal, *Northumberland*) stated that lumbering had assumed special importance at the Economic Conference by reason of Russian competition in the British market. Delegates from all parts of the Empire had met British Delegates at Ottawa and had expected to be met sympathetically in regard to the lumber industry, but it seemed that representatives of the Dominion had only met lumber agents. They had not obtained a 20 per cent. preference on lumber. Neither had they obtained the 10 per cent. preference, which they already had before the Conference met. The preference had, however, been extended for five years and they would receive a benefit to that extent.

By reason of the currency situation they found it difficult to trade to advantage. The fact that the monetary question had not been touched on at the Conference had been a great disappointment. Prosperity had been brought about in Australia by a measure of inflation. He was sure that reciprocity with the United States would be of great benefit to the Maritimes.

Mr. G. W. Perry (Conservative, *Carleton*) believed that if the Canadian dollar was on a parity with the pound prosperity would return to the Province overnight.

Mr. E. C. Atkinson (Conservative, *Sunbury*) stated that as a result of the Imperial Economic Conference the Canadian lumber trade had secured a preferential market in Great Britain of from 10 to 20 per cent. *ad valorem* as against foreign countries. The United Kingdom imported annually 3,800 million feet of sawn lumber and about 170 million feet of hardwood. This was a great potential preferential market for their lumber. During 1932 Canadian exports of lumber increased over 1931 by 60 per cent., while United States exports decreased 73 per cent. This year increases were even more marked.

On 22nd March,

Mr. A. A. Dysart (Leader of the Opposition) complained that the Legislature, three years ago, had passed an Old Age Pension Act, but it had taken the Government two years to decide that they would not carry out these obligations. The Province should have taken advantage of the 75 per cent. contributed by the Federal Government.

On 23rd March, at the conclusion of the debate, the Amendment was negatived by 29 to 14 votes, and the Main Motion passed on the same vote reversed.

STABILISATION OF EXCHANGE.

(Needs of the lumber industry.)

On 4th April the Minister of Lands and Mines moved the following Resolution :—

Whereas the proposal presented to the House of Commons, Ottawa, in the Budget Speech of the Minister of Finance, contemplates the stabilisation of the exchange rate of the pound sterling, whereby exporters to the United Kingdom will be paid the difference between the price actually received for their exports and a fixed value of $4.60 for the pound sterling ; and whereas these benefits have been extended to a limited number of exports, but have not included lumber and wood products ; and whereas New Brunswick has a total area of approximately eighteen million acres, 70 per cent. of this area being forested . . ; and whereas the industry employs a large proportion of our population . . ; and whereas the industry has dropped over 70 per cent. of its normal cut, caused by world low market prices; and whereas it is important to stimulate and rehabilitate our Provincial lumber trade with the United Kingdom;

Therefore be it resolved that this House favours the extension of the provision for the stabilisation of the exchange to include Canadian lumber and wood products shipped to the United Kingdom.

DEBATE IN LEGISLATIVE ASSEMBLY.

The Minister of Lands and Mines (Hon. L. P. D. Tilley)* drew attention to the rapid decline in the lumbering industry during the last few years. In 1928 the cut was 300,000,000; the estimated cut for 1933 was 70,000,000. The lumbering business had dropped about 70 per cent. and that meant a reduction in wages of about 30 per cent. The industry was one of the staple industries in New Brunswick, being almost on a parity with agriculture in importance. Whatever was done for the lumber industry in New Brunswick was in the interests of every lumber Province in Canada. By stabilising the pound at $4.60 it meant an increase of about $1.50 per thousand in the price of lumber. In addition to the value it would give exports, it was of the greatest advantage for the exporter to know exactly what return from the British market he would receive. If the pound was stabilised the exporter would know what price to quote and that was probably more vital than the increase in prices.

Mr. A. A. Dysart (Leader of the Opposition) thought that in this matter of stabilisation it was regrettable that one of the most important commodities had been omitted by the Federal Government. It seemed that the old question of the central Provinces controlling the situation was in evidence. The House and the country would be in full accord with the Resolution with respect to bringing this matter to the attention of the Federal authorities.

Mr. W. S. Anderson (Liberal, *Northumberland***)** would extend to all commodities the stabilisation of exchange. The fact that lumber had not been included in the stabilisation put forward by the Federal Minister of Finance convinced him that it would be necessary to put forth every argument to have lumber placed in the favoured class. Their tariffs were the main trouble and they had suffered much at the hands of Confederation. Inflation would be the proper thing at present. The Federal Government were, however, averse to that method of solving the economic situation as they were against lowering tariffs.

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

UNEMPLOYMENT RELIEF ACT.

On 6th April assent was given to an Act respecting unemployment and direct relief.

DEBATE IN LEGISLATIVE ASSEMBLY.

On 28th March, on the Second Reading,

Mr. J. E. Michaud (Liberal, *Madawaska***)** said that the Bill was remarkable for its vagueness and the extremely wide powers it would confer on the Lieutenant-Governor-in-Council. When the Bill authorised the Minister of Public Works to expend any amount of money under the heading of unemployment relief, it was going rather too far. He was prepared to support any clear-cut plan on the part of the Government, but the Opposition would not give carte blanche as proposed in the Bill.

The Secretary-Treasurer (Hon. A. J. Leger) stated that it was not proposed to expend any great amount of money, but authority was simply being sought to meet such situation as could not be foreseen with respect to direct relief.

Mr. A. A. Dysart (Leader of the Opposition) declared that no reason had been advanced for this legislation, but he supposed that the banks were curtailing the activities of the Government to some extent. This was a dangerous piece of legislation and wholly unjustifiable.

The Minister of Lands and Mines (Hon. L. P. D. Tilley) said that it had been stated at Ottawa that there was no Province that had administered unemployment relief better than New Brunswick. The Dominion Government had done just what was proposed in this Bill.

The Prime Minister (Hon. C. D. Richards) stated that the accumulative effect of the depression of the last three years was being more acutely felt to-day. Municipalities had reached the stage when it was more difficult for them to carry on and they were looking to the Province for assistance. The Government felt that it was their duty to take full authority to provide for any particular condition that might arise. The authority in the Bill was limited to relief work only.

On 6th April,

Mr. Michaud held that there was a wide difference between providing for unemployment and demanding unlimited powers to borrow money without the consent of the representatives of the people. Already the Government had sufficient power to act in case of emergency. Since taking office they had expended $70,000,000 from Capital and Revenue and out of that amount $10,000,000 had been dispersed without legislative authority and under pretence of relieving unemployment.

The Prime Minister pointed out that the borrowing powers of Municipalities had become difficult; this Bill was simply a measure to meet emergency cases.

At the conclusion of the debate the Bill was reported.

* Mr. Tilley became Prime Minister of New Brunswick on 28th May, on the appointment of Mr. Richards to the Supreme Court Bench of the Province.

AUSTRALIA.

Commonwealth.

The following summary deals with some of the proceedings of the Fourth Period of the First Session of the Thirteenth Parliament which commenced on 8th March, 1933.

LEAGUE OF NATIONS.

(Report of Delegate ; Cost of League ; British Resolution ; Attitude of Australia ; Nationality of women ; International Labour Office ; Australia and the Council.)

On 23rd May, in the House of Representatives, the Report of the Australian Delegation to the Thirteenth Assembly of the League of Nations, which had been tabled on 8th March, was discussed.

DEBATE IN HOUSE OF COMMONS.

Rt. Hon. W. M. Hughes (United Australia Party, *N. Sydney***)** said that urgent business in connection with the conversion of maturing loans had detained in London the Resident Minister (Mr. Bruce), and he (Mr. Hughes) had acted as leader of the Australian Delegation during the greater part of the Session.

Cost of the League.

Mr. Hughes, having reviewed the work of the various Committees, and especially the First Committee, which dealt with the nationality of women, said that the labours of some Committees had proved unfruitful. But the position of the Fourth Committee, which controlled the expenses of the League, was entirely different because, having control of the purse, it had power to give effect to its decisions. While there was equality of representation on the League, there was marked inequality in the matter of contributions by its members, the principle upon which the quotas were fixed was, as far as he could ascertain, capacity to pay. Australia's contribution was 891,445 gold francs a year. Their contributions were paid up to date. Some nations had not made contributions for years; others, like Australia, had paid regularly, although they could ill-afford to do so.

The British Resolution.

The Australian Delegation had been instructed to press very strongly for such a measure of economy as would bring

the finances of the League into line with the circumstances of the rest of the world. All the British Empire representatives were in agreement on that point; and Major Elliot, who acted as leader of the British Delegation, moved for a reduction by 10 per cent. of the salaries of Secretariat officials. As the debate proceeded, it became clear that while all were in favour of economy as a principle, the majority were strongly opposed to Major Elliot's Motion and to any modification of it that stopped short of complete emasculation. The net result of three weeks of resolute labour on the part of the Committee in the cause of economy was an increase of expenditure by 61,000 gold francs.

Work of the League.

Mr. Hughes then referred in general terms to the League and its relation to world affairs. While he spoke as one of the signatories to the Peace Treaty, he had never shared the extravagant hopes of those who looked upon the League as the outward and visible sign of a new world, from which war would be banished for ever. He had never believed that the League could be, for the world, and particularly for Australia, an effective substitute for the British Empire—that, with its present limited power, the League would ensure the peace of the world. But, because he believed that the League could do a great work in leading the people of the world along the road they should travel and that its existence was necessary for the well-being of the world, he ranged himself among those who supported it.

Australia's attitude.

At the Assembly Australia was on a footing of equality amongst the nations. As a Mandatory Power, its relations with the League were direct and intimate. Australia had contributed loyally to the maintenance of the League and was regularly represented at the Annual Assembly. But a more active policy was required. It was necessary that the Australian people should interest themselves more in the League and that the League should know more of Australia. The day might come when the League would have to hear their case. Dominions had sought for, and had obtained, seats on the Council of the League, and it was high time that Australia took her place alongside them. If the high officials of the Secretariat were to acquaint themselves first hand with the circumstances of the different nations, the League would be very much better equipped than it was for the discharge of its functions.

Hon. Sir Littleton Groom (Independent, *Darling Downs***)** said that Australia should see that her very best men were appointed to represent her at the League. Other nations not only sent their best Delegates: they also sent their highest officials. Australia must not be afraid to spend a little money. They should not hesitate to send even their permanent officials. If they went there to study conditions and brought back records of the League for preservation in their Departments, they would get continuity and permanency of experience and knowledge.

International Labour Office.

Hon. E. Holloway (**Labour**, *Melbourne Ports*) said that Australia's association with the social and economic activities of the League, by its representation at the International Labour Conferences, had not been as active as it should have been. Australia had not even adopted the Conventions which had emanated from these gatherings. This was due, not to disinclination to help other countries, but to the belief that their existing legislation was much more advanced than even the proposals of the Conferences. But even though such Conventions meant nothing to their people, Australia should formally subscribe to them in order to assist in impressing upon the Governments of less advanced countries the need for adopting them.

He dissented from the suggestion that Australia should discontinue its contribution to the League and expend the money upon internal relief. Australia should continue its affiliation with the League and take a more active part in its work. The Commonwealth should have a seat on the Committee of Management. One of the obstacles would be the expense entailed, but he understood that the League of Nations was prepared to pay all the expenses of the Australian Delegate, whose only sacrifice would be his absence from his calling or business.

Australia's contribution.

The Attorney-General (**Rt. Hon. J. G. Latham**) said that Australia had communicated directly with the Governments of other parts of the Empire with a view to effecting a reduction of the cost of the operations of the League, including that of the International Labour Office. That step had been taken, not on account of a lack of appreciation of the value of work done, but because of the increased burden which, owing to exchange conditions, the expenditure of the League had imposed upon Australia. A subscription of £35,000 in gold francs at par became £51,000 in sterling, and approximately £64,000 in Australian pounds.

Nationality of women.

In regard to the nationality of women, Mr. Latham said it could easily be said that Australia ought to deal with such

matters independently of the rest of the world; but they would be doing an ill service to their own people if they deprived them of the status of British subjects elsewhere in order to deal with a difficulty such as this. He could speak on behalf of the Government in saying that it would not lightly run that risk in regard to the people of Australia, and that the attitude that had been adopted by all recent Governments would be continued, namely, that Australia was prepared to fall into line with proposals for equal rights as to nationality, provided that the United Kingdom and the other Dominions were prepared to agree to an identical system.

Australia and the Council.

The Government proposed to give consideration to the opportunity which was afforded to assume the responsibilities of a seat upon the Council of the League. There would doubtless be some difficulty in discharging the functions of the office, but it would also be found that there were very great advantages for their country in developing friendships and obtaining information from foreign countries. If this opportunity was declined there might be a risk of Australia being regarded as not sufficiently interested in the affairs of the world and, internationally, she might run the risk of going down to the bottom of the list. He was not prepared at the moment to make any announcement on the subject on behalf of the Government.*

INTERNATIONAL LABOUR CONFERENCE.

(Suggested reduction of hours of labour.)

On 6th April, in the House of Representatives, on a motion for adjournment, reference was made to the International Labour Conference.

DEBATE IN HOUSE OF REPRESENTATIVES.

Rt. Hon. J. A. Scullin (**Leader of the Opposition**) said he wished to impress upon the Government the importance of the International Labour Conference to be held in June.

Reduction of hours.

The most effective method of reducing unemployment was by reducing the hours of labour. He was convinced that whatever happened at the Conference, the hours of labour in Australia would be reduced; and he asked the Government

* It has since been announced that Australia is a candidate for one of the vacancies on the Council of the League.

to instruct its Delegates to support the proposal at Geneva because, from a national point of view, it was important that other countries should keep in step with Australia.

At the preparatory conference, a Motion in favour of the reduction of hours had been carried. If their Government Delegates did not adopt a progressive stand Australia would be marked among the nations of the world as one of the most backward.

Effect of Geneva Resolutions.

He was not so optimistic as to believe that even the Resolution carried at Geneva would automatically have the result of giving effect to the proposal. But that would not justify their opposing it. On the contrary, it would warrant their urging the Government Delegates not only to support it, but also to advocate that it be put into practice.

The displacement of labour by machinery had increased enormously within recent years, and unless the problem was tackled, starvation, ruin, and probably revolution, would face the world. One practical step that could be taken was the reduction of the hours of labour; and one of the best ways in which that could be brought about was on an international basis.

Australia lagging behind.

Hon. A. Blakeley (Labour, ***Darling*****)** said it was humiliating to the Labour movement to know that while other countries were giving serious thought to the elucidation of the problem, Australia was lagging behind. Instances had been cited of industries in other countries which were working the 40-hour week without any reduction of wages. In Australia they could point to only a few isolated industries which had so reduced their hours of work. The majority were working 48 hours a week. Australia was a young and a wealthy country. It ought to be possible for them to march in the vanguard of industrial progress.

Government's Policy.

The Attorney-General (Rt. Hon. J. G. Latham) said the Government had made inquiries, and very interesting reports had been received from the Melbourne Trades Hall Council and the Chamber of Manufacturers. The Government proposed to consider these representations before arriving at a decision regarding the instruction to be given to the Commonwealth Government's representative at Geneva.

No dogmatic attitude.

Anyone acquainted with industrial history was aware that, whenever the reduction of hours has been proposed, there had been those who had declared that it would mean ruin to industry. The Government was not prepared to adopt that dogmatic general attitude. The proposal for the reduction of hours was made at this juncture to deal first with unemployment generally and, secondly, with the particular class of unemployment described as technological. There was considerable difference of opinion as to the actual volume of unemployment resulting from technological improvements and the mechanisation of industry. He had seen the proportion estimated as low as 10 per cent. of the original volume of unemployment, because a certain amount of re-employment resulted from the improved mechanical and technical processes in some industries.

Effect of reduced hours.

They lived in a competitive world, and it was quite impossible for them to ignore the action taken by their competitors; but that fact should not prevent their Delegates from supporting this proposal [**to reduce hours**] at the Conference if, on special grounds, it was thought to be proper.

Whether the reduction of hours was to be accompanied by a reduction of wages was a fundamental consideration. There was the risk of such a plan working out this way: overhead costs remaining constant, or being increased; labour costs going up per unit of labour achievement; and prices rising. It was hard enough for the world to purchase goods at existing prices. If those prices rose, how was there to be any alleviation of the position when, generally speaking, the same wage fund was distributed over a smaller number of hours?

He assured the House that consideration would be given to this question with an earnest desire to make a contribution towards solving the problem of unemployment. The decision of the Government would not be dictated by any doctrinaire idea drawn from the past.

Instructions to Delegates.

On 23rd May,

The Attorney-General (Rt. Hon. J. G. Latham) said that the instructions given to the Government Delegate in connection with the question of reduction of hours to be considered at the International Labour Conference were under five headings:—

(1) The proposal for 40 hours is made as a remedy for unemployment. (2) In Australia, large numbers of employees are already working 40 hours or less, and separate action in Australia by way of adopting 40 hours as a general standard would not assist towards any remedy for unemployment. (3) It is not practicable to adopt 40 hours as the standard in Australia unless the leading nations of the world whose products are competitive with those of Australia take similar action.

(4) If those nations agree to adopt a uniform and reduced standard of hours, Australia will join in international agreement and action for that purpose. (5) The proposal for reduced hours does not make any contribution to the solution of the problem of the differences between industrial workers and those engaged in country industries. Considerations of justice require that the proposal should be associated with measures to improve the position of rural producers and workers generally.

DISARMAMENT.

(Four-Power Peace Pact; President Roosevelt's Message.)

On 28th March, in the House of Representatives,

The Attorney-General (Rt. Hon. J. G. Latham), in reply to a request for information regarding the Four-Power Peace Pact, said that the British Government, in consultation with the Commonwealth, and presumably with other Dominions, had determined to endeavour to bring the disarmament discussions to a definite, if merely temporary and provisional, agreement, in order to effect some degree of disarmament at once. The Commonwealth Government had been kept informed of the project for a disarmament convention. Certain matters of minor detail were being examined, but the Commonwealth Government was giving general support to the proposals made by the British Government.

On 25th May, in the House of Representatives,

The Attorney-General said he desired to place before the House the precise terms of the reply of the Commonwealth Government to the message which Mr. Roosevelt, President of the United States of America, had recently broadcast. The actual words were :—

His Majesty's Government in the Commonwealth of Australia welcome the Message which the President of the United States of America addressed on 16th May to the heads of all countries participating in the Disarmament and Economic Conferences. They hope that his outspoken statement will expedite the consideration by the Disarmament Conference of the draft convention put forward by the United Kingdom, and lead to the speedy adoption of a Convention on those lines. They believe that an early and satisfactory conclusion of the Disarmament Conference would create a favourable atmosphere in which the Economic Conference could work towards the decisions which may help towards the renewal of prosperity and restoration of confidence in the world.

NAVAL DEFENCE.

(Loan of Destroyers by Great Britain.)

On 25th May, in the House of Representatives, the Prime Minister, by leave, made a statement in regard to the Australian Destroyer Flotilla.

IN THE HOUSE OF REPRESENTATIVES.

The Prime Minister (Rt. Hon. J. A. Lyons) said that when the Attorney-General (Mr. Latham) was in England in 1932 he had discussed with the British Government certain phases of Australian defence, and particularly the age of their destroyer flotilla. The outcome was that certain vessels would be loaned to Australia to replace similar vessels approaching the end of their useful lives. The flotilla leader, H.M.S. "Stuart," would replace H.M.A.S. "Anzac," and four "V" class destroyers would replace four "S" class destroyers when the present Australian destroyers were eventually scrapped. Australia would be responsible for the maintenance of these vessels.

Mr. Lyons added that their Australian destroyer tonnage was included in the total tonnage allowed to the Empire. In the next few years it would be necessary to scrap certain destroyers, and those of the "S" class would be the first to go. The "Anzac" and "S" class destroyers had been a gift from the Imperial Government, and the generous action of that Government in loaning these additional vessels to Australia meant that the Government would be saved the cost of capital expenditure in replacing their present destroyers when the time came to scrap them.

STATUTE OF WESTMINSTER.

On 27th April, in the House of Representatives,

The Prime Minister (Rt. Hon. J. A. Lyons), in reply to a question, said that the Cabinet had not yet reached a definite decision in regard to the introduction of legislation following the passing of the Statute of Westminster.

CUSTOMS TARIFF.

(Duty reductions; Special Duty; Customs by-laws; Ottawa Agreement; Value of British market; Australia's undertakings; Tariff Board; Rise in Customs revenue.)

On 8th March, in the House of Representatives, the Minister for Trade and Customs brought forward a Schedule of Amendments to the Customs Tariff proposals introduced in the House on 13th October, 1932.

IN THE HOUSE OF REPRESENTATIVES.

On 8th March,

The Minister for Trade and Customs (Hon. T. W. White) said that the amending Resolution covered some 75 items and sub-items. There were eight lines of goods upon which increased duties operated. There were 51 reductions for which adequate reasons were advanced by the Tariff Board. The special duty Resolution now freed thirteen important groups of goods from the 50 per cent. surcharge. The changes now effected left only eight items still subject to the 50 per cent. impost.

Customs by-laws.

There was a group of 367 items, covering machines, machine tools and appliances which were previously admissible under a Customs by-law. These goods were admitted free, British preferential tariff, and 15 per cent. general tariff at the Minister's discretion; but by cancellation of the by-law, which might have been done at any time, they would be made dutiable at 45 per cent. British and 65 per cent. general tariff. These machines were not manufactured in Australia, and it was not necessary or desirable to maintain the duties. Potential manufacturers of such goods who might desire the imposition of protective duties were now placed in the same position as manufacturers of other classes of goods. They must go before the Tariff Board and prove their case for increased duties.

On the same date, in Committee of Ways and Means, the debate was resumed on the tariff proposals brought forward on 13th October, 1932,* and a statement of the Government's Tariff policy was made by the Minister.

DEBATE IN HOUSE OF REPRESENTATIVES.

The Minister for Trade and Customs (Hon. T. W. White)† said that on 13th October last this consolidated Schedule, covering the Tariff amendments of the Scullin Government and the six Tariff proposals introduced by the present Government, was tabled in the House. This Schedule was the first complete and comprehensive Schedule introduced into Parliament since 1920.

The Ottawa Agreement.

The Ottawa Agreement was intended to have a profound influence on both the volume and direction of trade in the Empire, and should stimulate a healthy reaction in all industries. The final result, it was sincerely hoped, would be beneficial to each and every unit of the Empire, which with its diversity of production and immense and varied resources could, by the example of such economic co-operation, set a

* *Vide* JOURNAL, Vol. XIV., No. 1, p. 115.

† Mr. White was appointed Minister for Trade and Customs in succession to Sir H. S. Gullett on 14th January.

much-needed lead to the world. The primary industries of Australia, on which general prosperity depended, would benefit in every section.

A very valuable quota restriction on supplies of meat had been agreed to. With the exception of wool, of which the Empire produced a surplus, practically every commodity which Australia exported benefited under the Agreement.

Value of British market.

It should be more generally realised than it was, that Great Britain bought 90 per cent. of their butter exports, 97 per cent. of pork, 96 per cent. of lamb, 88 per cent. of mutton, 38 per cent. of bacon and hams, 55 per cent. of canned meats, 79 per cent. of fresh fruit, 95 per cent. of wine, and 63 per cent. of dried fruits exports. Without Britain's goodwill and if precluded from the grant of preferences in that market, Australia could not pay for essential imports and her overseas commitments. It was the one and only great market which was able to absorb most of their exports of primary products, and, if for any reason they lost Britain as a buyer, their position would be parlous indeed. Any hand that was raised against the Ottawa Agreement rendered a disservice to their primary producers, to their manufacturers and to Australia.

The defeat of any item which implemented the Agreement would be regarded in the gravest light by the Government. The Government's attitude was that its pledge and contractual obligations which had been adopted by Parliament and were given to the United Kingdom and the Colonial Empire, would be completely and sincerely fulfilled.

Australia's undertakings.

The undertakings given in Articles 9 to 12 of the Ottawa Agreement had been willingly given as an earnest of Australia's intention to review the protective portion of the tariff and particularly those portions which had never been made the subject of Tariff Board inquiry. Especially did the undertaking relate to those sections of the tariff which were increased on Ministerial initiative* without compliance with the requirements of the Tariff Board Act.

"Reasonable competition."

In framing the Articles at Ottawa it had not been visualised, nor was it now contemplated, that "reasonable competition" should mean destructive competition. Article 10 referred to

"reasonable competition on the basis of the relative cost of economical and efficient production, provided that in the application of such principle special consideration may be given to the case of industries not fully established."

It was clearly and concisely stated that the competition was to be reasonable—not unreasonable or unfair. Criticism of this principle could only be based on the assumption that protection meant prohibition and the elimination of all competition from their markets. Not only was competition to be reasonable, but it is to be based on the relative cost of economical and efficient production. If, in such production, Australian costs were higher, allowance must be made for such higher costs in ascertaining the protection necessary.

Economical and efficient production.

The reference to economical and efficient production in the Article was important, as it laid down that the community as a whole should not be asked to bear any scale of higher costs that any Australian industry might choose to incur. Reasonable competition should be reviewed from the standpoint that it would be the automatic price regulator which would prevent exploitation of the public and the formation of powerful monopolies. It would limit the excess demand price of industry and serve as an instrument of protection to the public. Efficient and economic industry, selling its products at reasonable prices, had nothing to fear from the undertakings given in these Articles.

Work of the Tariff Board.

In accordance with the promise given in Article 11 of the Ottawa Agreement that a review by the Tariff Board of existing protective duties would be undertaken, the Board's attention was invited to Articles 8 to 13 and 15. It had been intimated to the Board that these Articles were to be regarded as recording the decision of Parliament as to the principles to be applied by the Board in exercising its functions of reviewing and making recommendations. It was obviously impracticable for the Board simultaneously to review the whole of the protective items in the Tariff. Consideration, therefore, had been given to the most satisfactory method of carrying out as early as possible the view which Parliament agreed should be made. Holding the view that the Board would be in a position to say that no immediate alteration was required in a number of items which had been the subject of inquiry within recent years, an expression of opinion had been sought from the Board as to whether any of its reports presented within the last three years required review in the light of the principles embodied in the Trade Agreement Act. It had been made clear to the Board that any opinion expressed by it would be accepted as an interim recommendation and provisional only in character. It would not preclude the Board from making full inquiry at a later, and more convenient stage.

The Board's progress.

The Board, in reply, after detailing a list of subjects covering in all some 201 reports which provisionally it considered unnecessary to review at that stage, intimated that, in the light of the facts disclosed at the inquiries and having regard to the terms of the United Kingdom and Australia Trade Agreement, 13 reports out of the total submitted during the last three years should be referred back for review. With one exception (glue), concerning which there had been a special Agreement made between Empire manufacturers at Ottawa, action had been taken to refer these items to the Tariff Board for further inquiry. Regarding the 201 reports which the Board considered provisionally met the requirements of the Ottawa Agreement, the Government took the view that it had for the time being substantially complied with the Agreement. Regarding other items in the Tariff under which protection was afforded to Australian industry, as a first step towards the fulfilment of their specific undertaking for a review to be made by the Tariff Board, references covering 65 items and sub-items had been signed and forwarded to the Board, and these would be supplemented from time to time.

Rise in Customs revenue.

Concern has been expressed in some quarters with regard to the increase in imports and the consequential rise in Customs revenue, and it was represented that the Commonwealth would be forced into the position of having to default with respect to its overseas obligations. The Government stood for the fulfilment of its obligations, financial and otherwise. The increased imports and buoyant revenue returns were undoubted evidence of returning prosperity. An analysis of the imports indicated that there had been an increasing proportion of raw materials and capital goods. This particularly pleasing feature of recent import statistics indicated that increased quantities of raw materials, tools of trade and machinery were necessary to meet the demands of our local industries. An examination of the import figures covering 100 important items representing raw materials of various kinds disclosed that while in 1928-29 the imports under these items were valued at £25,042,000 or 17·5 per cent. of the total commodity imports of £143,280,000, the position in 1931-32 was £11,527,000 out of a total commodity import of £44,042,000 or 26·2 per cent.

A new feature in the Tariff.

A new feature of the Tariff arose out of an exploration of protected fields of industry, especially those protected under generic items. These items each covered a comprehensive range of goods and materials and where such goods were not being manufactured in Australia, it was proposed to make specific provision in the tariff at nominal rates.

Customs by-laws.

The by-laws issued under certain Customs Tariff items were being reviewed for the purpose of ascertaining what goods, particularly capital goods, could be specifically provided for in the Tariff. Instead of being admissible at the rates provided under a by-law item at the discretion of the Minister, the specific enumeration of the goods in the Tariff entitled the goods of their own right to admission free of duty or at low rates. As a result of this initial review, some 367 machines and appliances which were formerly admissible under by-law had been provided for in the Tariff. This section was taken in fulfilment of a promise made by the Australian Delegation to the British Delegation at Ottawa.

General summary.

In conclusion, Mr. White said that the Ottawa Agreement was an accomplished fact, and its possibilities and criticisms had been fully voiced before the Agreement was accepted. To ratify the various Schedules, and to weave into the Tariff the decisions and the goodwill of the Ottawa Conference so that it might be an instrument for enduring Empire economic unity and an example to the world, was the business of the Commonwealth Parliament. Free trade and the neglect of secondary industries would not permit them to maintain their present population, while prohibition or duties inordinately high, whether on the products of primary or secondary industries, was dangerous to the economic well-being of the nation, stimulating some industries while they dislocated trade and created unemployment by their impact upon others. The Government's policy steered a course mid-way between those extremes, maintaining a fair and reasonable balance between primary and secondary industries. Operating equitably and away from the extremism of sectional interests, the result should be a healthy reaction in both primary and secondary industries with increased employment in the community as a whole.

The Ottawa Agreement.

On 9th March,

Hon. F. M. Forde (Labour, *Capricornia*) said the Minister had said that Articles 9 to 12 of the Ottawa Agreement had been placed before the Tariff Board, and that it had been informed that these Articles represented the views of the Government. In other words, a definite lead had been given to the Board. It could not be doubted that the Board had been instructed to review the Tariff in a downward direction.

He held the view that what had taken place at Ottawa was the greatest ramp ever attempted on behalf of manufacturers in the United Kingdom against the best interests of the manufacturers of Australia. The policy of the Federal Labour Party was to reserve the Australian market for Australian manufacturers in those lines that could be produced "economically" and "efficiently" in Australia. The tariff-slashing policy initiated by the Government, and greatly accentuated by the Ottawa Agreement, struck a serious blow at the great secondary industries of Australia. New industries would not now be encouraged to begin, because under Article 12 of the Ottawa Agreement the hands of Parliament were tied for five years, unless some future Labour Government could devise a means of getting around it, and restoring to Australian industries the whole of the Australian market.

Labour Party's policy and results.

The Scullin Government had been confronted with two great problems—the protection of Australian industries, and the rectification of the adverse trade balance. It had been authorised to place embargoes on imports, if necessary, in order to ensure the home market to Australian industries. The Scullin Government had not delegated its powers to the Tariff Board, or to any other subordinate body created by Parliament. It had carried the burden on its own shoulders, and was willing to accept the responsibility for what it had done. To make the country live within its income, the Scullin Government had had to decide whether it would depend upon the exchange rate alone, or, in addition, restrict imports. Reliance on the exchange rate alone would not have prevented the importation of luxuries, and so the Government had prohibited the importation of certain luxury goods, and rationed the importation of other articles.

The outcome of the policy adopted by the Scullin Government was not only to rectify the adverse trade balance, for 34 branch factories of big overseas manufacturers had been established in Australia, and 75 new and important factories had also been set up. There had been no increase in the price of commodities manufactured by Australian factories. As a matter of fact, generally speaking, reductions had resulted averaging from 20 to 50 per cent. Moreover, overseas manufacturers were quoting Australian merchants lower f.o.b. prices than they were quoting to other countries in which there was no local competition.

References to British goods.

Opponents of the Scullin Tariff had invented the cry that that Government had deliberately adopted a policy of reducing preferences to Great Britain. The facts were that the Scullin Government had reduced the margin of preferences to Great Britain on 55 items and sub-items, while it had increased that margin on 244 items and sub-items. He calculated that the value of Australia's preferences to Great Britain totalled approximately £7,500,000 per annum, while the Mother Country's preferences to Australia were worth roughly £1,000,000 per annum.

Retaliation of foreign countries.

The Scullin Government, Mr. Forde added, had realised the inevitable penalty that its tariff would impose on certain countries, and the possibility of retaliation. As the alternative had been default, it decided to take the risk of retaliation. There had been no unfair discrimination, but the policy of granting extensive preferences to the United Kingdom had necessitated a stringent limitation of importing trade, even with countries with which Australia had a favourable trade balance.

Many countries had not been unmindful of Australia's critical position. France was the only one which had enacted legislation, designedly aimed at Australia, in the form of high duties on wheat and butter; the reasons being that she desired to protect her own industries, for she produced more wheat than Australia. France produced more butter than she could consume, and had instituted what was practically a prohibition against the importation of that commodity.

Cost of Tariff.

The primary producers of Australia had definitely enjoyed the benefits of protection, and received advantages which had compensated them for any burden indirectly imposed by the Tariff. The Bruce-Page Government appointed an Economic Committee* which had estimated that the total cost of protection to the Commonwealth was £36,000,000. Of this sum £10,000,000 was the estimated cost of protecting certain primary industries. These economists had estimated that primary producers reaped a further advantage of £12,000,000 by reason of reduced railway freights, Commonwealth aid to roads, facilities afforded by water conservation schemes, and so forth. They were granted additional benefits by means of bounties on gold, cotton, wheat and linseed; by export control rates for dried fruits, canned fruits, dairy produce, wine and other primary produce, overseas marketing rates.

* "*The Australian Tariff—An Economic Inquiry.*" Published 1929 by Melbourne University Press.

So that, exclusive of bounties and other assistance, the total assistance afforded to primary production by protection and subsidies amounted to £22,000,000 per annum. That amount could be placed against the cost of protection to the secondary industries of approximately £26,000,000.

Country Party's attitude.

Hon. T. Paterson (Acting Leader of the Country Party) said it was true that this amending Schedule was perhaps the first to contain more reductions than increases. As some of the reductions represented only 5 per cent. on duties of 50 per cent. British and 70 per cent. General, there was not much to boast about. It was appalling that in the first Tariff Schedule after the Ottawa Agreement there should appear on page after page items showing duties of 45 per cent. British and 65 per cent. foreign.

A 50 per cent. reduction.

He was prepared to support the reduction by half the duty on every item on the Tariff, including those items affecting primary producers, provided it was done all round. It was a calamity that they should find duties as high as those put into a new Schedule and be told that the Tariff Board had taken into consideration Article 10 of the Ottawa Agreement which provided for competitive rather than prohibitive Tariffs. At one time a duty of 10 per cent. or 20 per cent. was regarded as adequate, but now the duties were two or three times as high. In 1929 the Bruce-Page Government felt that the existing Tariff, the Pratten Tariff, was in need of examination, and five prominent economists were appointed to make a complete inquiry and their conclusions, that the costs of primary industries were increased by the Pratten Tariff to the extent of 10 per cent., had been based on that period when the prices of primary products were about twice as high as to-day. The Tariff to-day was not merely relatively, but actually, greater than at the time that report had been submitted.

Proposals disappointing.

It was a disappointment to many who, having regard to the great height to which duties on British goods had been raised by the Scullin Administration, had hoped that a substantial increase in British preference would be provided by a lowering of the rates on British goods, rather than by the increase of rates against the foreigner. But in the Gullett Schedule* additional preferences had been provided in 321 instances by raising the foreign rates and allowing the British

* *Vide* JOURNAL, Vol. XIV., No. 1, p. 115.

to remain unchanged, and in only 118 instances by lowering the British and allowing the foreign to remain unaltered. Bringing those figures up to date in the light of the alterations now proposed, there were approximately 330 items on which the duties had been increased, and only 160 on which they had been reduced.

Importance of Article 10.

Mr. Paterson said he regarded Article 10 as the most important in the Ottawa Agreement. In it they pledged themselves not to give such protection as would automatically keep the whole of the Australian market for their own manufacturers; they must beat their competitors after affording them an opportunity to compete on a reasonable basis. They must assume that the many Tariff Board Reports prepared before last December were not necessarily prepared with Article 10 in mind. Therefore they ought to be reviewed. The Minister had said that the Board had informed the Government that 201 reports, which had been submitted by the Board during the last three years were considered provisionally, to meet the requirements of the Ottawa Agreement. He urged the Government not to ask the Committee to ratify any duty in this Schedule which had not been reviewed by the Board in the light of Article 10. Otherwise, when reductions were recommended and tabled, serious delays in giving effect to them would occur. Reductions operated immediately upon being tabled only if the duty which was to be reduced had not been ratified. It would be a test of good faith on the part of the Government regarding its anxiety to implement as early as possible the Ottawa Agreement if it would refrain from doing anything which served to delay putting into effect recommendations for reduced duties. The Tariff Board was apparently producing Reports at the rate of 67 per annum. If that was the top speed at which the Board could work, this Agreement with Great Britain would have run half its course before all the items had been reviewed. They ought to speed up the process, because the widening of the margin of preference by the simple expedient of raising duties on foreign goods was not carrying out the spirit of the Agreement.

Amendment moved.

Mr. Paterson, in conclusion, said Article 9 of the Ottawa Agreement pledged them not to exceed the recommendations of the Tariff Board. It was not consistent to retain in their Schedules duties that had been raised without report by the Tariff Board. No duty should be sacrosant merely because it had been imposed by a previous Government, if it had been imposed without a report from the Tariff Board. For that reason he moved the following Amendment :—

> "That the Government, without delay, submit a further Schedule, which will carry out the terms and the spirit of the Ottawa Agreement with respect to increased preferences to British goods in the following manner :—
>
> "Duties against British goods to be reduced to the level of the 1921-30 tariff in all cases where they have been raised above that level without report by the Tariff Board."

The Government's reply.

The Attorney-General (Rt. Hon. J. G. Latham), referring to the Amendment, suggested that it was quite impossible for a responsible assembly to adopt a general rule of such a nature by going back a number of years to a former standard. He was not prepared to work on a tariff in accordance with any rule of thumb. Every industry must be considered in relation to the special circumstances of that industry.

The Tariff Board.

This Government had adopted the definite principle that its general rule of action would be that it would not alter the Tariff without reference to the Tariff Board. That was a principle which involved a certain amount of delay in action; but it did not imply a mechanical or slavish adoption of Tariff Board reports. No Government would be prepared to agree in advance to adopt all the recommendations of any Tariff Board. But this Government had accepted the general principle, not as an absolutely inflexible and universal rule, that it would not vary protective duties without reports from the Tariff Board.

Monopolies.

One other principle which the Government had adopted was that, speaking generally, the Government was opposed to monopolies. That was one reason why one of the principles embodied in the Ottawa Agreement was that tariffs ought to be on a competitive and not a prohibitive basis.

The Amendment.

The Amendment should not be accepted. It would be a mistake to do anything at present that would involve the risk of the closing down of important industries in this country. Mr. Paterson wanted to bring duties down to a level which happened to be accepted in a certain past year; but there was no evidence that that level bore any relation to the facts of to-day, the circumstances of the world having changed entirely since then. Primage and exchange were factors which had to be considered. Primage was a revenue duty placed on the Statute-book for purposes of Revenue only, but in some cases it necessarily had a protective incidence. It was obviously impossible, from the Revenue point of view, to remove all primage. There was no rough-and-ready way of dealing with exchange. It would be quite impossible to fix a Tariff in accordance with any level of exchange that might obtain at a particular moment.

The Ottawa Agreement.

The effect of the charge against the Government was that it had undertaken to put the Tariff upon an economic basis, and to implement the Ottawa Agreement for the purpose of freeing trade, whereas it had increased the duties upon no less than 400 items. As they desired to obtain immediate advantages from the Ottawa Agreement, it had been necessary to deal at once with the Tariff. They had to apply to their circumstances a particular formula that had been agreed upon. They had the option of two courses, either to reduce the duties on British goods and leave the prescribed margins between them and collective duties on foreign goods which happened to be in operation, or, where the margin did not exist, to increase foreign duties. It was not possible at the moment to inquire into every industry. Having regard to the uncertainty of conditions throughout the world, and to the undesirability of doing anything blindly that might prejudice their own industries in Australia, they had adopted the course of raising the general tariff on those 400 items. It would be seen that these increases affected, almost without exception, articles which were imported from Great Britain. The increase of the duties, therefore, had not made the slightest difference to costs in Australia, and was consequently of little significance in considering the cost of production.

On 15th March,

Rt. Hon. J. H. Scullin (Leader of the Opposition) said that anyone with ordinary intelligence must read in the Ottawa Agreement the intention to place British manufacturers on an equal competitive basis with Australian manufacturers in the Australian markets. With that intention he totally disagreed, because, should it be carried out, industries already established in Australia would be detrimentally affected. If, under tariffs amended in conformity with the Ottawa Agreement, overseas manufacturers gained a footing in the Australian markets to the extent of only 10 per cent., then 50,000 workers would be thrown out of employment.

Monopoly to British manufacturers.

In order to give effect to the granting of preference to goods from the United Kingdom, duties were increased on a long list of foreign goods. With that action he had no fault to find. But, if they accepted the Government's statement, what had been the effect ? It had ensured to British manufacturers a larger measure of preference and greater security against foreign competition in a market that they already held; it had given a monopoly to British manufacturers as against foreigners in the Australian market. He had no objection to offer to that. But he did submit that that very security which they gave to British manufacturers against foreigners in the Australian market ought to be given to Australian manufacturers in their own market on the goods they produced.

Effect of Amendment.

Mr. White, in his reply on the General Debate, said that the amendment that the Tariff should revert to the 1921-30 level was a rule-of-thumb method. Surely it was realised that such a drastic reduction would have a serious effect on trade, would dislocate the budgetary position, and so reduce revenue as seriously to jeopardise their chances of meeting their commitments both in Australia and overseas. The carrying of the Amendment would involve the country of about £6,300,000 per annum.

Amendment rejected.

On 16th March, at the conclusion of the General Debate, the Amendment was defeated by 39 votes to 21, and the Committee proceeded to discuss the individual items in the Schedule of Amendments to the tariff.

OTTAWA AGREEMENT.

(Exports of butter to Great Britain; Establishment of foreign factories in Great Britain.)

On 21st March, in the House of Representatives,

The Attorney-General (Rt. Hon. J. G. Latham), on a Motion for adjournment, said that on 19th January the British Government had received from the High Commissioner for New Zealand a letter asking that a meeting should be arranged to discuss the position that had been created by the fall in the price of butter in Great Britain to a disastrous level.

The Ottawa Agreement provided for the free entry of Australian and other Dominion butter into Great Britain during a period of three years. The British Government did not ask that that provision be altered in any respect. If the Dominions wished to maintain the Ottawa position, and to have no restriction in respect of butter, they could do so. But if there were no restrictions, it was quite certain that negotiations which were then pending for a trade agreement between the United Kingdom and Denmark and other countries would be greatly facilitated. The British Government, therefore, did not ask that any restriction be adopted. The question had to be considered in Australia simply from the point of view of the Australian industry. The question related to a Dominion restriction, with a foreign restriction of double the percentage, together with the maintenence of the 15s. per cent. preference in respect of Dominion butter. The Government had sought the advice of the Dairy Produce Export Control Board, which had asked the Government to defer final determination of the question until the Board had had an opportunity of discussing the matter with representatives of the New Zealand Dairy Board, who would visit Australia within the next few weeks. The Government, therefore, did not propose to take any action at present.

Mr. Latham added that he had not referred to the undue increase of imports into the British markets, nor had he speculated as to the possibility that a restriction of exports might raise prices to an extent that would more than offset any disadvantage suffered through abstention from exporting a portion of their butter. He had sought only to make clear that there had been no dragooning on the part of the British Government. The proposal to restrict imports had been made first by the New Zealand Government to the British Government, which had afforded an opportunity for a discussion of the subject, and had submitted the issue to the Commonwealth Government for consideration.

On 6th April, in the House of Representatives,

Hon. J. E. Fenton (**United Australia Party**, *Maribyrnong*) asked whether factories that were being established in Great Britain, and were really branches of big foreign companies, were to be regarded in the same light as long-established British industries and receive preferential treatment under the provisions of the Ottawa Trade Agreement?

Further, would the Government have an inquiry made by the Resident Minister in London (Mr. Bruce) concerning the ramifications of these foreign companies, with a view to ascertaining just how far they would compete with Australian industries?

The Attorney-General, in reply, said that the conditions of British preference were as set out in the Tariff. They depended upon the amount of British work and material contained in the goods that were imported. It was not proposed to alter the arrangement which had been in operation for many years. He was afraid that the suggested inquiry would be a most expensive one. He would look into the matter to see whether any general information could be obtained on the subject.

On 17th May,

The Minister for Commerce (**Hon. F. H. Stewart**), in reply to a question, said that since the Commonwealth Government informed the British Government that, acting on the recommendation of the Dairy Produce Export Control Board, it was not prepared to submit to any regulation of butter exports from Australia to Great Britain, no further communication of any kind had passed between the two Governments on the subject.

TRADE WITH NEW ZEALAND.

(Embargo on Australian fruit; Trade Delegation to New Zealand.)

On 8th March, in the House of Representatives,

The Minister for Health (**Hon. C. W. C. Marr**), in reply to a question, said that the New Zealand Government had placed an embargo on the importation of Australian fruit and vegetables towards the end of last year.

Delegation to New Zealand.

On 9th March,

The Prime Minister (**Rt. Hon. J. A. Lyons**) intimated that the Government had made arrangements for the Assistant Treasurer (Sen. the Hon. W. Massy Greene) to visit New Zealand to discuss with the Dominion Government trade matters generally, as well as the particular question which had arisen with respect to the importation of fruit. The Commonwealth Government had urged upon the Government of New Zealand that a restoration of the *status quo* in regard to the importation of fruit, pending a discussion between representatives of the two Governments, would be in the ultimate interest of both countries.

LONDON CONVERSION LOAN.

On 8th March, in the House of Representatives,

The Prime Minister (**Rt. Hon. J. A. Lyons**) intimated that the Conversion Loan recently floated in London was to cover a New South Wales 4 per cent. Loan of £9,621,000, maturing in London on 1st July next. The loan had been issued at 4 per cent. at par, and was redeemable in 1970, subject to the option of the Government to redeem it at any time after 1955 on three months' notice. It had been underwritten in the usual manner. The subscriptions received had amounted to

£6,184,000, the underwriters being left with the balance. The terms of this loan compared favourably with those of the Conversion Loan issued in London in October last to cover the New South Wales Loan of £12,360,000. On that occasion, a short-term loan with a currency of five years, had been issued, the terms being $3\frac{1}{2}$ per cent. at £97 10s., and the yield to the investor £4 1s. 2d. per cent.

OVERSEAS DEBT.

(Interest rates ; Conversion proposals ; War Debt to Great Britain ; Monetary and Economic Conference ; etc.)

On 17th May, in the House of Representatives, Mr. Scullin secured the adjournment of the House

"in order to direct attention to the failure to achieve a reduction of interest on Australian overseas loans."

DEBATE IN HOUSE OF REPRESENTATIVES.

Rt. Hon. J. H. Scullin (Leader of the Opposition) said that of their total overseas indebtedness, loans amounting to over £300,000,000 bore interest at from 5 per cent. to $6\frac{1}{2}$ per cent., and £43,000,000 of that sum bore interest at from 6 per cent. to $6\frac{1}{2}$ per cent. Those rates were almost double what they ought to be in these times. The annual interest bill on their overseas debt amounted to about £28,000,000 sterling, or £35,000,000 in Australian currency. Double the quantity of products the value of which had equalled those loans at the time the debts were contracted now had to be sent in order to discharge interest liability.

During recent years some nations had defaulted; others were threatening to do so. The honourable record of Australia entitled their people to more sympathetic consideration than they were getting.

War Debt.

Sympathetic support from the British Treasury and the banks and other financial groups in Great Britain would have ensured the success of a large Australian conversion loan months ago. When the War Debt was suspended two years ago, they had appreciated the temporary relief so afforded. But it had been contended that the War Debt should be funded on terms at least as favourable as those on which Britain's debt to the United States of America had been funded. Britain's answer to that request had been that under the funding arrangement between Britain and Australia the rate of interest was approximately the average rate payable on Britain's internal loans. Although interest payments on the War Debt had been suspended, their debt was still accumulating at a high rate of interest. As the British Government had benefited by the reduction of interest on its internal loans, Australia was entitled to a reduction of interest on its War Debt to Britain. The British Government could have given a lead to the British bondholders and British financial interests, and Australia would then have obtained reductions similar to those which Britain herself now enjoyed on loans within her own borders.

Conversion negotiations.

They had read in the Press that a grave hitch had taken place in the negotiations for the conversion of Australia's overseas indebtedness. The reasons advanced for this were the unsettled state of Europe, the growing menace of Hitlerism and the possible failure of the Disarmament Conference. These were excuses. On the 13th of the month, a British loan of £50,000,000 at $2\frac{1}{2}$ per cent. had been over-subscribed by £28,000,000. On the 11th instant an Indian loan of £12,000,000 at 4 per cent. had been over-subscribed. He believed that the real reason was contained in a statement made in a British newspaper that the British Treasury had set its face against the conversion of Australia's overseas debt until the larger proportion of the British floating debt had been converted at $2\frac{1}{2}$ per cent.

Australia's record.

Mr. Scullin added that he was convinced that plain speaking was now required. Those financial authorities overseas should be told that the Australian people were losing patience with the selfish attitude that was being adopted towards an honourable member of the British Commonwealth of Nations. The people of Australia, through their Governments, had made great sacrifices to balance their Budgets and to make their credit good, and they now looked for some return. Australia was not begging for charity, but was simply looking for justice.

Reasons for delay.

The Prime Minister (Rt. Hon. J. A. Lyons) said that, apart from the Ottawa Conference, the particular mission of the Resident Minister in London (Mr. Bruce) was to try to obtain some relief for Australia in respect to the interest burden on her oversea indebtedness. Everything that could possibly be done to that end in London had been done by Mr. Bruce, and everything that could be done in Australia had been done by the Government. They had kept their word and had met their obligations. He could not reveal in public particulars of the negotiations, but he assured the House that no further action based on sound principles could be taken. The Australian Loan Council was composed of representative Ministers of all the Governments of the Australian Commonwealth. Having exhaustively considered information unreservedly placed before it, the Council had unanimously expressed the opinion that everything possible had been done, and that the present was an inopportune time to approach the money market on the other side of the world.

Monetary and Economic Conference.

Mr. Scullin had claimed that the forthcoming Economic Conference and the negotiations regarding disarmament did not afford sufficient reason for delay in the matter. He (Mr. Lyons) emphasised that the effect of these events had already been manifested by the fall in price of their stocks in London. There had been times when it had been thought that the opportune moment had arrived, but an overnight change in the situation had altered the complexion of affairs. Again that had occurred. The Government was of the opinion that in view of the disturbed conditions in Europe and the imminence of the Economic Conference it would be unwise to attempt any major conversion at the present juncture.

War Debt to Great Britain.

The Attorney-General (Rt. Hon. J. G. Latham) said the Leader of the Opposition had referred to the interest rate charged on the amount of War Debt, which was originally some £92,000,000, owed directly by Australia to the British Government. The Government agreed with Mr. Scullin that there should be a reduction of the rate of interest. At the present time, however, no payments were being made, and in the judgment of the Government, it was better to act in the hope that those payments would never be asked for and never be resumed, than to initiate negotiations upon the basis that they would be resumed. If proposals were made from Australia now for an amendment of the Agreement, it would be upon the basis that the performance of the Agreement would have to be taken up again in the future. They sincerely hoped that one result of the Economic Conference, and of similar negotiations, would be that they should not be called upon to make further payments of this debt. In view of the change that had taken place in the rate of interest which the British Government was paying for internal monies now, it would be difficult to raise any objection—and he would be surprised if any serious objection were raised—to a reduction of the interest rate in the manner suggested by Mr. Scullin.

BANKING AND CURRENCY.

(The Commonwealth Bank; Failure of banking system; Nationalisation of banking; The Ottawa Resolution; A central bank.)

On 31st March, in the House of Representatives, the Leader of the Opposition moved the adjournment of the House to discuss

"the necessity for an inquiry into banking operations and their effect upon Australia's economic position."

DEBATE IN HOUSE OF REPRESENTATIVES.

Rt. Hon. J. H. Scullin (Leader of the Opposition) said that Parliament owed it to the nation to use its power over banking conferred by the Constitution. The Commonwealth Bank had done great service to Australia, although in recent years its operations had been seriously restricted by Government policy. It was his firm conviction that these restrictions should be removed, so that the Bank might be free to extend its operations.

Failure of banking system.

The monetary machine had failed to meet the requirements of the people in almost every country, including Australia. The part the Australian banks had played in creating a boom and in accentuating depression, first by the expansion of credit and then by its contraction, should be thoroughly examined. Those who had the power of expanding and contracting credit held enormous power over every industry and, to a very large extent, controlled Governments and policies. That was too great a power to be left in the hands of institutions whose principal aim was profit. Banking should be under complete national control, and to that end the powers and activities of the Commonwealth Bank should be extended.

Creation of credits.

The control of the note issue and coinage was reserved to the nation, but the creation of credits was still in the hands of private banks. In good times the banks inflated credits in order to make larger profits; then, when signs of depression were seen, they began to deflate. Thus they had a circle of inflation, followed by deflation, depression and industrial and commercial stagnation.

Burden of interest rates.

Banks controlled interest rates which to-day were a crushing burden. Some reduction had been made, but industry could not continue to bear the present rates. The banks claimed special credit because they had given assistance to Governments during the last three years. The Treasury bills they had taken up in order to finance Government activities were probably the most profitable investments they could make, because they had been able to use a large amount of their cash reserves. Moreover, they did not take up the bills unless they had the assurance that the Commonwealth Bank would discount them at any moment. The real risk had been taken by the Commonwealth Bank.

Nationalisation of credit.

Credit in reality was public confidence. Yet the Governments of Australia, which represented the public, had to borrow from the private banks what really belonged to the public, and to pay interest upon it. He did not believe that credit could be created *ad libitum*: there were limitations. But those limitations would be fewer in the case of a national than in the case of a private institution, because of the greater degree of confidence that the public would have in their own concern.

The Ottawa Resolution: a lead from British Empire.

Mr. Scullin added that it might be said that they were looking for monetary reform on an international basis, and that the Ottawa Conference had carried a Resolution affirming that the British Empire should give a lead to other nations. It might also be urged that they should await the outcome of the Monetary and Economic Conference. While practical proposals from that Conference would be welcome, they could not afford to wait for reform on an international scale, but must proceed immediately to set their own house in order. As a preliminary step, he urged the appointment of an impartial and competent Royal Commission to inquire into every phase of banking and currency in Australia.

Government's policy.

The Attorney-General (Rt. Hon. J. G. Latham) said that the suggested inquiry would be the first step towards obtaining material upon which a policy for the nationalisation of banking might be founded. At present, the management and control of banking, subject to legislative regulation, was in non-political hands. The Government stood for the retention of the control of banking, whether through the Commonwealth Bank or through other banks in non-political hands. Their banking position was sound. The people had complete confidence in Australian banking. This was shown by the increase in deposits during the difficult period they had recently experienced.

Reduction of interest rates.

One of the most important elements was the interest rate. A definite policy had been followed by the Commonwealth Bank in co-operation with the banks of the country with the object of bringing down the price of money; but it would not be brought down by any form of direct action; that was one of the most certain ways of raising it, because it would destroy confidence and make investors less willing to lend. On 1st January, 1931, the overdraft rate at the Commonwealth Bank was $6\frac{1}{2}$ per cent. At present it was $4\frac{3}{4}$ per cent. The rate for rural credit advances was 6 per cent. on 1st January, 1931, and was now $4\frac{1}{4}$ per cent. The fixed deposit rate for twelve months was 5 per cent. on 1st January, 1931, and to-day it was $2\frac{3}{4}$ per cent. The Treasury bill discount rate at 1st January, 1931, was 6 per cent., and at present was $2\frac{3}{4}$ per cent. The Commonwealth Savings Bank deposit rate was 4 per cent. on the first date, and was now $2\frac{1}{2}$ per cent. Similar figures were not available in the case of private banks. But it was well known that overdraft rates had been reduced. A reduction had occurred in all banks, and a condition of further reduction was the maintenance of confidence.

There were few things which at present, apart from legislation directed absolutely against the banks, could undermine the sense of confidence and security more than to hold a general inquiry, to overhaul and rake the whole of the banking system as the first stage of the nationalisation of currency and credit. They had seen in recent years that in direct proportion to the extent and strength of propaganda for the national control of credit, the national credit had gone down, and when the propaganda had ceased, or had been defeated upon the political arena, national credit had risen.

Banks and mortgagors.

The short-term accommodation provided by the banks to assist the Governments of Australia now amounted to the large sum—taking London and Australia together—of £86,470,000. In that instance there had been an extension of credit which was very real. Anybody with any knowledge of private finance in Australia at present was aware that mortgagors all over the country were being carried. That had been to the advantage of the community as a whole, and, ultimately, would prove advantageous to the financial institutions themselves. No facts had been adduced which indicated the desirability of an inquiry into banking operations in Australia. On the contrary, the facts showed that it would be very wise at the present time to leave well alone, and to allow the development in the reduction of interest rates along sound lines to proceed further as it was taking place to-day.

A central bank.

Mr. Latham added that the Government hoped at an early stage to consider the desirability of some degree of reorganisation of the Commonwealth Bank in order to clothe it with all the attributes of a central bank. They proposed to consider the separation of the central bank from the trading bank at present conducted by the Commonwealth Bank.

The resistance to political interference with the banking system had been a wonderful thing for Australia in recent years, and it would be wise to continue that policy. To speak of the nationalisation of credit was to tread on very dangerous ground; he believed it would mean the destruction of credit, and the ruin of values.

NEW ZEALAND.

The following summary deals with the further proceedings of the Second Session of the Twenty-fourth Parliament which was resumed on 26th January (after adjournment from 9th December, 1932) and ended on 10th March, 1933. It is in continuation of the summary given in the last issue of the JOURNAL *(Vol. XIV., No. 2).*

NEW ZEALAND DEBT CONVERSION ACT.

(" Voluntary " conversion, with penalty for dissent; Reduction in general interest level; Effect on Budget; External debt; Local-body debt; Savings certificates; Increase in currency suggested; High exchange rate blamed.)

This Act provides for the conversion of the internal Public Debt of New Zealand to a 4 per cent. basis.* It was assented to on 4th March, 1933.

The main provisions are as follow:—

It applies to all bonds, debentures or stock charged upon the public revenues of New Zealand and issued at any time before 1st April, 1933, if

(A) The rate of interest payable thereon exceeds 4 per cent., and

(B) Either the place fixed as at 31st March, 1933, for the repayment of interest or the place so fixed for the repayment of principal is in New Zealand. (*Sect.* 2.)

Holders of existing securities may make application for conversion (*Sect.* 4) or may signify dissent. (*Sect.* 7.)

In the absence of notification of dissent, holdings to be converted into new securities as if application had been made for conversion. (*Sect.* 5.)

In the case of existing securities issued free of income tax, interest on the new securities is to be free of income tax up to the half-yearly interest date next following the maturity date of the existing securities, and thereafter is subject to income tax. (*Sect.* 14.)

Every new security shall be redeemable at par on one of the maturity dates specified (1943 and 1952 in the case of new securities exempt for any period from income tax, and 1940, 1946, 1949 and 1955 in all other cases)—the new securities issued to any holder to be allotted, as nearly as practicable, equally among the appropriate maturity dates. (*Sect.* 15.)

The rate of interest payable on the new securities to be

(A) In the case of securities the interest on which is exempt from income tax for any period—3½ per cent. for such period, and thereafter 4 per cent.

(B) In all other cases—4 per cent. (*Sect.* 16.)

* The 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.

Where, as the result of conversion, interest is not reduced by more than 20 per cent., the new securities to be for the same aggregate amount as the existing ones. (*Sect.* 17.)

In the case of existing securities bearing interest at a rate involving, on conversion, a reduction in interest of more than 20 per cent., the holder to receive new securities to the amount of his existing holding, increased by a premium, at the rate set out in the Schedule to the Act, in accordance with the unexpired term of the existing securities. (*Sect.*18.)

For the purpose of preventing undue hardship, the Public Debt Commission may, if it thinks fit, purchase new securities from any holder at a price in excess of the market price, but not above par. (*Sect.* 26.)

DEBATE IN HOUSE OF REPRESENTATIVES.

On 28th February, in moving the Second Reading of the Bill,

The Minister of Finance (Rt. Hon. J. G. Coates) said the fundamental cause of New Zealand's present position was the fall in prices for their exportable products; there had not been a similar fall in interest, rents, wages, fees, taxes, and other payments for services. They desired to narrow the margin between costs and prices. If they could bring about lower market rates of interest this would be a material factor in lessening the working expenses in all forms of business. Again, reduced interest would certainly have a direct effect upon the Budget. But that was not the main consideration. The Government believed that the time had arrived when they should create a new interest level—that there should be a lower interest level in regard to both long-term and short-term money. Their rates of interest and bank rate were higher than in Australia and the United Kingdom.

Arrangement with the banks.

They had been in negotiation with the banks, who had agreed to lower their rate from 6 to 5 per cent. from 1st May. The Government proposed to introduce legislation granting certain relief to the banks in respect of income tax.*

Other interest rate reductions.

Several of the stock and station agency companies had written to him that night saying they would reduce their rate to 1 per cent. above the bank rate. The reduction in the rate of interest for short credits would be a definite incentive to all forms of industry. The Post Office Savings Bank rate would be reduced to 3 per cent. and the rate payable by other savings banks accordingly. If, however, as a result of the lowering of the rate, money left the Post Office Savings Bank, the Government reserved the right to increase the rate by

* This was done in the Land and Income Tax Amendment Act, assented to on 9th March, 1933.

¼ per cent. They did not propose to lower the present rates of investment companies, trading companies or building societies, for very little money was drifting in their direction.

The conversion scheme.

After referring to the magnificent achievement of the recent British conversion and the satisfactory results following a somewhat similar operation in Australia, Mr. Coates said the first step towards a lower interest basis generally must be a downward conversion of existing securities. The Bill was to enable a conversion offer to be made to all holders of Government securities domiciled in New Zealand. The amount of debt concerned was approximately £115,320,000, but of this about £45,800,000 was held by the Post Office or Treasury Accounts. The basis of the conversion proposal was a reduction of 20 per cent. in existing rates of interest, with a minimum of 4 per cent.—apart from free-of-income-tax securities—for the balance of the term of the existing securities, and an actual return of 4 per cent. only from then until the maturity date of the new securities. The debt affected was £69,514,387,* and, when converted, it would amount to £70,031,142. Debt at present bearing interest at 4 per cent. and under was not affected. Securities bearing interest at from 5⅛ to 6 per cent. would be convertible into 4 per cent. securities, but the effective yield to investors for the balance of the present currency would be higher in each case, as a greater amount of the new stock would be received by them.

Penalty for non-conversion.

An appeal was made to investors to assist the country by converting their holdings, but if no notification was received within the prescribed period, assent would be assumed and conversion would follow. Holders had the right to dissent, but if they did so their interest receipts would be subject to the existing stamp duty and any other special taxation on interest that might be imposed.† Holders who converted would be free of the present stamp duty, and the interest from the new securities would not be subject to any other special taxation.

Effect on Budget.

Including savings to be made by reducing rates of interest on securities held by the Post Office and the Treasury, the gross saving in interest on the £115,320,000 of internal debt would be approximately £1,000,000, and the net gain to the Budget was estimated at about £570,000. Investors were

* The balance of the internal debt (mostly held by the Post Office) already bore interest at rates not exceeding 4 per cent.

† *Vide* Finance Act, p. 568.

called upon to make a sacrifice, but the purchasing power of fixed incomes derived from interest had increased and therefore the 20 per cent. reduction in nominal rates would not be the measure of investors' sacrifice.

Local bodies.

When it is remembered that 440 local bodies had securities, hon. Members would realise that it was not possible to convert the local body debt to $4\frac{1}{2}$ per cent. A Bill would come down after this Bill providing that, as local bodies could convert to the lower rate of $4\frac{1}{2}$ per cent., so they might carry that into effect; but in any case it did mean practically a 20 per cent. reduction in all interest rates paid by local bodies.*

Spreading of maturity dates.

The fixation of six definite maturity dates ranging from 1940 to 1955 for the whole of the internal public debt would result in the spreading of the debt in manageable proportions over the next 22 years, and would also eliminate problems of conversion for the next 7 years.

The offer of conversion did not extend to any cases where both principal and interest were payable out of New Zealand.

Mr. M. J. Savage (Labour, *Auckland, W.*) said the Bill was an attack not only on the incomes of the wealthy but also a heavy attack on the incomes of the comparatively poor. Apparently the private banks were to be immune from anything in the way of compulsion, whereas, in effect, every State trading and lending institution was to have compulsion applied. Why should the bondholder be the only lender to make a sacrifice? Had not the time arrived for considering the application of similar legislation to all loans, public and private? Members would be compelled to support the Bill because on the whole it provided an orderly means of bringing interest rates down instead of waiting for a crash as the result of default.

Increase in currency as alternative.

Recent legislation, including the exchange rate, had had an effect similar to the proposals in this Bill. It depreciated the currency of New Zealand without adding one shilling to it. Even worse than that, it was going to take money out of circulation—it was going into cold storage. An increase of the currency by the use of the public credit for the purpose of reconstruction would have the very opposite effect. In the absence of a properly ordered use of public credit for reproductive purposes, the present rates of interest could not stand. Unless the Government's policy was completely reversed, disaster faced the Dominion. The annual payments into the Unemployment Fund were sufficient to pay reasonable charges on an amount of money that would make the wheels of industry in the country fly.

* *Vide* Local Authorities Interest Reduction and Loans Conversion Act, p. 569.

The Prime Minister (Rt. Hon. G. W. Forbes) appealed to holders of Government stock to avail themselves of the provisions of the Bill and thus assist in easing the load the country was carrying. If the object of the conversion scheme was attained, not only would the interest load on the community be lightened but the national credit of the Dominion would be greatly enhanced. Some would say that the country should maintain the present rates of interest on Government securities in fulfilment of contractual obligations, but, in asking for the impossible, the effect under existing conditions would inevitably be a deterioration of the securities. A general lowering in the level of interest charges in New Zealand would help to increase the returns of industry, release frozen capital and make for reduction of costs. Industry would be enabled more easily to obtain such capital as it needed, and on better terms. The continued existence of a very large amount of Government stock yielding a relatively high return was an artificial obstacle to a fall of interest rates to a lower level. If bondholders co-operated with the Government they would protect their own securities and help the country as well.

They had passed legislation giving mortgagors a very substantial reduction in their rates of interest. The only class of interest which had not been reduced was that upon Government securities, though they had certainly imposed a 10 per cent. stamp duty on such interest. Much as they would have liked to have refrained from interfering with the incomes of holders of Government stock, it had become clear, in view of the further fall in their produce prices, that they must face a reduction in interest.

Mr. H. E. Holland (Leader of the Opposition) said there was general agreement that the Bill was inevitable, but it was inevitable only because of the policy which the Government had pursued. Given the conditions they had to-day, interest reductions had to come sooner or later. It seemed to him they had come about two years too late.

The extent to which the Budget would benefit from the conversion scheme was a fraction over £500,000. The Prime Minister had spoken about balancing the Budget and keeping New Zealand sound. How could they keep the country sound on £500,000 when they were £10,000,000 behind?

External debt conversion.

The matter of interest reductions could not stop with those provided for in the Bill. They would have to turn their attention to their overseas debt, because unless there was some drastic change the country would not be able to meet its liabilities overseas—especially in view of the low prices being paid by Britain for their primary products.*

"Voluntary" conversion.

It seemed absurd to describe as voluntary conversion something that was compelled—a conversion brought about by not only the threat but the actuality of compulsion. It was almost amusing to hear the Prime Minister pleading to the bondholder to make a voluntary conversion while his Minister of Finance was telling the bondholder that unless he did convert he would find himself loaded with a stamp duty which the bondholder who converted would not have to pay, and, in addition, extra interest taxation which might yet be imposed.

No one could oppose the Bill, but it would be foolishness to say that this legislation was going to result in any great beneficial change for New Zealand as a whole.

Hon. W. Downie Stewart (Reform, *Dunedin W.*) said there were many quite patriotic people who could not volunteer to take less than the State agreed to pay them. In Australia these people got short shrift, but he did not want to see that happen in New Zealand. There was no similar justification such as was put forward in Australia when compulsion was applied there. Australia, as the Leader of the Opposition had stated, openly pointed out that if the reduction were not made default was inevitable. But that was not the position in New Zealand.

High exchange rate blamed.

If the interest bill was proving very burdensome it must be due to the effect of the heavy extra burden imposed on the Budget by the high exchange. Without conversion and without the higher exchange, the deficit would be in the neighbourhood of £800,000, but with conversion, and with the high exchange, it would be in the vicinity of £4,000,000. That had a very important bearing on this conversion scheme and how far it was necessary to make it in effect a compulsory conversion.

As regards the British conversion, the Government of England had the right to convert and money was abundant and cheap. In New Zealand they had no large loans falling

* Speaking at the Monetary and Economic Conference on 15th June, the Prime Minister (Rt. Hon. G. W. Forbes) said: "It does not seem possible to escape the conclusion that, unless commodity prices can be raised so as substantially to reduce the real burden of existing public and private debts, there must be a general scaling down of these debts. Indeed, such action may in any case be necessary, not as an alternative, but in addition to the raising of the price level."

due for some time and they had no option to repay holders at present unless they could persuade them to convert or to accept payment.

Higher taxation preferable to breaking contracts.

The State should avoid any compulsory interference with these contracts; it was the keeper of the conscience of the whole community, and whilst it might be said that contracts were being broken in other directions, they had not yet reached the point where the State could afford to break contracts where its own interests were involved. It possessed the power to impose taxation on gilt-edged incomes, and if it followed that course it could not be accused of repudiation or default—provided the taxation was applied to all investment income without discrimination. One other advantage was that taxation need not be imposed any longer than the duration of the emergency.

Mr. J. A. Lee (Labour, *Grey Lynn*) agreed with Mr. Downie Stewart that a conversion that was not voluntary was a default by the State and would damage the credit of New Zealand. But repudiation must follow wage cutting, because the foundation of all profit and loss accounts and of all incomes was the purchasing power of the people. This Bill was simply a further deflationary act. It might help them temporarily to balance their Budget but it would not increase the purchasing power or prosperity or aid the velocity of exchanges in New Zealand, and in a short time they would find it only an expedient leading again to a further breakdown of the system they knew. It was a reduction of the quantity of income in the pool. The best method of achieving an interest reduction would be to internally deflate the purchasing power of the pound by the expansion of internal currency to an extent such as would restore internally the 1928 prices. What was necessary was an expansion in the standard of living that would enable the overwhelming masses on the bottom rung of the ladder, who to-day were only able to enjoy the bare necessities of life, to reach out and enjoy the luxuries produced as the result of modern machine production.

Cheap money not enough.

Would cheap money return prosperity? In London there was plenty of cheap money, and they had depression at its height. It was not cheap money in the bank vaults that was required but money in the form of purchasing power, and this Bill was not going to do anything in the form of freeing money to be used in the processes of industry.

External debts.

They were told that this internal conversion was preliminary to an external conversion; but they heard that story in regard to Australia. They were told that if Australia would only put her house in order the British moneylender would soften his heart and reduce his rate of interest. But to-day, when the whole world was defaulting to Britain, Australia was being compelled to pay the uttermost farthing. They would have to tell Great Britain that unless she was willing to give them a price index for their commodities they could not continue to pay her interest in full. More parts of the world than they liked to admit would have to follow Mr. Lang. In fact Great Britain to-day was standing cap-in-hand in Wall Street asking to be forgiven her war debt and telling America that she could not both pay that debt and buy America's goods. In their case, too, but for the debt they had to pay to Great Britain, they would be buying Britain's goods and employing the British worker, and Great Britain would be buying their goods and employing their workers.

Indirect benefits.

Mr. C. A. Wilkinson (**Independent,** *Egmont*) pointed out that there were many businesses carrying on with a very heavy load of overdraft debt, and indirectly because of the Bill bank overdraft rates were to be reduced. That would mean that fixed charges in many businesses producing goods necessary to the working man would be reduced, which, in turn, would reduce the cost of the goods. The working man paid his interest when he bought his foodstuffs or his clothing and when he paid his rent. Everything that reduced interest rates would relieve the burden on that man. The Bill evidently was part and parcel of an agreement made with the banking institutions of the country, which were to reduce their interest rates, and although this arrangement was not written into the Bill it was the most valuable part of the legislation.

Position of the banks.

In the negotiations which had taken place in connection with the Bill, the banks had taken up a very strong position indeed. Apparently at present it was not possible to promote legislation such as this without first entering into long negotiation with the banks. Admittedly the banks played an important part in the development and general conduct of business in New Zealand, but they should not regard the banks as anything more than trading institutions, and should place them on the same footing as other necessary businesses. Certainly the banks should not be allowed to assume the position of mastership of the country in financial matters.

On 1st March,

Mr. W. E. Barnard (**Labour,** *Napier*) said the Minister of Finance had mentioned that the Bill was one to reduce costs—to bring costs into line with falling prices. He did not appear to realise that what constituted costs for one man constituted income for some other man, and that in reducing the incomes of some 70,000 institutions and persons by means of the Bill the Government was not so much putting money into cold storage, as had been suggested, as destroying money altogether —putting it out of circulation.

Mr. H. G. Dickie (**Reform,** *Patea*) pointed out that the debts due to New Zealand banks amounted to £50,000,000 and therefore that the interest reduction of 1 per cent. amounted to £500,000 per year. That money was not going into cold storage. If the business people of New Zealand were to receive £500,000 from the banks alone, that money would be spent in the exchange of goods and services and must to some extent increase employment.

Low rate of interest payments on overseas debts.

Hon. A. D. McLeod (**Reform,** *Wairarapa*) while agreeing that there might be necessity for opening up negotiations with regard to overseas debts, said that over the last two years they had paid little over 3 per cent. on their indebtedness to Britain, by the mere fact that they had had the whole of the payment of their war debts remitted for two years.

Mr. J. McCombs (**Labour,** *Lyttelton*) wished to emphasise that, with all its taxation, with all this adjustment of interest rates, the Government had not yet filled the artificially-created gap in the public finances caused by its artificial exchange policy. The gap amounted to £3,800,000. The estimated immediate saving of £570,000 per annum left out of the calculation the increased capital indebtedness that would have to be paid by some future Government.

The Minister of Agriculture (**Hon. C. E. MacMillan**) said they were told they should do what was done during the War, and that if credit was required the Government should set the printing-press going and issue more currency. Most of their difficulties, and the difficulties of the world as a whole, were due to the fact that practices of that sort were indulged in so freely during the War.

It had been stated from the other side of the House that a reduction of 1 per cent. in an individual's overdraft was not going to help very much. Farmers and all business people were interested not merely in the overdrafts they themselves had from the banks. Nearly everything they produced or purchased obtained accommodation at one time or another and was subject to a charge from a lending institution.

The Minister of Finance, replying to the debate, said the assistance this move would give the Budget was not their main concern, though it was a secondary consideration.

There must be Budget equilibrium, of course, but that policy must be applied with reason. The lowering of the interest rate was of far reaching importance—more so than the one factor of balancing the Budget.

Just cause for complaint.

There was one class of holder they were concerned about and that was the investor who acquired his securities in the 5 per cent. loan that closed two days previously. It was a splendid response. They sought to get £5,000,000 and over £4,000,000 was taken up by the public.

An hon. Member : " Is the interest on that money going to be reduced ? "

The Minister of Finance : " Yes. We admit that those people have a just cause for complaint, but how can we exclude them ? " The Prime Minister had said that he could not guarantee that they could continue to pay the rate then ruling.

Post Office Saving Bank certificates.

Post Office Savings Bank certificates were not included under the Bill, but in the Measure which was to follow* they would be included and subjected to a cut of 20 per cent.

The Bill was read a second and a third time on 1st March, without a division.

FINANCE ACT.

(Special interest tax on unconverted Government securities ; State advances, Rural Intermediate Credit and Land Settlement Association securities, and Post Office Investment Certificates.)

The purpose of this Act, which was assented to on 9th March, is to make provision for the imposition and collection of a special tax on interest derived from certain Government and other securities.

The principal provisions are as follow :—

The Act applies only to—

(A) Existing Government securities bearing interest at a rate in excess of 4 per cent., if the place fixed for payment of interest or repayment of principal is in New Zealand.†

(B) Existing State Advances, Rural Intermediate Credit or Land Settlement Association securities, if the place fixed for the payment of interest or repayment of principal is in New Zealand.

(C) Existing Post Office Investment Certificates. (*Sect.* 4.)

* Finance Act, *vide* this page.

† *i.e.*, all holdings dissented under the Debt Conversion Act, *vide* p. 559.

Interest-tax at the rate of 33⅓ per cent. thereof is to be charged on the interest on Government securities affected. (*Sect.* 5.)

Interest-tax at the rate of 20 per cent. thereof is to be charged on interest on existing State Advances, Rural Intermediate Credit and Land Settlement Association securities. (*Sect.* 6.)

On redemption of Post Office Investment Certificates maturing after April, 1933, interest-tax is to be charged at the rates set out in the Schedule to the Act. (*Sect.* 8.)

Interest-tax paid is deductible from assessable income by way of special exemption under the Land and Income Tax Act. (*Sect.* 10.)

Stamp duty (at the rate of 10 per cent.) previously chargeable on interest, under the provisions of the National Expenditure Adjustment Act, 1932, is not to apply to interest on which interest-tax is payable under this Act. (*Sect.* 11.)

LOCAL AUTHORITIES INTEREST REDUCTION AND LOANS CONVERSION ACT.

(Reduction of interest rates : 4¼ per cent. basis ; Powers of conversion, with penalty for dissent.)

This Act was assented to on 9th March.

The Act consists of three Parts, of which the main provisions are summarised below.

Part I. provides for reduction and limitation of rates of interest.

Provision is made for reduction of interest rates on existing local body securities held in New Zealand by 20 per cent. or to 4¼ per cent. per annum, whichever rate is the higher, and for a similar reduction of interest rates on loans raised after 31st March, 1933, pursuant to authorities existing on that date. (*Sects.* 5 *and* 6.)

The power of borrowing moneys by hypothecation or mortgage of debentures may hereafter be exercised only with the precedent consent of the Governor-General, given by Order in Council, which shall prescribe the maximum rate of interest which may be paid on moneys so authorised to be borrowed. (*Sect.* 7.)

Part II. deals with the conversion of local body loans, and provides that the power of local authorities to convert existing securities shall be subject to, and in accordance with, Order in Council. (*Sect.* 9.)

Every local authority proposing to convert existing securities must make application to the Local Government Loans Board, which shall report to the Minister its decision regarding the application, with a view (if the application is recommended) to the issue of the necessary Order in Council. (*Sects.* 10 *to* 12.)

No Order in Council consenting to conversion is to be issued after 31st March, 1935. (*Sect.* 15.)

Where dissent from conversion of existing securities is signified, the rate of interest payable (as reduced by Part I. of this Act) is to be further reduced to a rate which is 33⅓ per cent. lower than the rate originally prescribed by the securities. (*Sect.* 18.)

Part III. provides for the exemption of interest on local body securities from the stamp duty (10 per cent.) formerly payable under the National Expenditure Adjustment Act, 1932 (*Sect.* 21), and for adjustments between creditor local authorities and debtor local authorities (*Sect.* 22).

CUSTOMS DUTIES AND SALES TAX.

(Increased duties on sugar, tobacco and motor spirits; Export duty on gold; Sales tax of 5 per cent. on wholesale selling value.)

On 8th February, in Committee of Ways and Means, in the House of Representatives, the Minister of Customs moved a series of Resolutions increasing the Customs duties on sugar and motor spirits, the Customs and Excise duties on tobacco, and the export duty on gold; and levying a Sales tax.

The Resolutions were agreed to on 8th February by 43 votes to 28.

A Sales Tax Bill, ratifying the last-mentioned Resolution, was introduced and read a first time on 10th February. The Second Reading was carried on 16th February, after enforcement of the Closure, and the Bill committed. After very protracted debate the Bill was reported, with Amendments, on 22nd February and, after further debate, read a third time on the same date. The Act was assented to on 9th March.

DEBATE IN HOUSE OF REPRESENTATIVES.

The Minister of Customs (Rt. Hon. J. G. Coates), in the course of a statement explaining the Resolutions, said it was quite evident that the budgetary situation could not be kept under control—and that must be done at all costs—without obtaining a substantial amount from additional taxation. It was proposed to obtain about £2,500,000 by additional taxation. The Resolutions proposed an increase in the duty on refined sugar from 1d. to 1¼d. per pound and an increase on pipe tobacco of 8d. per pound, making the duty 6s. 10d. per pound for cut tobacco and 6s. 8d. per pound for plug. The rates of excise duty on locally grown leaf were also increased by 8d. per pound, to 4s. 0½d. and 3s. 10½d. in the case of cut and plug tobacco respectively. Provision was made for an increase in the duty on motor spirits to 11d. per gallon*—the additional revenue so obtained to remain in the Consolidated Fund and not be transferred to the Main Highways Account. In view of the premium now obtainable from gold exported, the Resolutions provided for an additional duty of 12s. 6d. per ounce of 20-carat fineness.

* In the Customs Acts Amendment Act, assented to on 28th February, 1933, the rate of duty was reduced to 10d.

The additional revenue expected to be received during a full year from these proposals was :—

	£
Sugar ...	300,000
Tobacco ...	100,000
Motor spirits ...	500,000
Export duty on gold ...	140,000
	£1,040,000

Sales Tax.

As existing methods of obtaining the public revenue were not obtaining the necessary results, the Government had given very careful consideration to the different systems which might be adopted for collecting increased revenue and had been driven to the conclusion that the best remaining method was by means of a sales tax. The system, although new to New Zealand, had been in force for varying periods in Canada, Australia and certain Continental countries.

It was proposed that the sales tax should be collected by the Customs Department, but he would like to correct any misapprehension that the sales tax was a species of Customs taxation. The essence of a Customs duty was that it was imposed only on imported goods, while the sales tax was to be paid on goods sold in the Dominion whether imported or not. There were various methods by which sales tax might be collected, *e.g.*, it might be charged when goods were sold to the consuming public, or when goods were sold by wholesalers to retailers, with special provision for goods manufactured and imported by retailers. Again, it might be charged on each occasion on which a sale occurred. The Government was of opinion that the second method, being in effect that in force in Canada and Australia, was most suitable for New Zealand conditions.

The tax was payable when sales were made by wholesalers, including manufacturers, to retailers or consumers. When, however, goods were manufactured by retailers, or imported by them, the tax was payable at the time of manufacture or of importation. Provision would be made in the Bill for the exemption of a large number of classes of goods.*

Rate of tax.

In Australia the rate was, he understood, now fixed at 6 per cent. That also was the rate in Canada. The Government had decided to adopt 5 per cent. as the rate in New Zealand, with a deduction of 5 per cent. for prompt payment.

* These exemptions are set out in the Schedule to the Sales Tax Act and include various kinds of foodstuffs, agricultural machinery, agricultural products and requisites, coal, cigarettes, cinematograph films, newsprint, printed books, motor spirits, mining machinery, etc.

It was expected that in a full year the amount which would be collected at this rate was £1,500,000.

Procedure for collection.

Every wholesaler and manufacturer (including retailers who manufactured goods for sale) would require to be licensed before 31st March. A small fee, not exceeding £1, would be payable on the issue of the licence, but it was not proposed to have annual licences or annual fees.

All wholesalers and manufacturers were required to deliver to the Collector of Customs monthly returns showing (*inter alia*) the sales value of goods sold or manufactured by them during the previous month and at the same time to pay the sales tax due on those goods. All retailers would be required to pay sales tax on goods imported by them when the goods were entered at the Customs for home consumption.

The sale value of goods imported by retailers was to be the value for duty, plus the duty, and in addition 20* per cent. of the total, the object being to bring the sale value as nearly as practicable to what would be the selling price to a retailer.

If the Collector was satisfied as to the correctness of the returns furnished by licensees he was authorised to accept the same and assess the sales tax accordingly; if not satisfied as to the correctness of the returns he was authorised to assess the sales tax at such amount as he thought proper. From an assessment of sales tax made by the Collector there was a right of appeal to the Minister or to the Court.† The Minister might himself hear the appeal or might appoint a delegate, who need not be a Government official.

Mr. J. McCombs (**Labour**, *Lyttelton*) said the Resolutions were for the purpose of recouping the Government on account of some of the losses to the Consolidated Fund arising from the artificial raising of the exchange. Consequently, this money was not being collected for public purposes; it was an imposition on the mass of the people and the proceeds indirectly were going to be transferred to the more fortunate section of the community. A more vicious piece of class legislation had never been attempted in New Zealand.

The Prime Minister (**Rt. Hon. G. W. Forbes**) replied that they were facing a deficit of over £6,000,000, apart altogether

* In the Sales Tax Act, as passed, provision is made for conversion into New Zealand currency of the value of imported goods for Customs purposes and for the addition of 25 per cent. (not 20 per cent.) to the sum obtained by adding the amount of Customs duty to the equivalent in New Zealand currency of the value of the goods.

† In the Act there is no provision for appeal to the Court, but only to the Minister.

from what might be invoked as a result of the increased rate of exchange. Whether the exchange rate had been altered or not the sales tax would have been necessary. When they realised how the finances of the country were drifting they knew they would have to impose what was undoubtedly an obnoxious form of taxation.

Mr. P. Fraser (**Labour**, *Wellington, C.*) protested not merely against this form of taxation, but against the method in which a new and novel form of taxation, so far as New Zealand was concerned, had been introduced—by way of Resolution. The reason advanced—that wholesalers would get rid of their stocks to retailers and the Government be unable to recover the tax—was not a sufficient reason for imposing a new form of taxation without knowing whether the House was agreeable. The sales tax was analogous in regard to introduction to a land and income tax rather than to a Customs Act. The whole principle should be debated in the House before such a tax was imposed.

The Prime Minister, referring to a charge that the Government had imposed a "diabolical" system of taxation, recalled that the Scullin Labour Government in Australia had brought in a sales tax on somewhat similar lines and that a sales tax system was in operation in Canada, in South America, in Australia, in Germany, in France and in Belgium. The Government was entitled to some appreciation of the fact that this tax was resisted until they were right "up against it" and could not avoid it. This method of taxation was recommended by the economists in their Report submitted some twelve months previously.

The Ottawa Agreement.

Mr. W. Nash (**Labour**, *Hutt*) said that at Ottawa the Minister of Finance had affirmed that he would reduce all taxation in New Zealand that adversely affected their import trade with the Old Country. Yet, after lifting the exchange rate by 15 per cent., which meant a flat duty of that percentage on all imports from Britain or elsewhere, he immediately levied a further special tax of 5 per cent. on all commodities imported.

Tariff Agreement with Australia: effect on British trade.

Mr. C. A. Wilkinson (**Independent**, *Egmont*) pointed out that the second Resolution provided "That nothing in the foregoing Resolution shall affect the Tariff Agreement between New Zealand and the Commonwealth of Australia."* With

* On 19th May, the Minister of Customs announced an increase, as from 1st June, 1933, in the duties on a number of classes of Australian goods on which, as a result of the 1922 Agreement with Australia, the rate of duty had hitherto been lower than on similar goods imported from Great Britain.

exchange between Australia and New Zealand at par, as at present, Australia had a 25 per cent. advantage over Britain. If this position was allowed to continue they would antagonise their best customer—Britain—because it was unthinkable that the British manufacturer could compete in New Zealand with a handicap of 25 per cent. as against the Australian manufacturer. In many cases also the Australian manufactured goods were subsidised by the Australian Government.

SILVER COINAGE.

On 7th March, in the House of Representatives, in moving the Second Reading of Finance Bill (No. 4),* a Measure dealing with a number of miscellaneous matters, mostly of small importance,

The Minister of Finance (Rt. Hon. J. G. Coates) drew attention to Clause 8, which authorised the making of arrangements with the Royal Mint for the minting of silver and bronze coinage of such special design as might be agreed upon, to be legal tender in New Zealand. After pointing out that the existing legal currency in the Dominion was the Imperial currency, although a certain amount of Australian money was also in circulation, the Minister said that since the increase in the rate of exchange there had been a drift of Imperial silver from New Zealand to the Homeland, which it had been impossible to stop, in spite of the regulations in force. As the rate of exchange made it inadvisable to import more silver from the United Kingdom, they were driven back on the alternative that New Zealand should adopt a silver coinage of her own. There was no disagreement between the Royal Mint and themselves, but present circumstances showed that the step forward was necessary.

Mr. H. E. Holland (Leader of the Opposition): " And it will be profitable, too. What amount is it proposed to mint ? "

The Minister of Finance: " Even that question has not been decided." They were asking the House to agree to a Clause giving the Government power to carry out negotiations with the Imperial Government to enable the scheme to be got under way. A Bill setting out the full details would be brought forward the next Session.

* The Act, which is styled " Finance (No. 2) Act, 1932-33," was assented to on 10th March, 1933.

SMALL FARMS (RELIEF OF UNEMPLOYMENT) ACT.

(Compulsory acquisition of land not fully utilised ; Lease with right of purchase ; Payment of rent from Unemployment Fund ; Doubts *re* advisability of increasing production ; British meat quota ; United Kingdom market and Britain's agricultural development policy.)

The purpose of this Act, which was assented to on 10th March, 1933, is " to make provision for the settlement of approved persons on small areas of Crown lands set aside for the purpose and on other lands that are not being utilised to their full extent, and thereby to mitigate the distress resulting from unemployment."

The main provisions of the Act are as follow :—

The Act is to be administered by a Minister, assisted by a small Board appointed by the Governor-General. (*Sects.* 3 *and* 4.)

The Board may appoint local Committees, with a Commissioner of Crown lands as Chairman in each case. (*Sect.* 5.)

The Board is to endeavour to promote the settlement of approved persons on suitable Crown lands, on terms to be prescribed by the Governor-General-in-Council. (*Sect.* 6.)

Where sufficient areas of unoccupied Crown lands are not available the Board may arrange for the acquisition by the Crown, by purchase or lease with right of purchase, of private land or for resumption of Crown lands held under lease. Except as provided in Sect. 14, the consent of the owner or occupier is necessary. (*Sect.* 7.)

Lands so acquired shall be disposed of by way of lease to—

(A) Persons registered as unemployed ;

(B) Others whose settlement would, in the opinion of the Board, tend to reduce unemployment and who are suitable for employment in rural occupations.

Leases shall be for a term not exceeding 10 years, and shall confer on the lessee a right to acquire the fee simple after 4 years. (*Sect.* 8.)

In lieu of acquisition of land by the Crown, the Board may arrange for the grant of a lease direct from a private owner to an approved person. (*Sect.* 9.)

The annual rent payable is to be fixed by the Board and be not less than 5 per cent. of the unimproved value or 2½ per cent. of the capital value of the land. (*Sect.* 11.)

The rent payable during the first four years of the lease may, in case of default by the lessee, be paid out of the Unemployment Fund. (*Sect.* 12.)

Land which, in the opinion of the Board, is not being adequately used may be compulsorily acquired, the owner or occupier having the right of appeal to a Stipendiary Magistrate and further appeal to the Supreme Court. (*Sect.* 14.)

In the case of land subject to mortgage, the mortgagee must be notified of the proposed acquisition of the land, and the Board shall consider any representations he may make regarding the price to be paid or the terms and conditions of any proposed lease, but the mortgagee shall be deemed to have consented to the acquisition of the land. (*Sect.* 15.)

DEBATE IN HOUSE OF REPRESENTATIVES.

On 7th February,

The Minister of Finance (Rt. Hon. J. G. Coates), in moving the Second Reading of the Bill, said there were nearly 68,000 registered unemployed and most of them who had studied the problem had come to the conclusion that the trouble would not quickly clear away. There was no ready-made or quick method of overcoming the problem. It was not possible in these times to borrow money overseas for carrying out big public works, and, even if it were, it was doubtful whether in the end it would assist them very much. In seeing how they could turn the unemployment funds to better advantage than at present their efforts should be turned into such channels that when the work was completed their country would be more productive. He denied the statement attributed to him that land settlement was the solution of unemployment, but, of all the schemes they had under consideration, placing more people upon the land would help as much as anything else.

The Bill did not apply to unemployed men only—it applied to many classes of men, including those whose capital had been reduced to £500 or even £100 and who desired to take up land. It did not embody novel features altogether because within recent years a similar scheme had been adopted in the United Kingdom.

Mr. A. S. Richards (Labour, *Roskill*): "And has been a failure."

The Minister of Finance: "It has not been a failure at all." The Bill was intended to provide for the settlement of men who wished to milk only 18 or 20 cows. It was small settlement. The country was unable to provide money to carry out land settlement on a larger scale. They were trying to put as many people as possible on the land at a cost of between £350 and £700 a family, for everything.

Lease with right of purchase.

The Bill proposed to deal with land already settled, and gave a landowner an opportunity to either sell land or let it for a term of up to ten years, with the right on the part of the lessee to purchase at the end of four years. A number of their farmers found themselves unable to bring the whole of their land into really profitable use and it would suit such a man to sell or lease part of his land and so reduce his rates, operating costs and general maintenance. The idea was to have an arrangement between the mortgagee and the owner of the

property, and behind it was the power to take the land compulsorily.

Position of Crown land.

The question was bound to arise, "Why not settle the millions of acres of Crown lands that are left?" It was not possible to carry out a land settlement scheme at a great pace with the remaining areas of Crown lands because of their poor quality.

It was neither possible nor wise to purchase land to-day—not possible because the country had not the money and not wise because land to-day could not properly be valued; values might get lower.

Success of small farm settlement.

Referring to the so-called "10-acres plan,"* the Minister explained that in many cases the areas were actually larger that 10 acres. Under this plan the number of approvals to date was: small farms, 418; share-milkers, 266. The liability amounted to about £260 per family. Some of the areas ran to 50 or 60 acres but the majority were below that acreage. In regard to the present proposals, they visualised holdings of approximately 50 acres of land that would run a cow to 2½ acres. Of the unemployed men who had been moved into the country under the "10-acre scheme" probably 50 per cent. did not now draw from the Unemployment Fund one penny-piece. It was true that some drew from 5s. to £1 per week according to circumstances and the state of the land on which they were settled. It was necessary to make some payments for sustenance during the time these small places were being knocked into shape. The question was whether it was not better to pay a man with a family, say, £1 per week and put him on a piece of land which would eventually become his own, and on which he was likely to become practically self-supporting, than to pay the same man £2 per week in a city and not give him the opportunity to settle on the land. There was no lack of applications from men desirous of taking up land under this scheme. They had some 8,000 or 9,000 men pleading to be given a chance.

They must set aside as much as possible for the scheme—probably £500,000—not out of the Unemployment Fund, but out of capital funds.

Mr. M. J. Savage (Labour, *Auckland, W.*) said that the Bill appeared to make land settlement in the future depend upon the Unemployment Fund. He was willing to show the Minister powers in the existing law for everything proposed in the Bill

* Inaugurated in 1932.

except the suggestion that they ought to make the Unemployment Fund " carry the baby." That was the part of the Bill he objected to. The Government wanted to get everything done out of that Fund. It had turned the Public Works Department into a relief camp and now it wanted to turn the Department of Lands and Survey into a similar camp. They had already on the Statute Book all the powers contained in the Bill, and the Government had not done anything with those powers. They had Boards to right and left of them and all round them, but no land settlement.

Land settlement and falling prices.

They seemed to be fooling themselves into the belief that more land settlement and more production would cure falling prices. He did not think they would. Why had they not a more evenly balanced industrial life in the Dominion? The reply to that invariably was that it did not pay to go in for manufacturing in New Zealand; and the next minute they were asked to subscribe to principles that were in themselves a proof that it was not paying to produce butter and wool.

The Minister for Agriculture (**Hon. C. E. MacMillan**) denied that they were shifting the basis of land settlement from other funds, that existed for that purpose, to the Unemployment Fund. Whilst the Bill certainly defined a wider margin within which the Unemployment Fund could be used to assist the unemployed, there was no suggestion that the money should be used other than for unemployed people. The Bill guaranteed occupancy to the small-farm holder and that he was not dispossessed merely because he could not pay his rent. He was astonished to hear Members of the Opposition taking up the attitude that that policy was wrong.

Mr. R. Semple (**Labour**, *Wellington, E.*): " We are now subsidising farmers to the extent of hundreds of thousands of pounds—farmers who are working from 200 acres to 300 acres—in order to keep them on the land. How will the small farmer fare? "

The Minister of Agriculture replied that if the present holders of the land had been able to get on the land on conditions as easy as those proposed in the Bill they would not require any subsidy at all.

Mr. W. E. Parry (**Labour**, *Auckland, C.*) said the Minister hesitated about buying land now because he was unable to arrive at the price. There was going to be some sort of compromise between the Minister and the people with land not to dispose of it until such time as produce prices were sufficiently high, in the opinion of the farmers, to assess the value of the land. Then the land would be unloaded on the State. The price of the land ought to be fixed on present-day prices.

Probable shrinkage of British market.

The platforms of the Labour Party, the Liberal Party and the Conservative Party in England all contained pledges to support an advanced agricultural policy in Britain, and if that meant anything it meant that Great Britain would in time produce more of the goods they sent to that country, and consequently that would narrow down their markets for their primary products. It would be better to establish industries in the Dominion so that they could provide themselves with clothing. They had people in New Zealand going short of warm clothing, yet at the same time they had millions of pounds of wool stored and their woollen factories were working half-time. It was better to produce something they wanted, at a loss, than to produce something they did not want, at a loss.

Mr. E. J. Howard (**Labour**, *Christchurch, S.*) considered the aim behind the Bill was not to settle the unemployed on the land, but to give the big landowner cheap labour; to put that cheap labour down in the corner of his paddock so that he would be at the mercy of the big landowner for odd jobs. They should establish factories, such as biscuit factories, because they would settle more people in one factory than on 100 farms.

Effect of restriction of production.

Mr. R. A. Wright (**Reform**, *Wellington Suburbs*), referring to the question as to whether they should restrict their production because their markets were glutted, considered that they should not do so. It would only mean that other nations would send additional farm produce and the markets would still be glutted. Any scheme that would place unemployed men on small sections of land under conditions that would enable them to do something for themselves was worthy of adoption. But a considerable amount of money would be required to settle these people on smallholdings. If this money was to be taken out of the Unemployment Fund it meant that the amount at present allocated for the relief of unemployment must be reduced. The necessary money should be obtained in another way. The Minister and the Government must realise that it was impossible for the unemployed to live upon the present allowance.

Payment of rent from Unemployment Fund.

Mr. S. G. Smith (**United Party**, *New Plymouth*) said there was no provision whatsoever in the Bill allowing the Unemployment Fund to be used except for payment of rent. On every opportunity Opposition Members had pressed for some scheme whereby money could be allocated to the Unemployment Committees for the purpose of paying the rent of the unfortunate relief workers; but on the first occasion on which a Bill was produced that contained a provision for a payment of rent the Members of the Opposition said they were going to oppose it tooth and nail.

Of the 61,593 men registered as unemployed at 30th January, 30,000 were engaged on reproductive and developmental work in connection with the Dominion's primary industry. Surely the Government was entitled to some meed of praise for their handling of the situation.

Unemployed and gold-mining.

On 9th February,

Mr. W. A. Bodkin (**United Party,** *Otago Central*) said that if the small-farm scheme were developed in conjunction with the development of the mining industry ten thousand men could be profitably employed in the goldfields of Otago and the West Coast. To-day the only thing really worth producing was gold. During October 870 men working under the unemployment scheme produced gold to the value of £11 per man. There were many watersheds that would provide an adequate supply of water for mining purposes for five or six months in the year. For the balance of the year the men could be employed on the small-farm scheme. He understood the Government was prepared to finance up to £300 every settler put on the land under this scheme. The same expenditure of money would put four or five men in the mining industry.

Basis of valuation.

Mr. C. H. Clinkard (**United Party,** *Rotorua*) considered that it would be as unreasonable to place a slump value on land as it would be to place a boom value on it. The value should be based on the productivity of the area over a good period of years.

Labour Party's policy; land settlement and secondary industries.

Mr. H. E. Holland (**Leader of the Opposition**) said the Labour Party was not opposing the Bill. His complaint was that the Measure did not provide for land settlement on a sufficiently comprehensive scale. The Labour Party would start with not less than 1,000,000 acres. Even with that area the maximum number of men that could be absorbed, on an average area of 50 acres per settler, would be only 20,000 out of the 100,000 unemployed in New Zealand to-day. Land settlement must go hand in hand with secondary industrial development on a planned and proper scale, and there must

also be credit and currency reform. The three must go together; no one of them separately could prove to be a solution of the unemployment problem. The Labour speakers had not opposed the payment of rents of relief workers when placed on a lease, but they did oppose the taking of money out of the Unemployment Fund to meet what should be a charge on the Land for Settlements Account. If the rents of any one section of the unemployed were to be paid out of the Unemployment Fund, the principle should apply generally. The Minister of Finance had admitted that there was a danger that the present allocations (for unemployment relief) might be reduced as a result of this legislation. There should be a clear understanding that in no circumstances would there be any reduction in the existing allocations. On the contrary, they should be increased so as to make available at the very least the full amount of relief work provided for under the Unemployment Act.

There was a movement among the British farmers to secure protection against outside competition. On the day that England cared to revise her land laws and her laws regarding agricultural production she would be able—and she would be driven to it—to produce for herself. That would bring them to the point where they would have to concentrate more directly on their internal markets in New Zealand instead of depending absolutely on overseas markets. He knew there was the problem to be met in the matter of debts. They would reach a stage some day when they would decide to pay their debts in goods, and base the quantities upon the value of the goods at the time the debts were contracted.

The Minister of Finance, replying to the debate, said the future of the country rested, and would rest for many years, upon its primary industries. Their secondary industries would grow, but they could not export the produce of their secondary industries.

Meat quota and United Kingdom market.

In regard to meat, had not the Empire decided very definitely that preference would be given to the Dominions' products? The limitation of the importation of foreign competitors' commodities was already taking effect, and since the agreement was arrived at further steps had been taken by the United Kingdom to limit the quantity of meat from foreign countries going to England. To an extent, New Zealand exports had been regulated in order to fit in with the exports from other British Dominions. This had only been in effect for the last six months, but if hon. Members would ask members of the Meat Producers Board what would have happened if the agreement had not been arrived at they would learn the real position. Under present conditions they could go along feeling certain that New Zealand would be able to find a market for all her meat. With regard to butter, he said deliberately that closer settlement was desired. Costs were coming down and opportunities were better to-day for the man getting on the land than they had been for some time.

Mr. A. S. Richards (Labour, *Roskill*): "What market has the right hon. Gentleman in mind?"

The Minister of Finance: "The London market."

Mr. Richards: "Is that the only market?"

The Minister of Finance: "That will be our only market for many years. I believe there are markets in the East which we can develop, but they will be developed very slowly." As regards butter, they had a preference of 15 per cent., and he did not think it would stop at that. He would not be at all surprised if there was a limit imposed in Great Britain on importations from foreign countries, so that there would be a solution of that problem, provided, of course, that they were prepared to reciprocate with the Mother Country.

Relief to Unemployment Fund through land settlement.

The Leader of the Opposition had contended that rent should be paid from capital funds. He (the Minister) submitted that rent was really a maintenance charge and should not be paid out of capital funds. Assuming that there were 500—there were nearer 700—men who had been put on sections, the saving to the Unemployment Fund was approximately £20,000 a year. That saving was based on a comparison between what the men were receiving before they went on to their farms and what they received afterwards, and the cost was diminishing all the time. The whole basis of the Bill was to conserve the Unemployment Funds, and if it could be shown that it did not do that he would have nothing more to do with it. He did not suggest that land settlement was a cure for unemployment but he believed, if they could get it going thoroughly, they could give thousands of men, whose outlook to-day was difficult and who wanted to get out of the cities, new life and hope, and that they would become successful settlers.

Mr. Richards: "What number does the right hon. Member hope to settle during the current year?"

The Minister of Finance: "We have in view approximately 5,000, but not this year; that is our objective."

The Bill was read a second time on 9th February.

On 14th February, on the Report stage,

Mr. Savage, in moving the recommittal of the Bill, referred to the fact that in Committee an Amendment to make the payment of rent, in case of default by the lessee, a charge

upon the Public Account instead of upon the Unemployment Fund had been ruled out of order. When it was considered, he said, that persons other than those registered as unemployed might, under the provisions of the Bill, be placed upon the land and ultimately become a charge upon the Unemployment Fund, the injustice of the thing would be appreciated.

The Minister of Finance replied that while they could use the Measure for assisting men with a little capital no relief was given from the Unemployment Fund in such cases. Under the Bill, during the first ten years the Crown would not be required to find any capital funds at all. There was lease with right of purchase.

The Amendment was negatived and the Bill read a third time on 14th February.

UNION OF SOUTH AFRICA.

The following summary deals with some of the proceedings of the First Session of the Seventh Parliament which began on 26th May, 1933, and ended on 22nd June.

GOVERNOR-GENERAL'S SPEECH.

(Monetary and Economic Conference ; Agricultural depression ; Expansion of the gold-mining industry.)

Parliament was opened on 26th May, 1933, by the Governor-General (Earl of Clarendon). The following is a summary of his Speech :

REASONS FOR THE PRESENT SESSION.

The Speech explained that the assembling of Parliament so early after the General Election was rendered necessary in order to provide funds to carry on the administration of the country and to permit of Parliament being prorogued until January next.

MONETARY AND ECONOMIC CONFERENCE.

It had been arranged that the Union should be represented at the Monetary and Economic Conference by the Ministers of Justice, Finance, Railways and Harbours, and Defence.

AGRICULTURAL DEPRESSION.

His Ministers were devoting their sustained attention to the general economic depression which was causing extensive unemployment, and which, together with severe and widespread drought, continued to weigh specially upon the agricultural industry, causing serious distress amongst the farming population. Proposals would be submitted to them for lightening these exceptional hardships.

MINING PROFITS AND EXPANSION ; ETC.

The detachment of Union currency from the gold standard and the passing of the Currency and Exchanges Act during last Session had had the effect of increasing the price in depreciated currency of the production of the gold mines by many millions. Legislation would be proposed which, while providing for a part of the additional profits accruing to mining companies from this source being appropriated by the State for the general welfare of the community, would at the same time enable and encourage the industry to devote a substantial portion to its expansion, more especially through the working of low grade ore, thereby affording increased employment.

Other matters with which, owing to the early Prorogation and subsequent Dissolution of Parliament it was not possible to deal last Session, including the amendment of the Transvaal gold law, and workmen's compensation, were receiving the attention of his Ministers, and legislation would be proceeded with as soon as possible.

THE BUDGET.

(Revenue and Expenditure for 1932-33 ; Estimates for 1933-34 ; Relief for farmers ; Gold-mining development scheme ; Taxation proposals ; Monetary and Economic Conference ; Coalition promises ; Advantages of Ottawa Agreement ; Unemployment ; Rehabilitation of agriculture : "farm debentures" ; etc.)

On 30th May, in the House of Assembly, the Minister of Finance presented his Annual Financial Statement.

The Minister of Finance (Hon. N. C. Havenga), referring to the world-wide depression, said the small revival in prices which took place just after the mid-year was wiped out when the difficulties in connection with international political debts gave a further set-back to international trade.

Revenue and Expenditure.

The transactions for the year were rather better than had been anticipated, and the accumulated deficit to 31st March, 1932, was reduced to £1,915,000. Receipts for last year were £27,253,000, a net decrease of £2,127,000 as compared with the original Estimates.

After providing for an additional appropriation of £341,000, expenditure amounted to £27,300,000—a saving of £500,000 on the main and additional Appropriations. The deficit for the year was, therefore, £47,000, which, added to the accumulated deficit, made an aggregate deficit of approximately £1,962,000.

On a gold basis the results would have been rather better. Customs would have been £328,000 less, but against this the Customs surtax which ceased on 21st January, 1933, would have produced £419,000. Furthermore, the 5 per cent. primage which was also discontinued from the same date necessitated additional expenditure supply of £250,000; Public Debt expenditure was also increased by £135,000. On the other hand, the departure from the gold standard resulted in the receipt of £65,000 from the gold premium under income tax. On a gold basis the year would have closed, probably, with a surplus of some £364,000.

Customs duties.

The shortage under this head was £1,879,000. The Minister of Finance gave separate particulars for the first nine months while the Union was on the gold standard, and for the last three months of the financial year after the departure from it.

In framing the Estimates for 1932-33, Revenue was based on a total import value of £36,000,000 compared with £48,000,000 in the previous year, allowance being made for a decrease in trade, and for the reduced value on a gold basis of goods imported from countries off gold, the discount being estimated at 25 per cent. From July to December the discount was over 25 per cent., and from the end of October it exceeded 30 per cent. This further accentuated the decreased value of imports. An increase in the wholesale price of commodities from countries off gold was generally expected, but this did not take place, and there was actually an average fall of 15 per cent. Revenue collected at the end of December, 1932, which should have been approximately £7,662,000, was only £6,362,000 from January to March, 1933. The value of imports (January-March, 1933) was £10,270,000, but if that amount was converted to a gold basis, it would be £7,190,000—considerably less than the value of imports during the first quarter of 1932, namely, £8,266,000. The withdrawal of the surtax in January resulted in a loss of £520,000.

Excise, etc.

With the exception of sugar (increase, £11,000) all items under this head showed a decrease, *i.e.*, spirits, £28,000 decrease; beer, £23,000; tobacco and cigarettes, £26,000. Posts, telegraphs and telephones showed decreases of £175,000, £28,000 and £48,000 respectively, which, with other items (£27,000), made a gross shortfall of £278,000. The balance to the credit of depositors in the Post Office Savings Bank, however, on 31st December last was £71,000 more than at the same date of the previous year, and deposits were increasing, while 28,000 additional accounts were opened during the year.

Inland Revenue; Mineral production.

This head showed a small increase of £27,000, chiefly in respect of gold mines, in part due to better results achieved by certain mines, and in part the result of higher prices received for gold for the short period of the calendar year ended 31st December which was affected by the Union's departure from the gold standard.

The total increase in the receipts from gold mines was £554,000, of which £297,000 went to Revenue account and £257,000 to Loan account. Of the £297,000, £65,000 represented the additional benefit to the State owing to the rise in the price of gold. Of the £257,000 in Loan account about £67,000 was due to this cause.

Diamonds.—Owing to the complete stagnation of the diamond market there was a shortfall of £76,000.

State mining.—Better local sales than were expected resulted in an increase of £51,000 over the estimate and a contribution to Loan account of £305,000.

Income Tax (including the amounts collected from gold mines, etc.): increase, £152,000, the shortfall under the heads of general and super tax having been more than made up by the increased yield from mines.

Native Tax receipts were £848,000 (decrease, £112,000).

Mineral production: value £52,541,000 (decrease, £2,277,000). Gold showed an increase of 680,540 ounces (value, £2,891,000).

Exports and imports.

Exports in 1932 were £69,043,000 (decrease, £2,797,000); imports, £32,813,000 (decrease, £20,202,000), of which £6,000,000 might be attributed to the reduced value of goods imported from off-gold countries when converted to a gold basis. For the first nine months of 1931 the countries to which they sold most of their exports, and from which they bought about two-thirds of their imports, were still on the gold standard. The depreciation in the currencies of these countries throughout 1932 was reflected in the lower values after conversion into Union currency.

Gold, exported in the form of bar and specie, amounted to £48,500,000; diamonds, £2,000,000; agricultural products, increase £600,000 (from £12·9 millions in 1931 to £13·5 millions in 1932); wool, increase of 136 million lbs. (value, £860,000); citrus fruit, increase in value and quantity, viz., 60,000 boxes (value, £90,000).

Fish imports decreased to 9,000,000 lbs. (value, £209,000); coffee from 16,000 (in 1931) to 12,500 tons (value, £415,000); tea, from 14 million lbs. (1931) to 10½ million lbs. (value, £280,000); rice, decrease 2,000 tons; wheat decreased from 96,000 to 32,000 short tons (value, £176,000), owing to the curtailment of permits to import wheat for blending purposes; motor cars and chassis, decrease 1,267 (value, £456,000); motor spirit decreased from 66,943,000 to 66,523,000 gallons (value, £297,000).

Unemployment.

The downward trend in employment continued during the first half of 1932, but showed an upward tendency during the second half.

Expenditure from Loan funds, External Debt, etc.

The expenditure from Loan funds was approximately £8,730,000; the receipts to credit of the Loan account were £8,088,000 (£506,000 in excess of the estimate). The External Debt on 31st March last amounted to £165,648,000, an increase of £5,962,000, which was accounted for by the issue in London last October of a 3½ per cent. Loan (£8,000,000 sterling), redeemable 1953-'73.

The inducement to transfer money overseas had been replaced by a desire to transfer money back to the Union, and the Commercial Banks had seen their deposits increase by leaps and bounds. Their balances with the Reserve Bank had grown to an abnormally high figure, while their advances to the public had dwindled to the lowest level for the past 10 years. The Banks were thus in a position to grant credit readily if applied for on sound business lines. They had so much money at their disposal that they had had to reduce drastically their rates for fixed deposits.

Estimates for 1933-34.

Revenue for the current year was estimated at £28,292,000, an excess over last year of £1,039,000, or, excluding last year's Customs surtax collections, an increase of £2,701,000, almost entirely due to the rise in Customs duties and income tax from gold mines. Receipts for Customs duties was put at £8,000,000; inland revenue at £14,426,000; income tax from gold mining, £3,100,000; diamond export duty, £100,000 (and even that small sum might not be realised); State diamond diggings, £150,000.

The Minister of Finance said he was providing £2,500,000 for export subsidies, and probably a further £428,000 would be required to complete the third year of subsidies.

Relief for farmers.

Having dealt with measures of relief for farmers, the Minister of Finance said the Government proposed to make available a considerable amount as a subsidy against interest on existing mortgage bonds—sufficient to pay 1½ per cent. on all bonds of *bona fide* farmers. It was expected of creditors that they would be prepared to accept interest at the rate of 5 per cent. on farm mortgages for so long as this measure was necessary. In the case of possibly a small minority who would not be prepared to co-operate, the Government would exercise its right of taxation to appropriate all interest they demanded in excess of 5 per cent. from the farmers. Other emergency relief measures were outlined.

Anticipated deficit.

The anticipated deficit for the current year was £5,724,000, which with deficits carried forward gave a total for four years of £7,686,000. In this connection it was estimated that owing to the increased price of gold, an additional sum of £1,900,000 would accrue to the Loan account in accordance with the provisions of the General Loans Consolidation and Amendment Act, 1917, which should, for the present, be diverted to Revenue account so that it could be utilised in a more direct and general way for the benefit of the whole community.

Gold-mining development scheme.

Further, their departure from the gold standard and the subsequent depreciation of their currency had had the effect

f increasing the value in depreciated currency of the produc-ion of the gold mines by many millions. This was an ncrement due solely to State action and in nowise an appre-iation of the assets of the shareholders; the State, therefore, eed not be concerned with any claim to the money made by hem. It was proposed to use this opportunity for developing he production of low grade ore, and affording more employ-nent for white and native workers. Also, the change in the urrency policy of the State should benefit all producers; the old producers had the right to share in it in the same way s others. There was further a probability that mining costs vould rise, and any such increases would be paid out of the remium.

It was, however, very important to maintain a fair balance etween mining shareholders and the rest of the country. The taxation necessary for re-distributing the premium between he mines and the rest of the community would be based upon he excess of the actual profits made over a statutory standard which would be determined by re-calculating the profit earned during the period assessed, on the basis of the standard value of gold (84s. 9d. per ounce of fine gold) and adding to the sum so ascertained an amount equal to 10 per cent. of it. The tax would be levied on a gradual scale on the balance left over after certain allowances and deductions had been made, and it was estimated that the yield of the tax would be about £6,000,000.

Surtaxes.

The surtax on fixed interest imposed last year as an emergency measure would be reduced to a flat rate of 5 per cent., exemption being given in the case of any security where the rate fixed by the security does not exceed 5 per cent., and of life insurance companies. A surtax would be imposed of 1½d. per 2 ounces on cigarette tobacco, to remedy the loss in the consumption of factory-made cigarettes, which was attributed largely to a more extensive use of cigarette-making machines by individual smokers.

Of the additional or special duties imposed on whisky, rice, tea and fish last year, owing to the exchange benefit the additional duty of 2s. 6d. per proof gallon on whisky would be discontinued, the duties imposed on rice and tea would be discontinued, while (the price to the consumer not having risen) the ordinary duty would be increased by the same amount. It was also proposed to convert the special duty on fish of ¾d. per lb. into an addition to the ordinary duty.

Monetary and Economic Conference.

Referring to the Economic Conference, the Minister of Finance said the Union had always striven to keep its tariffs within reasonable limits and their trade was not hampered by the almost prohibitive restrictions which had worked so much harm elsewhere; at the same time, sacrifices in tariff rates might also be required from them, to assist in a freer flow of commodities, which they would have to be prepared to make as they expected others to do. The Union Delegation would do its utmost to counter any measures which might tend to diminish the importance of gold for currency purposes. There was no question of the stabilising influence on world trade of a gold standard if that standard was allowed to function freely.

DEBATE IN HOUSE OF ASSEMBLY.

Gold-mining premium.

On 1st June,

Mr. F. C. Sturrock (South African Party, *Turffontein, T.P.*) said he had no objection to the farmers getting a portion of the increment accruing from the gold mines, but he would like to know whether the same principle was to be applied to the coal and copper mines. The premium itself was admittedly a very large reservoir of wealth which could be used for the benefit of the people as a whole, but he did not agree that the wealth accruing to the mines was accruing to them at the expense of the rest of the population. The Minister of Finance was also wrong when he referred, in that connection, to their depreciated pound. Their pound had not depreciated except in terms of gold.

The view of the Minister that, accepting the premium as a source of wealth derived from the people of South Africa he must take a large proportion of it from the gold mines, and re-distribute it amongst the people, was an unfortunate one. If they pursued it there would always be a section of the poor and needy in an expectant attitude desiring to obtain for themselves a portion of this wealth. The best way to use it productively was to put it back into the ground, to enable the mines to work lower-grade ore, and extend the operations of the industry.

The relief to farmers was, on the whole, rather crudely conceived, and it seemed that a large number of people were to be assisted who did not require assistance, and that those who did would not get any relief worth speaking about. On the general question of dealing with interest in the way the Minister was doing, except as an emergency measure, it was, on the whole, unsound to interfere in any way with the law of supply and demand in respect of money rates.

Coalition promises.

Mr. W. B. Madeley (Labour, *Benoni, T.P.*) said he saw no signs in the Budget of any determination to give effect to the tremendous promises made by the Nationalist and South African Party a few weeks ago. There was not an item in the way of lightening taxation on any section of the population save one, and in that instance the Minister put it on again. Mr. Madeley referred to the unfortunate income tax payer who was hovering on the border line of exemption and received no help, despite the fact that they had a windfall in the shape of over £20,000,000 in South African currency. He proposed as an Amendment:—

> to omit all the words after "That," and to substitute "This House declines to go into Committee of Supply until the necessary steps have been taken by the Government to apply the gold standard to the services of the country"—

by raising wages of those engaged in producing gold, instituting pensions for miners' phthisis sufferers and their dependents, establishing a two years' interest moratorium for farmers, public works construction, etc., reduce hours of labour, institute a national minimum wage of 10s. per day, establish a State Bank and provide for citizens over 60 and widows.

He endorsed the argument of the Minister of Finance that shareholders had no right to one penny piece of that gold premium which resulted from a stroke of the pen made by him (the Minister) a few months ago. They should first increase the wages of those who produced the gold by a percentage equal to that gained by the gold itself. The more their wages and the more they were distributed through the country, the higher the spending capacity and earning power of the business and farming communities. The only way they could increase commodity prices was by bringing those who produced the commodities into touch with those who consumed them.

Col. R. T. McArthur (South African Party, *Durban (Umbilo), N.P.*), who seconded the Amendment, also confessed to a feeling of disappointment in the Budget, and referred specially to the unemployment position throughout the country, which was terrible, though little or nothing was being done to relieve it. Yet there was an absolutely easy method to deal with it, as represented in the Amendment.

Advantage of coalition.

Col. C. F. Stallard (South African Party, *Roodepoort, T.P.*) also spoke of the burden of taxation, which had been vastly increased, and to the huge transfer which the Budget proposed to make from the earnings of one section of the population to another. That was a new feature which could not be passed over in silence or treated lightly.

Incidentally he spoke of the duties of Members of Parliament who hitherto had been ranged in different Parties and had had to give expressions of opinion accordingly. One of the great advantages arising from coalition, however, was that the machinery of the caucus was no longer necessary, and that the personal responsibility of individual Members was increased.

Referring to the problem of poverty, Col. Stallard said the Government had fallen short in fastening on one section only of the population—namely, farm owners who had bonded their farms. They had the conclusion arrived at by a Commission that half the population was habitually unable to feed, clothe and house its families; yet the Government were using an enormous sum of money mainly for the purpose of contributing to the necessities of the comparatively small section of the population that owned farms which they had bonded and now found difficulty in paying interest thereon.

The time had come for them to face the facts and see what was paying and what was not paying in their agricultural pursuits. The farmer had been left too much to do what he liked with regard to his products.

Mr. J. H. H. de Waal (Nationalist, *Piquetberg, C.P.*), pointing out that the Government had announced that it was going to collect a large part of the exchange profits made by speculation which took place in consequence of their quitting the gold standard, said they heard nothing of that now. They also heard that the Government could not appropriate the full amount of the premium in consequence of quitting gold, as it had been thought they would do. The mines could not expect the benefit of £19,000,000 to £20,000,000 as the mining capitalist had done no work for the premium; but it was a lucky gift which the Government ought to appropriate for the sake of the rest of the population instead of taking only £6,000,000. He was not talking of the normal profits. They had a tax of 20 per cent. on the profits, but they took that 20 per cent. in gold last year, and now it was in paper, so that they only got 8d. for every 1s. that they got formerly.

Mines and taxation.

The mines belonged to the country, and the mine owners as soon as they had made their fortunes left the country and spent practically all the money they had made there outside it. When minerals were discovered in England they immediately put a duty of 20 per cent. on the proceeds of mining those ores, apart from the ordinary taxation. That was 4s. in the £—precisely what they (in South Africa) claimed as ordinary taxation from the gold mines. Why was the royalty demanded? Because the mining industry was not in the same position as agriculture. If a farmer planted a vineyard he improved the land and did not take anything out of it, but if a mine was exploited the country was impoverished.

Mr. M. Kentridge (Labour, *Troyville, T.P.*) said the public were mistaken when they suggested that one of the dangers of a Coalition Government would be the absence of criticism of the Budget!

Advantages of Ottawa Agreement.

He thought that the £4,000,000 or more which was to be spent on the agricultural population might be spent in some more effective and definite manner. In reality the farmer was going to get no more than an ordinary dole which at the end of the year would leave him in exactly the same position as he was before. Moreover, he did not believe that they could go on indefinitely granting export subsidies if they were to continue to develop trade with other countries. He could scarcely believe that the other members of the Commonwealth would agree to South Africa extending its export business on a basis under which farmers in South Africa, in competition with farmers in other parts of the Commonwealth, were getting a subsidy of that nature. He hoped that their representatives at the forthcoming World Conference would keep before them the importance of not doing anything nor being party to anything committing them in South Africa which might minimise, jeopardise or weaken the advantages which they were getting under the Ottawa Agreement as members of the Commonwealth.

Unemployment.

Maj. F. J. Roberts (Nationalist, *Vrededorp, T.P.*) spoke urgently of the inadequacy of the provision made for unemployment, and the desirability of employing considerably more Europeans in the mines. Why could they not reduce the proportion between non-Europeans and Europeans from 9·2 to 7? If the argument was advanced "what will then become of our natives?" his reply was that they should cancel the Mozambique Convention and then their natives could get a chance. Why should they import workmen from elsewhere while their own people were looking for work? He also urged that they could no longer trifle with the question of silicosis. He invited every Member of the House or any Minister to go and look for themselves if they had not yet seen how the silicotics were suffering. Who could imagine to what extent the unrest of the people would increase in consequence of the trifling with their feelings which had been going on?

Dr. H. Reitz (Nationalist, *Jeppes, T.P.*) said the Minister would have been better advised if he had budgeted for a deficit of £1,000,000 or £2,000,000. Regarding the farmers, they did not grudge them a single penny of what they were going to receive, but they did feel that the townspeople who had felt the depression just as much had been utterly left out of the Budget.

Rehabilitation of agriculture : "farm debentures."

Mr. G. H. Nicholls (South African Party, *Zululand, N.P.*) remarking on the change of spirit which had come over the Budget debate, said he hoped that they would continue in that way and do something to restore the waning prestige of Parliament. The Budget, he added, was distinctly financial not economic; economic planning needed time and study, and the country would probably regard the Budget as affording a breathing space for a proper study of the economic measures necessary for the country's rehabilitation. The most urgent and the most national of all their objectives must be the rehabilitation of agriculture, which was still the basic industry of South Africa. Referring to "the Van der Horst scheme" he said what was sought to do was to transform the collective security of agricultural land into a State security which would bear the present world rate of interest instead of the ruinous post-war rate, and change the mortgages into long dated loans. He thought the position of South Africa as the chief gold producing country of the world had never been fully exploited from a banking point of view, and their credit would not be assailed by the issue of State farm debentures.

Hon. P. Duncan (South African Party, *Yeoville, T.P.*): "What do you mean by farm debentures?"

Mr. Nicholls: "The issue by the State or by institutions authorised by the State of debentures to farmers, for which the farmers themselves would be responsible."

Col. Stallard: "State purchase?"

Mr. Nicholls: "No. The transfer of all private agricultural security to State security in order to rehabilitate agriculture."

On 7th June the Motion was put and agreed to.

IRISH FREE STATE.

The following summary deals with some of the proceedings of the new Dáil which assembled on 8th February, 1933, and the Senate which reassembled on 8th March, and is in continuation of the summary given in the last issue of the JOURNAL (*Vol. XIV., No.* 2).

CONSTITUTIONAL STATUS.

(Declaration of policy by Mr. de Valera.)

On 3rd May, 1933, in the Dáil,

Mr. F. MacDermot (Leader of the Centre Party) asked the President whether, in view of his declaration of policy on 23rd April at Arbour Hill, he would inform the Dáil what forms and symbols now existing in or arising out of the Constitution were regarded by the Executive Council as inconsistent with Ireland's right as a sovereign nation, and whether early steps would be taken with a view to their removal?

The President of the Executive Council (Mr. E. de Valera): "The statement mentioned by the Deputy had reference to all those provisions of the Constitution which, in accordance with the British interpretation of the Treaty of 6th December, 1921, were imposed on the Provisional Parliament sitting as a Constituent Assembly and have never been freely accepted by the Irish people. Many of them are inconsistent with the present status of the Irish Free State. One is being removed to-day,* and legislation will be introduced in the near future to remove others. The remainder will be removed according as opportunity presents itself."

Mr. MacDermot: "Would the President be so kind as to specify at least some of the others?"

The President of the Executive: "The Oath is a sufficient example."

Later, on the Motion for adjournment,

Mr. MacDermot said that the President had made a very striking statement of policy at Arbour Hill on 23rd April, which, so far as he knew, had not been foreshadowed in any previous speech. He had said it was the Government's policy by degrees to remove all forms and symbols at present existing which they considered inconsistent with Ireland's rights as a sovereign nation, so that they should gradually work up to the day when, if it was desired to declare a Republic, that declaration would be a mere ceremonial. The Deputy could think of no such forms or symbols except the Governor-General. If that was meant, what did it involve?

* *Vide* p. 596.

The President of the Executive, replying, expressed his belief that in a very short time all bodies in the country would be satisfied that the proclamation of a Republic was the right thing, and he hoped yet to have the pleasure of doing it. The whole policy of Fianna Fáil was made clear at its foundation. They had in mind to remove every mark or badge of inferiority, everything in the Constitution which was not consistent with the sovereign rights of the Irish people. The Constitution included a number of articles which were imposed upon the Provisional Government. Article 17 (prescribing the Oath) and Section 2 of the Act, both of which had been removed by the Dáil that day, were among these. Another was Article 66, on the Privy Council, which would also have to go. Article 41, which contained that archaic reservation of Bills, would also go. The Privy Council would go first, because it was inconsistent with the judicial sovereignty of the State that there should be an appeal from its highest court to an outside authority which did not consist of Irish citizens. Generally, all those provisions that were inserted in London, and which were inconsistent with the rights of the Irish people to have just that Constitution they wanted themselves and not a Constitution which other people might want them to have, would go.

As far as the Government were concerned, the Irish people would be consulted before a Republic was declared. The Articles which they believed not to be required by the country would go first; and there were some—just as in the case of the Oath—where if it was necessary to go to the Irish people to get rid of the Treaty in order to get them removed, they would do that. "I still hope," the President concluded, "to see the day when I will have the pleasure—as I had to-day of removing the Oath—of taking the whole batch and finally ending up by declaring a Republic."

CONSTITUTION (REMOVAL OF OATH) BILL.

(Abolition of Oath of Allegiance; Message to Senate.)

On 3rd May, 1933, in the Dáil, the President of the Executive Council moved the following Resolution:—

"The Constitution (Removal of Oath) Bill, 1932, having been sent on the 1st day of March, 1933, to Seanad Eireann in pursuance of a Resolution of this House passed on that day under Article 38A of the Constitution,* and the period of sixty days mentioned in that Article having elapsed since the said Bill was so sent to Seanad Eireann, it is hereby resolved that, as Seanad Eireann did not pass the said Bill within the said period of sixty days, the said Bill be deemed to have been passed by both Houses of the Oireachtas at the expiration of the said sixty days in the form in which it was so sent to Seanad Eireann on the 1st day of March, 1933."

* For summary of this Resolution, and debate thereon, *vide* JOURNAL, Vol. XIV., No. 2, pp. 391-2.

DEBATE IN THE DÁIL.

The President of the Executive Council (Mr. E. de Valera) said there was no need to explain it and he would merely put it to the Dáil.

Mr. D. Fitzgerald (Cumann na nGaedheal, *Dublin Co.*) opposed the Motion as being a breach of the Treaty. If one party to a treaty claimed the right to interpret it without regard to the agreement of the other parties, international relations based upon contractual agreements would be made quite impossible.

Mr. F. MacDermot (Leader of the Centre Party) asked whether the President still argued that this Bill would reconcile a section of the people to the existing order. He could see no evidence that it would reconcile any section who had hitherto refused to be reconciled to the Constitution of the Free State. If a Republic was to be declared, the sooner it was done the better, as a Republic in prospect was far more damaging to the prospects of curing poverty and of curing Partition than even a Republic in reality would be. His Party would solidly oppose the Bill.

The President of the Executive Council, replying, declared that, once the Bill was through, a new situation would be created in which there would be no excuse, reason or justification for refusing to accept the authority of the Dáil.

The Motion was carried by 76 votes to 56, and a message was accordingly sent to the Seanad.

CONSTITUTION (AMENDMENT No. 19) BILL.

(Reducing the Senate's power to delay legislation: period reduced from twenty to five months; Executive's intention to abolish the Senate; Alternative form of Second Chamber; Labour Party's attitude.)

This Bill was introduced in Dáil Eireann by the Vice-President of the Executive Council and Minister for Local Government (Mr. S. T. O'Kelly) on 7th June.

A summary of its provisions was given by the President of the Executive Council in his speech on the Second Reading.

DEBATE IN THE DÁIL.

On 20th June, in the Dáil, in moving the Second Reading,

The President of the Executive Council (Mr. E. de Valera) explained that it was to reduce the period by which the Seanad could hold up a Measure once it had passed the Dáil. Hitherto, if the Seanad neglected to pass a Bill which had passed the Dáil, or insisted upon Amendments to which the Dáil could not agree, a period of 18 months must elapse, unless a Dissolution should intervene. After that period the Dáil could send back the Bill, and if the Seanad did not then pass it, the Dáil could by another Resolution pass it into law. In that way 20 months might have to elapse before the will of the people's elected representatives could be made effective.

There had been an instance of such obstruction in the Oath Bill, which represented a definite, well-ascertained state of public opinion. In the Constitution a period of 270 days was originally allowed, but that had been in conjunction with a referendum, which had since been taken away. The former Executive, which relied upon the friendly attitude of the Seanad towards itself, had abolished the referendum and lengthened the Seanad's period of delay from 270 days to 18 months, with an added period of two months.

Shorter period for delay.

The present Bill would provide a period of three months during which the Seanad could discuss a Bill, make any recommendations and point out defects in any proposed legislation. After those three months, if the Dáil still desired to get its legislation through, it would pass a Resolution and the Bill would go back to the Seanad. If within the further period of two months the Seanad did not pass the Measure it could then be deemed to be law by a Resolution of the Dáil. The Executive Council considered that this delay of five months was long enough for the Seanad as a revising Chamber to do its work effectively. Greater powers than that would make it a controlling, rather than a revising, Chamber. Under the Constitution violent changes of public opinion were prevented by proportional representation.

Intention to abolish the Senate.

Anticipating Deputy MacDermot's Amendment to defer the Bill until the Government's final proposals regarding the Seanad were made known, the President said that in his own view the Seanad served no really useful purpose, and money was wasted in maintaining it. It cost, with incidentals, nearly £40,000 a year. As at present constituted, the Seanad

performed no really useful function which could not be performed as well by a Committee of the Dáil, or something of that sort. The Executive intended to bring in proposals to end the present Seanad at any rate. He thought a Chamber with differentiated functions would be very much more valuable. It was absurd to have a mere reflex of the Dáil. He could imagine a Seanad representing vocational groups, but the difficulty would be to constitute it within reasonable dimensions, of about 35 to 40 members. Another possibility would be a Seanad consisting of experts.

But if they had to act quickly they would have to bring in a Bill simply to abolish the Seanad, without any alternative. He hoped that Deputy MacDermot would realise that delaying action on this Bill might possibly mean rushing another question on which it would be better to take more time.

Mr. F. MacDermot (Leader of the Centre Party), in moving an Amendment that

> the Dáil declines to give a Second Reading to this Bill pending disclosure of the Government's final proposals regarding the future of the Seanad,

said that the Government plainly had no considered opinion on this matter and was presenting a bit of piecemeal legislation. Its policy bore no relation to its ultimate views as to what the constitution of the country ought to be with regard to a Second Chamber. The Bill did not carry out the Government's declared Election policy, either by reducing the cost of the Seanad or by abolishing it. He thought the present powers of the Seanad were on the low side, much less than in certain countries such as the Republics of France and America. Nowadays it was the representative bodies which were ruthless in imposing taxation. He quite agreed that the present method of electing the Seanad, which made it increasingly a mere reflex of the Dáil, was unsatisfactory. He suggested payment for attendance to Senators, who should not be obliged by their duties to be whole-time politicians, as Deputies were.

One Chamber or two.

Mr. Desmond Fitzgerald (Cumann na nGaedheal, *Dublin Co.*) opposed the Bill. It would enable any Party which got a majority to proceed in the most radical and revolutionary way to make any alterations that suited their whim without any check even in the way of delay. If the Second Chamber went, there would be no means whatever left to protect the people against an unscrupulous Executive. The only case the President had made for the Bill was to say: "If you do not take this you will get something worse."

Mr. William Norton (Chairman of the Parliamentary Labour Party) said that he was opposed to Second Chambers.

He believed that a single Chamber elected on adult suffrage was the proper kind to rule the destinies of any country which claimed to be democratic. He would support the Bill in the hope that there would ultimately be only one Legislature, elected by the adult population. He disagreed with Deputy Fitzgerald's belief that it was a move towards establishing a dictatorship. Experience for ten years had shown the Seanad to be just a registering machine for the Government in power.

The President of the Executive Council, replying, said that he was more conservative than perhaps a large majority in the Dáil. The suggestion that the Bill was intended to degrade the Seanad was unjustifiable. He had introduced the Bill to provide such a period of delay as they might give to any new Second Chamber if the Seanad were to be replaced. They were only postponing their final decision as to whether they should dispense with a Second Chamber altogether. The Constitution was bound to change, and he saw no desperate need for hurry.

The Amendment of Mr. MacDermot was defeated by 63 votes to 39, and the Second Reading was carried by 63 votes to 40.

The Report and final stages of the Bill were taken in the Dáil on 28th June. The Report Stage was passed by 53 votes to 28.

On 28th June, on the Final Stage,

Mr. D. Fitzgerald said that the Bill aimed at a complete Fianna Fáil dictatorship without any restraint or trammel upon it.

Mr. MacDermot argued that Proportional Representation, which thrust the individual more and more out of politics, made a Second Chamber more, rather than less, necessary. If the Seanad were abolished, some of its most able members would face election to the Dáil; but this Bill would leave the Seanad only as a sham safeguard. It would degrade the Seanad into something which was simply not worth while.

The President of the Executive Council, replying, reiterated his conviction that Proportional Representation was a more effective safeguard against violent changes than a Second Chamber. They were keeping to democracy simply because they believed it to be on the whole a more suitable, more definite and more satisfactory form of Government than any other. If they were going to have democracy, they must accept its implications. They were not now determining whether they should have a Second House or not. Pending the abolition of the present Chamber, or the substitution of it by another, its powers of delay were not to be longer than the period in the Bill.

The final stage was carried by 57 votes to 32.

LAND ANNUITIES.

(Amounts collected in current year.)

On 28th June, in the Dáil,

Mr. A. Haslett (Independent, *Monaghan*) asked for figures showing the amount of Land Annuities collected up to 31st March, 1933, and whether the amounts collected in respect of lands bought under the 1923 and subsequent Acts had been applied to meet the obligations of the State to the holders of land bonds?

The Minister for Defence (Mr. F. Aiken) replied that (1) the total amount of Land Purchase Annuities collected by the Land Commission in respect of all lands purchased under the Land Purchase Acts, 1881 to 1909, was—for the year ended 31st March, 1932, £3,032,871, and for the year ended 31st March, 1933, £1,579,338; (2) the total amount of Land Purchase Annuities collected under the Land Acts, 1923 to 1931 was—for the year ended 31st March, 1932, £485,522, and for the year ended 31st March, 1933, £448,003; (3) all sums in respect of Land Purchase Annuities payable under the Land Acts, 1923-31, were being paid into the Land Bond Fund in accordance with the statutory regulations.

ARMY ESTIMATES.

(Regular and Reserve Forces; Equitation teams; Cost of Defence Forces; General policy.)

On 29th March, in the Dáil, a debate took place on the Estimates for the Army.

DEBATE IN THE DÁIL.

The Minister for Defence (Mr. F. Aiken) said that the Vote was framed on the basis of the following personnel: Officers, 535; non-commissioned officers, 1,388; privates, 3,962; cadets, 43; nurses, 15; chaplains, 11; Class "A" reservists, 4,700; Class "B" reservists, 3,500; officer reservists, 239; volunteer reserve, 480; Officers' Training Corps, 650. Compared with the previous year, this was an increase of 16 officers, 400 "A" reservists, 19 officer reservists, 50 O.T.C. cadets, and 7 Regular Army cadets; but there was a decrease of 150 other ranks, 600 "B" reservists and 284 volunteer reservists. The numbers represented approximately the strength of the present Army, and this average would be maintained throughout the year. Recruiting for the "B" reservists would not be continued this year.

The Estimate showed a decrease of £65,000 on the previous year, due partly to reduction in numbers, partly to lower prices for certain provisions, and economies in certain expenses.

The Army equitation team had cost only £621 net for four shows in 1932; and in the shows at Nice, Rome, Brussels, Olympia (London), the United States, Canada and Berlin during 1932 they had obtained 15 first, 8 second, 11 third and 14 fourth places.

The health of the troops generally was good, their discipline excellent, and their training was going ahead as rapidly as possible. It was hoped that their training this year would assume a more intensive form.

Cost of Defence Forces.

Mr. O. Grattan Esmonde (Cumann na nGaedheal, *Wexford***)** complained that in Opposition the present Government had always claimed they could maintain an adequate defence force for less than £750,000; yet they were now asking for £1,250,000, after a whole year in which to discover and effect economies.

Gen. S. MacEoin (Cumann na nGaedheal, *Longford-Westmeath***)** asked what were the latest developments for establishing an Irish munition factory, and how far they had advanced towards forming the National Guard?

Mr. W. T. Cosgrave (Leader of the Opposition) asked why the purchase of Irish horses by the Army was not being continued?

The Minister for Defence, replying, said that it was cheaper, and it suited the farmer better, for the Army to hire horses needed for the autumn manœuvres. He thought it sound policy to buy the best horses possible for equitation teams competing abroad.

Regarding the munition factory, Army engineers had been consulting with civilian experts and had decided on a plan, and tenders were now being considered; the Dáil would be consulted about this, and also concerning the Volunteers. The general defence policy was a plan to get the Army reorganised within five years on the best possible basis. They were not looking for a fight with anybody, but they must be prepared to defend the country against aggression, no matter whence that aggression came.

The Vote was agreed to.

TRADE AGREEMENT WITH THE UNION OF SOUTH AFRICA.*

New preferences granted to the Free State; Balance of existing trade; Advantages gained at Ottawa.)

On 26th April, in the Dáil, the Minister for Industry and Commerce moved the following Resolution:—

That the Dáil approves of the Trade Agreement between the Irish Free State and the Union of South Africa signed at Ottawa on the 20th day of August, 1932, the text of which is contained in the Report of the Imperial Economic Conference held at Ottawa, 1932 (Supplementary Volume), laid on the Table of the Dáil on the 28th day of November, 1932, and recommends the Executive Council to take the necessary steps to ratify the said Agreement.

DEBATE IN THE DÁIL.

The Minister for Industry and Commerce (Mr. S. Lemass) explained that the Union of South Africa contracted to give to the Irish Free State preferential treatment in respect of hosiery of all sorts, tractors and parts, and stout. The Irish Free State contracted to give to the Union of South Africa preferences on currants, raisins and other dried fruits, canned fruits, wine between 30 and 40 degrees of proof spirit, sparkling wine in bottle, still wine in bottle and maize meal. There would now be for the Irish Free State the same preference of 5 per cent. on socks and stockings which Great Britain and Canada had hitherto enjoyed. For tractors the Irish Free State would now have a preferential rate of 10 per cent. and for stout a preferential rate of 1s. 9d. per gallon. The preferences accorded under the Agreement by the Irish Free State would involve no change in its tariff schedule. The existing preferences would be continued. It was not easy to give precise figures of Irish trade with South Africa, as considerable quantities of goods might be assumed to pass both ways through Great Britain. The Minister believed that there was a substantial balance of trade in favour of South Africa.

Mr. W. T. Cosgrave (Leader of the Opposition) said the Agreement gave the Saorstát three concessions while the Free State gave nothing new. Looking through the big list of concessions given and exchanged between the various countries engaged at the Ottawa Conference, they could not be very enthusiastic about this Agreement.

Advantages of Ottawa Conference.

The Minister for Industry and Commerce replied that in the present state of world trade they must only give advantages where they got advantages in return. The Agreement served as a basis on which additional arrangements could be

* *Vide* JOURNAL, Vol. XIV., No. 2, p. 359.

built. "On the general question of the Ottawa pilgrimage," he concluded, "I have merely to advise the Deputy that there may be advantages not as obvious as the two trade treaties and that the materialistic aspect from which he regards the whole business is one that should be persisted in with great caution."

The Resolution was agreed to.

DEBATE IN THE SENATE.

New policy regarding Dominion Preferences.

On 11th May, in the Seanad, on a similar Resolution of approval for the Trade Agreement,

The Minister for Industry and Commerce (Mr. S. Lemass) said they had found the Government of the Union of South Africa very willing and anxious to extend trade relations with the Saorstát, and he was sure they would be able to secure other arrangements with it. "Heretofore," said the Minister, "the Saorstát has given substantial preferences on all duties to goods which were produced in Commonwealth countries, irrespective of whether we got anything in return for the giving of those preferences. Because of the situation that has developed as a result of the Ottawa Conference and the very definite indication of policy given by the different Governments represented there, it will be necessary for us to revise our attitude and to take the position that we will give concessions only where we enter into definite agreements to give them in return for definite concessions granted to us."

Continuing, the Minister said, regarding New Zealand and other Dominions, that they had not at first appreciated the difficulties of trying to conduct such negotiations with Governments on opposite sides of the globe, when they agreed at Ottawa to resume later their negotiations beyond the stage they had then reached. But he saw no reason why a trade agreement similar to those concluded with Canada and South Africa should not be reached. Discussions were in progress concerning the duty on Irish whisky imported into New Zealand. Whether they could obtain definite concessions would, he thought, depend on the value of what concessions they could give in return. The Treaty with South Africa could be regarded not so much as a final document fixing trade relations for all time, or for five years, as a beginning of establishing those relations in treaty form which could be elaborated later on.

Negotiations with other Dominions.

Senator A. Jameson questioned the Minister as to how commercial questions should be put up to the New Zealand Government?

The Minister for Industry and Commerce replied: "The only direct contact we have is through the High Commissioner in London. There is no resident representative of the Saorstát in South Africa or New Zealand. The discussions are conducted through the High Commissioner in London."

Senator Jameson urged the appointment of Consuls in the Dominions to assist in promoting Irish trade.

The Minister for Industry and Commerce replied that he understood the Department of External Affairs had, for reasons of their own, a pronounced objection to the appointment of honorary Consuls in such places. Some of the objections were obvious. It was a matter which might definitely be considered regarding the general representation of the Saorstát abroad. The matter was at present under consideration. They had found that trade followed representation.

In reply to further questions,

The Minister for Industry and Commerce said that discussions concerning the treaty matters initiated at Ottawa were conducted in London, but other negotiations were conducted direct with the Dominions.

THE BUDGET.

(Extinction of floating debt; Liabilities and assets; Buoyancy of Revenue; Duties on home-grown tobacco; Totals of Revenue and Expenditure; Provision for a new Loan; Development of beet industry; Anticipated fall in Revenue; Borrowing on new assets; Provision for unusual services; Tax on imported newspapers; Effect of dispute with Great Britain.)

On 10th May, in Committee in the Dáil, the Minister for Finance introduced the Budget Resolutions.

IN THE DÁIL.

The Minister for Finance (Mr. S. MacEntee) said the conditions all over the world had been bad—in some respects as bad in the Free State as elsewhere, in some better, in none worse. Alone among States, they were able to extinguish their floating debt and to reduce substantially the volume of unemployment. The diminution of their foreign trade had been much more than compensated for by an extraordinary expansion in their domestic commerce.

Last year's direct liabilities had been reduced from £38,816,000 to £38,388,000, while their assets had risen from

£16,312,000 to £18,621,000. Their contingent liability in respect of Land Bonds, Trade Loan Guarantees and Shares and Bonds of the Agricultural Credit Corporation now stood at £23,675,000 as against £25,370,000. But incomparably the most far-reaching and significant change of the year had been in connection with the payments to Great Britain. "We have rid ourselves," said the Minister, "of the burden of over £92,000,000 which was so unjustifiably and recklessly imposed upon us by the Secret Agreement of 1923. Arising out of this we have retained in this country and utilised for productive purposes no less a sum than £4,677,014, which largely accounts for the comparative ease with which the difficulties arising out of the dispute with Great Britain have been surmounted, and to a large extent also explains the astonishing buoyancy of the revenue."

Revenue Estimates exceeded.

In the previous Budget, the Minister continued, he had to cover a deficit of £3,400,000 and also to provide no less than £2,500,000 for special grants for special unemployment and relief. But there had been no drying-up of Revenue. On the contrary, Revenue exceeded the Estimates for almost every significant item. Home-made spirits and beer had surpassed the Estimates by £46,000 and £157,000; sugar and confectionery by £62,000 and tobacco by £137,000. The Estimate for tea had been slightly too high.

The last Budget had given a complete remission of the duty on home-grown tobacco, in an attempt to interest Irish farmers in the crop. The rate of planting had been such that, if allowed to increase, the revenue from this would end in tobacco smoke. The Government desired to establish this industry on a firm basis. But the number of growers was now so great that the whole position must be reconsidered. There would, therefore, be an Excise duty on all Irish tobacco grown after 1st January, 1934. The duty would, however, give very high protection to the native product. It would be 6s. 8d., as against 9s. 6½d. per lb. on imported tobacco. This duty would be charged to all manufacturers who used both native and foreign tobacco, but a special rate of 5s. 6d. a lb. would be charged to manufacturers who used only Irish tobacco. The Government was, however, considering whether some limit should be placed in future on the acreage to be grown by any single grower.

Income tax and surtax had produced £5,301,000 against an estimate of £5,245,000; and Corporation Profits Tax £495,000 against £450,000. Estate Duties, at £1,066,000, and Stamp Duties at £1,051,000, were below the Estimates by £64,000 and £19,000. The special emergency duties on British coal, cement, etc., had produced £326,000. The various new protection tariffs had yielded much less than half the estimated £910,000, and did very much more to provide employment by protection than to provide revenue.

Revenue and Expenditure totals.

The total net result was a Revenue of £23,638,000 against an estimate of £23,843,000. Non-tax Revenue amounted to £6,352,935, including £2,968,795, diverted from the Land Purchase Annuities Fund to the Exchequer. Only about one-half of the diverted Land Purchase Annuities was collected from tenant purchasers, the balance being provided out of ordinary Exchequer revenue.

The total Expenditure on Central Fund and Supply Services amounted to £28,849,739. This included an additional advance of £1,616,000 to the Guarantee Fund and £2,000,000 as a grant-in-aid for an Emergency Fund mainly used for payment of export subsidies and bounties. This total, subtracted from the total Revenue of £29,991,000, left a surplus for the year of £1,141,000.

Considering what the position might have been if there had been no dispute with Great Britain, the Minister said that, apart from all the uncertain factors, he could deduct from the Revenue side the British Emergency Duties, the sale of butter, and the Land Purchase Annuities, and set against them the advance of £1,616,000 to the Guarantee Fund and the £2,000,000 of the Emergency Fund. That calculation would leave an apparent debit balance of £215,000; with adjusted revenue at £26,727,140 and adjusted expenditure at £26,941,958.

New items of expenditure.

For the current Supply Services there would be several important new items. The chief were: £479,800 increase for Old Age Pensions; £360,000 increase for Housing Grants; £100,000 for milk for necessitous children; £1,340,000 increased loans for housing; £800,000 for Land Bond Deficiency payments; £150,000 for the Land Bill, 1933; and £150,000 new provision for Damage to Property Compensation. There was also £2,450,000 for export bounties and subsidies. Also a sum of £320,000 was included to cover the Interest and Sinking Fund of a new loan to be floated this year. This figure would be partly offset by savings on the Exchequer Bills which were all redeemed at the close of last financial year. New proposals were also in preparation to relieve local authorities of their present excessive liabilities for unemployment relief. These proposals would be introduced during the year, and a sum of £650,000 was being provided to cover them. The exploitation of turf and peat resources was also being undertaken

A sum of £100,000 would be devoted to draining bogs and to making bog roads. A further £50,000 was provided for organising and developing the peat industry. Any sound, constructive proposal to develop natural resources and provide employment would be considered most sympathetically by the Government. In addition to the subsidy for milk, a further £25,000 would be spent on providing native fuel for necessitous homes.

Decline of revenue anticipated.

Decreases of £1,732,000 in tax revenue and £1,818,935 in non-tax revenue were anticipated this year, and the total Revenue estimate would therefore be only £26,440,000. The pre-Treaty Land Annuity payments would yield only £800,000 instead of £2,969,000. Tax revenue would decline chiefly because the protective tariffs had increased home production. There would be an apparent deficit of £5,089,220 to cover, as expenditure was estimated at £31,529,220.

To bridge that gap the Minister would first earmark 1½ per cent. on the Supply Services as an allowance for over-estimation. This would produce £388,220. From the surplus of £1,141,000 last year he would use £534,000 to wipe out a non-recurring deficiency in the Land Bond Fund, and £550,000 to cover the normal contribution to the Local Loans Fund. To assist in providing the £2,450,000 required for export bounties and subsidies he would borrow £1,225,000 on the security of certain assets which had been created as a result of the economic dispute with Great Britain.

DEBATE IN THE DÁIL.

Mr. F. MacDermot (Leader of the Centre Party): "Would the Minister mind indicating the nature of these assets?"

Provision for unusual services.

The Minister for Finance: "Not at this stage." Continuing, he specified as being "services unusual in their magnitude and generally unusual also in their character" the following items which would also be defrayed by borrowing: £256,000 to provide compensation for property, and to complete repayment of the Dáil Eireann (Internal) Loan; £1,600,000 required for housing scheme loans to local authorities; and £85,000 to complete the River Barrow drainage scheme. Economies amounting to £270,000 would be effected by the Public Services (Temporary Economies) Bill. The remaining deficit of £124,000 would be covered by new duties. A licensing scheme to protect Irish fruit-growers at certain seasons would produce £25,000. Duties on several other articles, and also a duty of two-fifths of a penny on daily

newspapers imported into the Saorstát, would produce together £140,000, and leave a modest surplus of £16,000.

Results of economic dispute.

Mr. W. T. Cosgrave (Leader of the Opposition) said that the Minister had made no reference to the enormous contraction of trade within twelve months, amounting to about 25 per cent. The Exchequer figures showed that several receipts, which declined by 6·5 per cent. last year, had declined by a further 7·3 per cent. this year. These conditions were apparently not likely to improve, as the sum and substance of the Minister's speech was that the economic war would be with them for all time. If so, there would be a much larger percentage reduction each year in any taxation which might be imposed.

Concerning the emergency duties, the Deputy argued that the cost of the imported article was increased to the consumer in the Saorstát. The tax was collected from their own nationals, whereas on the other side the tariff against Irish agricultural imports fell heavily upon the Irish producers. In his view, no greater damage was ever done to the country than when it embarked upon a policy of economic war with its best customer.

Mr. MacDermot said that what struck him most was that in spite of the Government having intercepted the enormous sums hitherto paid away to the brutal Saxon, there was nothing to show in the way of relief to the taxpayer.

The Budget Resolutions were carried on 12th May by 73 votes to 53.

EXPORT BOUNTIES.

(Total cost to date; Amount paid on cattle exports to Germany.)

On 23rd May, in the Dáil,

Mr. H. M. Dockrell (Cumann na nGaedheal, ***Dublin County*****)** asked what was the total amount of bounties paid on the export of Irish goods, produce and animals to Great Britain up to date?

The Minister for Finance (Mr. S. MacEntee) replied that the total amount of bounties paid up to 6th May, 1933, was £1,508,618 18s. 6d.

Cattle bounty.

On 20th June, in the Dáil,

Mr. James Dillon (Centre Party, *Donegal***)** asked what amount of bounty per head of all classes of cattle exported to Germany had been paid within the last month?

The Minister for Agriculture (Dr. J. Ryan) replied that the bounty per head of cattle exported to Germany was the same as for cattle exported to Great Britain, namely, 35s. a head on all cattle two years old and upwards, and 15s. a head on all cattle between fifteen months and two years old. All cattle exported to Germany had been over two years old. No bounty had been paid on any cattle which his Department had exported direct to Belgium.

On 30th May, in the Dáil, replying to a question by **Mr. P. McGilligan (Cumann na nGaedheal,** *National University*),

The Minister for Agriculture said the total bounty payments up to 27th May for each class of agricultural exports had been as follow:—

	£
Butter, cream, etc.	262,000
Cattle	586,000
Live pigs	40,000
Pig products (bacon, pork, etc.)	151,000
Dead poultry	119,000
Eggs	138,000
Potatoes	6,000
Grass seeds	300

AGRICULTURE AND GOVERNMENT POLICY.

(Motion for a public inquiry; Heavy decline of exports; Results of changed agricultural policy of Great Britain; Government's policy; Attitude towards trade with England.)

On 25th May a debate took place in the Seanad on the following Motion by Senator Sir John Keane:—

"That, in view of the fact that it is the declared policy of the Government to depend to an increasing extent on home production and home markets, the Seanad requests the Executive Council to institute a public inquiry as to the form of agriculture that is best calculated to ensure the prosperity of that industry in the altered circumstances."

DEBATE IN THE SENATE.

Senator Sir John Keane said that hitherto agriculture in the Irish Free State had been generally left to develop spontaneously, and that system had stood the storm well. The country had been comparatively fortunate while the whole world was economically depressed. The people were not rich, but there was no very great measure of distress. According to official statistics, 33 per cent. of their produce was consumed by their own agricultural population and 18 per cent. by the non-agricultural; 49 per cent. of their output was exported. Suddenly, however, there had been a steep drop in their agricultural exports, from £31,000,000 in 1931 to £22,000,000 in 1932. The full effect of this drop had been mitigated to some extent by State aid—bounties, price regulation, and other reliefs. But the Senator thought it would be a conservative estimate to reckon an annual loss of about £7,500,000 income and a capital loss of £10,000,000 on stock. These losses had been borne with great hardship by the farmers.

The first remedy to be sought, said the Senator, was to get back to their old position, with bargaining power equal to that of competing countries and goodwill and every prospect of preferential treatment. However, that might not be enough, because their chief customer, Great Britain, was also being driven along the lines of self-sufficiency. Agricultural policy in Great Britain had changed, and the policy of self-sufficiency was likely to be followed there more and more. Moreover, owing to their own unfortunate conduct, the Irish Free State was obliged to stand aside while import quotas of agricultural produce were being granted to the other Dominions, Denmark, Argentina and other countries. The Senator thought the only permanent line to follow should be to assist producers. Agriculture, their predominant industry, could not be spoon-fed; and the Budget showed the writing on the wall and gave cause for very considerable anxiety. He could see no solution on the present lines except a slackening of the volume of production and a lower standard of living. He suggested that somebody outside the country, who would not be suspected of political prejudices, should be called in to examine the problem, as had been done when the Shannon Electricity Scheme was first being considered.

Senator M. Comyn argued that in the past whole countrysides in Ireland had been cleared so that agricultural exports could be produced for the English market. He thought that employment could be increased by the Government's policy of more cultivation of the soil.

Senator T. Johnson contended that a planned industrial policy as well as a planned agricultural policy was necessary. A close comparison of agriculture in Denmark and in the Irish Free State showed that the small Irish farms were bearing a very much larger proportion of persons per 1,000 acres, while in Denmark the farms of from 200 to 500 acres carried 34 persons against only 19 in the Saorstát. The present methods of agriculture in Ireland led to over-crowding of the poorer and under-crowding of the better lands. The output per worker in Denmark was £196 a head as against £96 in the Saorstát. He did not believe that, even if the World Economic Conference achieved the greatest success, it would be possible to get back to the conditions prior to 1932. Great Britain's agricultural policy had changed, and now aimed at being more self-dependent.

Prospects of recovering British markets.

It must be assumed, however, that Irish agriculture would for a very long time produce more than could be consumed at home. There would have to be an export trade, and mainly with Great Britain. But he believed that the present situation as between Britain and Ireland would be permanent; there would never again be the same freedom of access to the British market as in the past. The Government's policy ought to begin by assuming that probability. To trust to the free play of markets for improving the price of agricultural exports would not get the best output. There must be a planned recovery with a definite objective, and the State should undertake responsibility for organising the export of its surplus produce.

The Minister for Agriculture (Dr. J. Ryan) said it was the declared policy of the Government to depend to an increasing extent on home production and on home markets. But it was untrue that they did not want to have anything to do with the British or with any other market. They had taken a certain line of policy, but that did not mean they said to Great Britain: "We cannot have anything now to do with you, either buying or selling." Great Britain was their neighbour, and the country with which they would naturally trade under normal circumstances. But they did not think it necessary to buy that trade at a cost of paying £5,000,000 a year. They were convinced that more intense production in agriculture could only be got by having smaller farms. Their policy involved division of the land into more small farms, besides protecting the tillage crops. Agriculture was depressed in most countries and no country at present would risk the removal of its tariffs on agricultural produce. The Minister had no objection to any inquiry, but they knew of no one who could be usefully asked to advise.

The Motion was withdrawn.

CEMENT BILL.

(Creating a new industry; Dumping of foreign cement; Licences for new factories; Effect on prices; Regulation of imports.)

This Bill, which provides for the formation of a cement industry operating under licence, and for restricting the import of foreign cement, was introduced by the Minister for Local Government and Public Health in the Dáil on 31st May.

DEBATE IN THE DÁIL.

On 4th May, in the Dáil,

The Minister for Local Government (Mr. S. T. O'Kelly), in moving the Second Reading, explained that the Government had quite early on taking office given attention to the possibility of establishing a cement industry. All the raw materials were available in abundance, and there was a growing market for cement which should justify the establishing of more than one cement-producing plant on an economic basis. They had now found that firms were available which were prepared to finance, erect and operate in the country plants capable of supplying all their requirements at reasonable prices.

The Irish Free State was almost the only country in Europe offering a free market for cement. Most of the world was subject to a cartel arrangement, which divided the markets and fixed prices, generally on a monopoly basis. These firms had been disposing of their surplus stocks in the Irish Free State so that it was now available in Ireland at about half what it cost in the country of production. It was being sold in Ireland definitely at a loss to the producers; and this constituted a difficulty in establishing a native cement industry. The cost of cement produced in Ireland would therefore involve an increase in price.

They believed, however, that cement could be produced as cheaply as anywhere else. Raw materials were available side by side with transport facilities and other advantages.

Two factories to be built.

The Bill would provide for the manufacture of cement in the Saorstát subject to licence. The home market for cement was estimated at 200,000 tons a year, and two factories would be erected each capable of producing 100,000 tons. That would be an economic unit of production. Transport costs were an important consideration, and they contemplated two producing units more or less adjacent to the big centres of consumption. One licence would be granted for the eastern, another for the southern, and subsequently there would be one for the western portion of the country. The licences would be issued to the persons who put up what appeared to be the most attractive scheme involving a guaranteed maximum price for cement. It would take from 12 to 18 months to complete construction of the factory alone. Applications for licences would be considered as soon as the Bill became law. Each factory would require a capital of £400,000 or £500,000. Part IV. of the Bill would provide for restricting imports of foreign cement.

The Minister for Industry and Commerce (Mr. S. Lemass) explained that the import of cement would be subject to licence, involving a fee calculated with regard to the amount of cement to be imported. The tax might be varied from time to time in relation to different classes of cement. This arrangement had been introduced in certain other countries and it appeared to be working satisfactorily. The fee would be fixed so as to produce a gradual rise in the price of cement, if that should be made necessary by world prices, until Irish-made cement was available. After that, no cement would be allowed in except to such parts of the country as the Irish factories could not supply.

Mr. P. McGilligan (Cumann na nGaedheal, *National University*) said the purpose of the Bill was to get cement produced in Ireland at any cost. The price of cement would be increased by something like 100 per cent. Decentralisation of the industry between two or three factories would increase the cost of production. When he had been Minister for Industry, the Department had considered at least one offer to produce up to certainly 250,000 tons in one factory, with a capital of less than £750,000. That was considered extravagant and involving too large a capital; but the Bill now contemplated three factories at £400,000 each.

The Second Reading was carried by 62 votes to 44.

NEWFOUNDLAND.

The following summary is in continuation of that given in the last issue of the JOURNAL (*Vol. XIV., No.* 2) *and deals with further proceedings of the First Session of the Twenty-eighth Parliament which opened on* 11*th April*, 1933, *and was prorogued on 7th July*.

THE ADDRESS : GENERAL DISCUSSION.

(Financial situation ; Fishing industry ; Gander project ; Retrenchment ; etc.)

A summary of the Governor's Speech at the opening, on 11th April, of the First Session of the Twenty-eighth Parliament was given in the last issue of the JOURNAL.*

The following is a summary of the debate which followed.

DEBATE IN HOUSE OF ASSEMBLY.

On 9th May,

Mr. F. G. Bradley (Leader of the Opposition) regarded the Speech from the Throne as a political document. He attributed the overwhelming defeat of his Party at the last Election to the retrenchment policy they had inaugurated, and he denounced the Press supporting the present Government for starting public meetings and sending reports abroad that were responsible for outside investors placing no confidence in the Squires Government.

Gander scheme ; etc.

He thought the Gander matter should be cleared up once and for all and that the present was an opportune time for the Government to bring in a Bill in this connection. He wondered what the teachers and soldiers would think now, after having their stipend cut again, as compared with what they were told a year ago by the then Opposition.

Finance : Government's Election promises.

He accused the Prime Minister of telling the people on the eve of the Election that he would get all the money he wanted and would start a four-million dollar industry if his Party were elected, whereas he now admitted that he could not get the money; so that the Alderdice Government was no

* *Vide* JOURNAL, Vol. XIV., No. 2, p. 393.

better than the previous Government so far as getting a loan was concerned.

The Prime Minister (Hon. F. C. Alderdice): "The day before the Squires Government went out of office our bonds were worth $50 to the 100; to-day they are worth $80. They jumped 10 points the day after the present Government were returned to office."

Mr. Bradley said his opinion from a financial standpoint was that Great Britain was behind Newfoundland and nobody else.

On 10th May,

Mr. Bradley, continuing, said that the funded debt of the Colony to-day was about 100 million dollars. That meant an annual burden of 5 million dollars, and it was a human impossibility for people with such a low earning power to carry that burden unless borrowing was cut out.

Fishing industry.

The main point now was to make it possible for their people to prosecute the cod fishery, but he did not think the burden would be lifted off the shoulders of the fishermen by allowing bondholders to demand their pound of flesh. The fishermen were in the hands of fish merchants. He would not say that all the merchants were dishonest; but he would say that the fishermen were cheated. He suggested to the Prime Minister that as soon as the House closed he should invite Aaron Shapiro, an authority on co-operative movements, to come to Newfoundland and formulate a plan for the marketing of fish in the interests of the fishermen. In conclusion, Mr. Bradley said that the present was no time for the playing of Party politics, and for his own part he assured the Prime Minister of his wholehearted support in any effort his Government would inaugurate for the betterment of the conditions of the suffering masses throughout the country.

The Secretary of State (Hon. J. C. Puddester) said that from May, 1931, until June, 1932, and while depression was at its height, the late Government had never exerted itself to retard the depression that was upon the people of Newfoundland. They could not borrow legitimate money, as they were turned down everywhere; but they managed to spend 14½ million dollars during their *régime*, and the present Government had been working overtime cleaning up the mess they found in all Departments. The Public Accounts tabled the other day would tell a lovely story and he advised all Members to peruse them and find out for themselves what really happened to all the money that was spent. The accounts were not those of the present Government, but of the late Government.

Gander project.

He felt certain that if the right thing had been done in 1929 and mutual negotiations had been carried on between the parties concerned there would be a Gander industry in operation to-day. The present Government promised to do their best to try and resurrect the Gander deal; but conditions were entirely different from 1929, when money was fairly abundant.

Financial crisis in 1931.

Referring to the financial situation in the fall of 1931, Mr. Puddester stated that the Government of that day could not borrow a dollar as the financial world had no confidence in it. They appealed at that time to the British Government to try to prevent a default; but the British Government said: "No. We have no confidence in you. You have not been playing fair with Newfoundland and its people and we will not come to your rescue." Prime Minister Squires could not get a loan, and the present Prime Minister saved the situation by going to the Bank of Montreal and signing the agreement that got them the loan to pay the interest on their Public Debt. Last year, with the advent to power of the Alderdice Government, the scene was changed, as the British Government would not allow Newfoundland to default on its bonds.

Retrenchment policy.

He read a list of bills amounting to practically a million and a half dollars which the present Government had been called upon to pay, but all of which had been contracted by the Squires Government. In order to pay these bills, cuts in salaries and pensions had to be made. Retrenchment had to be made if the country was to emerge out of the mess the late Government had put it in. There was to be no more borrowing of money, as borrowing for every wild-cat scheme in the past had almost bankrupted the country, but made it easy for the politicians.

Regarding dole expenditure, there was not as much being spent although the need was greater. There would be a saving this year on able-bodied relief. The Government was doing its best in trying to get people to become self-reliant and to try to regain their independence.

He was heartily in accord with some of the things Mr. Bradley had said concerning the fisheries; but he thought he was treading on dangerous ground by putting merchants up against the fishermen.

The Address-in-Reply was agreed to.

FINANCIAL STATEMENT.

(Estimates for 1933-34 ; Interest on Public Debt : balance made up by the United Kingdom ; Provision for Railway deficit ; etc.)

On 26th June, in Committee of Supply, the Prime Minister and Minister of Finance and Customs introduced the Estimates for the year 1933-34.

IN THE HOUSE OF ASSEMBLY.

The Prime Minister and Minister of Finance and Customs (Hon. F. C. Alderdice), in introducing the Estimates, explained that this year an effort had been made to make the figures a sort of pre-audit.

Interest on Public Debt : assistance from the United Kingdom.

Regarding the interest of the Public Debt, the Government of the United Kingdom had offered to make up the balance due on 1st July.* He figured the amount required would be about $1,850,000. He was not sure the money would be forthcoming, as the Government of the United Kingdom had to include it in their additional Estimates, which he understood were to be introduced in the House the previous week. He felt, however, that having offered to pay the balance the Government would be able to negotiate it in the House. The Newfoundland Government had been reluctant to increase the indebtedness, as it felt that borrowing was only throwing good money after bad, but the situation now was different.

Last December, when the Governments of the United Kingdom and Canada had offered to pay their interest they had done so on condition that Newfoundland would consent to the appointment of a Royal Commission. This year it was even more important. Owing to the Economic Conference at present in session it would be distinctly awkward if any of the British Dominions defaulted in their interest, and especially before the Royal Commission had handed in its Report. He felt certain that that Report would justify the country in looking to the bondholders for a reduction in the rate of interest on the Public Debt.

He was grateful to the Home Government for its offered assistance, and he felt that at present to accept was the only thing to maintain their integrity. It was impossible to reduce expenditure further. The Public Services were cut to the limit, and their income was down because of the depressed

* *Vide* under "United Kingdom," p. 488.

state of the markets and the decreased earning power of the people. He felt certain that this time was the last time that outside help would have to be accepted. The Government was prepared to take the odium of default on its shoulders, but it was not necessary at the present time.

Estimates for 1933-34.

The Estimates for the coming year were about the same as last year, when the original Estimates and Supplementary Estimates were added. The total Estimates for 1932-33 were : Original, $10,170,101 ; Supplementary, $1,961,482. The Estimates for 1933-34 were $10,660,005.

Provision for Railway deficit.

In the Finance Department provision had been made for a deficit of $200,000 on the Railway. This was the first time that provision of this kind had been made in the Estimates.

Departmental Votes.

In the Department of the Secretary of State a reduction had been made of from $89,093.85 to $57,270.80. The Vote for casual able-bodied relief, which last year was $50,000, had been increased to $500,000, though he was afraid that it would not be possible to keep even within this limit.

The Vote for General Public Health was $269,300.00 against $266,804.00 last year, though that figure was greatly exceeded. In the Justice Department the Vote was $459,971.62 as against $449,939.67 for the preceding period. This increase was chiefly due to the enlargement of the police force. The Education Vote had been decreased from $700,000 to $500,000, and it concerned him very much to have to cut down this Department. They were paying less for their education than any other English-speaking country. The Vote for the Department of Agriculture and Mines was $60,542.12 as against $50,002.42. The increase had been brought about by the encouragement of agriculture. In the Marine and Fisheries Department there was a decrease from $271,164.32 to $261,826.04 ; in Posts and Telegraphs, from $839,486.87 to $741,063.38.

It was hoped to bring the expenditure to within $70,000 of balancing. Everything possible was being done in this aspect. The Commission was working in conjunction with him, but it was difficult to cut salaries where they were so small.

Continuing, the Minister said there was also a reduction in the Customs Department of from $431,768.95 to $414,840.88, and in the Pensions Department from $665,290.00 to $548,690.80. The Vote for the new Department of Labour was $1,540.00. This Department was taking much detail work from Members of the House, and was keeping in touch with all industrial centres and finding out every available means of labour.

Interest charges on Public Debt.

On 27th June,

The Prime Minister, explaining Votes in the Finance Department, stated that the interest charges on the Public Debt were estimated at $5,200,000.00. The exchange rate would be increased, for whilst the rate of United States exchange had decreased since last year sterling had increased. The interest charges on the Loan to be obtained from the Government of the United Kingdom to meet the debt on 30th June would have to be provided for in Supplementary Estimates. In these, too, provision for the supplying for the fishery would also be made.

If the Government could dispense with cutting salaries it would do so. It was found, however, that cuts in various commercial enterprises were much greater than those of the Civil Service. Some of the Members of the Legislative Council had returned their sessional indemnity. No salary was being paid to the High Commissioner in London, who would be out in Newfoundland shortly, and when he came the entire office was to be reorganised.

Poor Relief Vote.

The Secretary of State (Hon. J. C. Puddester), explaining the Vote of $500,000 for Poor Relief, stated that it was hoped to pay the bills for that amount, though whether or not that would be possible depended on conditions this fall. If conditions this year were the same as last, when men returned from the fishery and had to go on the dole immediately it would be impossible to get out of the trouble for the amount voted. But it was hoped that there would be a good fishery this year.

THE BUDGET.

(Results of year ending June, 1932 ; Anticipated results of 1932-33 ; Budget for 1933-34.)

On 29th June, in the House of Assembly, the Prime Minister and Minister of Finance and Customs delivered his Annual Financial Statement.

IN THE HOUSE OF ASSEMBLY.

The Prime Minister and Minister of Finance (Hon. F. C. Alderdice), having referred to the "abnormal and unprecedented financial and economic conditions" in nearly every

country, said that for Newfoundland in particular the renewed decrease in the price of codfish and newsprint, and in the export of iron ore, combined with adverse exchange conditions, had had its effect on their Customs revenue, which formed the great proportion of their total Revenue; while the payment of interest on loans raised at very high rates in the past had subjected their finances to an intolerable strain. They had begun the season with some encouragement from their seal fishery and, as to the other problems confronting them, he would rather emphasise two factors which might give them special ground for hope in the future. First, the Monetary and Economic Conference; and secondly, the Royal Commission, which was in Newfoundland studying local conditions and financial and business prospects, with a view to advising them as to the most satisfactory solution for meeting present difficulties and the most effective use they could make of their immense potential resources.

Results of 1931-32.

The actual results for 1931-32 were: Revenue, $7,931,047.41; Expenditure, $11,960,386.63; Deficit, $4,029,339.22. The failure of Revenue to reach the budgetary estimate of $10,010,391.08 was due to the fact that Customs receipts amounted only to $5,787,051 as compared with the estimate of $7,750,000; they were less by $1,678,000 than the receipts in the preceding year. The estimated Expenditure of $11,467,146.06 included no provision for able-bodied relief, and although reduced by some $670,000 in the course of the year, there was an excess of expenditure of nearly $500,000.

The figures of Expenditure given covered current expenditure only. Including items charged to Capital Account, which amounted to $1,675,892.56, the total Expenditure amounted to $13,636,279.19.

Apart from borrowing on behalf of the Railway and the Newfoundland Hotel, it was necessary for the then Government, in order to meet the interest on the Public Debt, to borrow $2,200,000 from a syndicate of Canadian Banks and, in addition, to raise a loan of $2,500,000, the interest and sinking fund of which were secured by an annual payment by the Imperial Oil Co., Ltd., in return for a monopoly in the importation of gasolene and other petroleum products. There was in addition during 1931-32 a deficit of $339,000 on the Railway, for meeting which no provision had been made.

Anticipated results for 1932-33.

The present Government, when it came into office in June, 1932, found the Budget already voted. Revenue had been placed at $10,180,000 and Expenditure at $10,150,107.28. The Budget accordingly showed a surplus of $29,892.72.

Before, however, the year had well begun it was clear that the Estimates of Revenue had been framed on an optimistic scale, and that it was unlikely that the figures would be reached. It appeared, similarly, that in the case of a number of important items Expenditure had been under-estimated. In these circumstances there was only one course which could be followed. The Budget had brought into effect considerable increases in taxation; and it was evident that further increases would impose an improper restriction upon industry and trade. It was necessary, therefore, to cut down budgetary expenditure in the most drastic manner. Certain economies were carried out in July, 1932, and in September, after the Ottawa Conference, a comprehensive programme of economies was undertaken. These economies were:—

	Annual Saving. $
Salaries and Pensions of Civil Servants	90,000
War Pensions	100,000
Education	200,000
Post Office	120,000
Public Welfare	20,000
Public Health	30,000
	$560,000

In addition, a number of minor economies were effected. Even these were insufficient. Decline in Revenue made Newfoundland unable to meet without assistance the payments for interest on the Public Debt due at the end of December, 1932. It was only possible for these payments to be discharged in full by the loan of $1,250,000 made jointly by the Governments of the United Kingdom and Canada.

During the second six months of 1932-33 the decline in Revenue had continued. Apart from this, there had been, as shown by Supplementary Estimates already voted, two special items on the Expenditure side of the Budget which had been responsible for a large and unavoidable outlay. The first item was able-bodied relief; the second was railway administration.

Having regard to the Revenue position as outlined and to inevitable Expenditure for which no budgetary provision had been made, he anticipated that the outturn for the year would be approximately: Revenue, $8,050,000, of which $5,700,000 would consist of Customs Revenue, that was to say, that Revenue would be more than $2,000,000 below the Estimate of $10,180,000. Expenditure, including the interest on Public Debt, would amount to $11,431,000. The deficit must accordingly be placed at $3,381,000. Unfortunate as the result was, he could not help recording his view that it was no mean achievement to reduce the deficit by over $600,000 compared with that for 1931-32, in spite of the continued decline in world prices and its effects upon the earning power of the people and on the Customs returns.

He was happy to be able to announce that the Government in the United Kingdom had proposed for the second time to come to their assistance so that they might be enabled to meet the deficit in the second half of the year. In ordinary circumstances it would not, he thought, be proper for them to make any addition to their Public Debt; but this offer, and the presence of the Royal Commission, with the hope that its recommendations would have the effect of placing the finances of the Dominion on a permanently stable basis, had caused the Government's grateful acceptance of the assistance placed at their disposal.

Estimates for 1933-34.

Proceeding, Mr. Alderdice said the estimated Expenditure for the year was $5,764,605, which, with interest on the Public Debt of $5,200,000, totalled $10,964,605.

Public Health and Welfare Votes: Government's "mistaken paternalism."

In the Estimate for Public Welfare was included $500,000 for able-bodied relief, as against $50,000 for 1932-33. The great proportion of the $500,000 this year was for the purpose of liquidating outstanding accounts under the system; the remainder was for poor relief for proved cases of necessity and destitution as they arose. In connection not only with able-bodied relief, but with the Welfare and Health Votes generally, Mr. Alderdice said he wished to emphasise in the strongest terms that for the future the population must be taught not to rely, as they had done for so long, upon the expectation of financial assistance from the Government in the case of every small difficulty. During the last decade, and indeed longer, this mistaken system of what he might call paternalism, had done much to sap the initiative of citizens and to bring them to the frame of mind in which they looked upon Government aid as not only available for them in nearly every circumstance of their daily life, but, in addition, as a right to which they were undoubtedly entitled. That was a grave menace to the proud spirit of independence on which Newfoundland had been built up.

Fishing industry.

He had confidence that the Salt Codfish Act, which had recently become law, would ensure the co-operation between every section of the fishing industry which had been lacking in the past, but was indispensable if they were to regain and maintain their position in the markets of the world. With a view to furthering the industry during the present season he was arranging that a sum should be included in the Estimates for providing outfits and similar necessities for a number of men of reliable standing who would otherwise not be able to proceed to the fishery; and it was also proposed to award prizes in some cases for fish of first-class quality and curing.

New Department of Labour.

There appeared in the Estimates for the first time a heading for the Bureau of Labour. The Bureau had been established upon his Government taking office a year ago, and the results which were being achieved amply justified the small expenditure involved.

Customs duties : Ottawa Agreement.

The Prime Minister then gave details of the estimated Revenue, which totalled $8,819,338. He anticipated that Customs duties would produce the sum of $6,400,000. On the subject of these duties, he must refer to the Agreement made with the Government of the United Kingdom on 20th August, 1932, as the result of the Ottawa Conference.* Having described the effect of the Agreement, Mr. Alderdice said the Government had been disappointed that the discussion at Ottawa concerning the utilisation of Wabana iron ore in the United Kingdom so far had had no practical result, but negotiations were being continued.

Proposals for meeting deficit deferred.

Concluding, Mr. Alderdice said he had forecast a deficit of $2,145,267 for the year as compared with $3,381,000 for the current year and $4,029,339 for 1931-32. He thought it would be both proper and acceptable to the Committee that he should defer the proposals for reaching a balance between Revenue and Expenditure in the coming year until the Royal Commission had come to their conclusions.

* For details of the United Kingdom-Newfoundland Agreement, *vide* JOURNAL, Vol. XIII., No. 4, p. 856.

INDIA.

The following is a summary of some of the further 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 and closed on 15th April.

EXPULSION OF INDIANS FROM INDO-CHINA.

(Unjust action of French authorities alleged; Appeal for British intervention: Government's action.)

On 30th March, 1933, in the Legislative Assembly, Diwan Bahadur A. Ramaswami Mudaliar obtained leave to move the adjournment of the House in order to discuss the position of the Chettiyar bankers of Indo-China and the expulsion of four of them from that country.

DEBATE IN LEGISLATIVE ASSEMBLY.

Diwan Bahadur A. Ramaswami Mudaliar (*Madras City: non-Muhammadan*), in moving the adjournment, said the Chettiyar bankers of Southern India had supplied capital for various useful purposes in Indo-China on the encouragement and under the guidance of the French Colonial Government. It was estimated that the loans given by them to various people on promissory notes alone amounted to 700 million francs. Owing to the financial crisis which had affected Indo-China in common with other countries, creditors had found it very difficult to collect their dues. As the position was bad, not because of any pressure on the part of Chettiyars, but because of pressure from other creditors, the judicial courts were advised by Executive instruction to give a sort of moratorium. But this procedure did not prove satisfactory, and the Government revoked the instruction.

The Chettiyar bankers now took action under the normal French law to recover their dues. The French Government, he understood, told the Chettiyar bankers to accept between 20 and 30 per cent. of the amounts due to them; and when the Chettiyar bankers found themselves unable to do this, the Government took more drastic action, and he had instances of four bankers who had been expelled from the country at very short notice.

Justification for remaining in British Commonwealth.

Every State had the sovereign right to exclude from its territory undesirable persons, but the Chettiyars were a peaceful and law-abiding community, to whom the observance of law was even more vital than the observance of religion. It seemed to him that it was appropriate that on the discussion on the White Paper he should be able to bring forward this Motion. If there was one justification more than another for the proposition that India was to remain a partner in the British Commonwealth of Nations, it was that by so remaining Indians got a status in the whole world, and when they found their people treated in this way it was high time they told the Government of India, and through them the Government of Great Britain, that steps should be taken to protect them. Not only had the Chettiyar bankers given long term loans, but the resources which enabled them to give these loans had been got from two English banks, the Chartered Bank and the Hongkong and Shanghai Banking Corporation.

Mr. F. E. James (*Madras: European*) associated himself with the remarks of the Mover. If Europeans in India were claiming protection against discriminatory action on the part of future Governments, it was only logical, apart from the inherent justice of the matter, that they should associate themselves with those of their Indian colleagues who stood up against discrimination against their nationals in other countries. As far as he understood it, this community had done much in this French Colony to build up commerce and trade, and never before had there been any suspicion that they were not entirely loyal to the jurisdiction under which they worked. No one there desired to cast any reflection on a great and friendly Power. At the same time, this community were subjects of His Majesty, and if there was any virtue in that allegiance, surely it was to be found in the protection which the Crown could throw over its subjects.

Government action.

The Foreign Secretary (Mr. H. A. F. Metcalfe) said his information agreed largely with the information already given to the House, but he had no evidence at present that there had been definite discrimination against the Chettiyars as compared with other creditors. All the reports he had received showed that there was a commercial crisis of the first magnitude in Indo-China, and that the peasant proprietor, who had no doubt been improvident and had borrowed largely in times of prosperity, was faced with the prospect of losing his land altogether. He was sure the House would understand that in those circumstances, it might be necessary for a Government to take steps which would not be taken in ordinary circumstances; and there was possibly another point of view, which had not yet been placed before the House.

As to what had been done to try to mitigate any hardship which might have been caused to these persons, the Foreign

Secretary said that as soon as the facts were brought to the notice of His Majesty's Consul-General at Saigon, he telegraphed to His Majesty's Ambassador at Paris, and at the same time addressed a direct communication to the Governor-General of Indo-China; and he (the speaker) was informed by the Secretary of State that day that representations had actually been made by His Majesty's Ambassador on 20th March, that was one day before any news of this affair reached Delhi. He also wrote to the Consul-General and said he trusted that steps would be taken to defer execution of the order until further representations had been made at Paris. It was unfortunate that, partly owing to the absence of the Governor-General from Headquarters, and possibly owing to other influences brought to bear upon him, the Consul-General's representations were unsuccessful, and these four individuals had actually been deported. He was, however, informed that the Consul-General still continued to make representations to the Governor-General, and also that His Majesty's Government had authorised their representative at Paris to continue to make representations to the French Government, who had already commenced to take a genuine interest in this affair. It might interest the House to know that a considerable amount of sympathy had been shown in the local Press with these gentlemen. Articles had appeared saying that the Chettiyars had been of great assistance to the Colony, and there was criticism of the Local Government's action. He mentioned this because it might serve to satisfy the House that there was not the great danger which the Mover anticipated of a general expulsion of these people whom they were trying to protect.

Diwan Bahadur A. Ramaswami Mudaliar said they had assurance in fair measure from the Foreign Secretary that everything possible had been done and would continue to be done. He trusted the Foreign Secretary would endeavour to get more information on the question of discrimination, and that those who had been expelled and left their property behind would be allowed to return. He asked leave to withdraw his Motion.

The Motion was by leave withdrawn.

INDIAN CONSTITUTIONAL REFORM.

(White Paper considered; Amendments suggested; Position of landholders; Assembly Amendment advocating greater responsibility adopted.)

On 27th March, in the Council of State, the Leader of the House moved:

"That the White Paper containing the proposals for Indian Constitutional Reform be taken into consideration."

DEBATE IN COUNCIL OF STATE.

The Leader of the House (Hon. Khan Bahadur Mian Sir Fazl-i-Husain), in moving the Resolution, said that perhaps the House would not mind his telling them that what was needed was not a discussion displaying a high order of oratory, but cool, critical consideration. Then only would the discussion produce the greatest possible effect on the minds of those in whose hands the future moulding of the White Paper rested. Any remarks he had to offer would be reserved until the conclusion of the debate.

Scheme "retrograde and unsatisfactory."

Hon. Rai Bahadur Lala Mathura Prasad Mehrotra (*United Provinces Central: non-Muhammadan*) said the scheme as propounded by His Majesty's Government was most retrograde and unsatisfactory. The words "Dominion status" were not even used in the White Paper, which would aggravate the present discontent. The proposals had conferred vast powers on the Governor-General and on the Governors, which amounted virtually to autocracy, not mitigated, but strengthened, by the unchecked control of Whitehall.

Hon. Rai Bahadur Lala Jagdish Prasad (*United Provinces Northern: non-Muhammadan*) declared that after reading the White Paper and all the Reports preceding it, he was constrained to observe that the Indian taxpayer need not expect in the near future any appreciable relief from the burden of taxation, while he need not be shocked if he were called upon to pay more. A great part of the document seemed to have been drawn up rather to placate that section of British Conservatives who were opposed to India's advance than with the object of satisfying the reasonable demands of Indians.

Landlords' interests.

Hon. Maharajadhiraja Sir Kameshwar Singh of Darbhanga (*Bihar and Orissa: Nominated non-Official*) said that anybody who had been watching the proceedings of the Round Table Conferences would see that the White Paper embodied most of the decisions arrived at by them. He would confine his observations to the interests of landlords and he viewed with satisfaction that a Second Chamber would be established in his Province; but he must express his dissatisfaction that the number of special seats reserved for landlords in the Lower Houses was not to be increased in proportion to the increase of the Legislatures. The landlords felt that they should be adequately protected against confiscatory legislation. Their concern for such safeguards had become greater because suggestions had been made that the only way of increasing the revenue was by abolishing the Permanent Settlement.

Hon. Mr. Hossain Imam (*Bihar and Orissa: Muhammadan*) condemned various proposals contained in the White Paper, notably the proportion of representatives to be allotted to the Princes in the Central Legislature, which, he said, was incompatible with the promise that a democratic form of government should be set up. The White Paper was retrograde, and unless the British Government was prepared radically to change its proposals it would throw India back to the pre-reform days.

"Responsive co-operation."

Hon. Mr. G. S. Khaparde (*Berar Representative*) said he was perfectly aware of the defects in the White Paper, but he recommended his friends to accept it and to work again later to improve it. This was what was known as responsive co-operation.

Hon. Mr. G. A. Natesan (*Madras: Nominated non-Official*) maintained that there was no provision in the White Paper which would lead India automatically to Dominion status. In regard to defence, if Great Britain was sincere even in putting India on the road to a self-governing Constitution, the Joint Committee must fix a time limit for the Indianisation of the Army, so that the ultimate transference of defence to the people of the country might be ensured.

"Old partner and younger men."

Hon. Sir Edward Benthall (*Bengal Chamber of Commerce*) said he hoped the House would forgive him if he used a business simile in this matter. The old partner in the firm had decided to meet the legitimate urge of the younger men and had expressed his willingness to take them into the business. He said to them: "I have run this show successfully for very many years, the firm's credit is high, the business has been running smoothly, and now I am going to give you your chance. You shall have full control, and as long as you run things properly, I shan't interfere. But I have a lot of money in this concern and a responsibility for many souls whose fate has been thrown within the orbit of the firm. I cannot allow things to go wrong. I am going to lend you my credit, to prop you up; my advice and help are freely available; you shall have the very best staff, and if things go wrong, I reserve the right to resume control." His Majesty's Government, in effect, invited them to come into a generous partnership, and he would ask the House to look at the matter in that light.

After further discussion,

The Leader of the House said he was glad to say that the debate had been conducted with earnestness coupled with calmness, and that was what was wanted. All the views expressed would be brought to the notice of the Secretary of State.

DEBATE IN LEGISLATIVE ASSEMBLY.

On 29th March, in the Legislative Assembly, the Leader of the House moved :

"That the White Paper containing the proposals for Indian Constitutional Reform be taken into consideration."

The Leader of the House (Hon. Sir Brojendra Mitter), in moving his Resolution, said the White Paper had been published in India primarily to elicit public opinion, and it was but proper that a document of such far-reaching importance—indeed a document of destiny—should be carefully discussed by the non-official Members of that House, who reflected practically every shade of opinion. He was sure the House would agree that the Members of the Government, who formed part of the present system, should leave the debate entirely to the non-official Members.

Demand for greater responsibilities.

Sir Abdur Rahim (Leader of the Independent Party) moved the following Amendment :

"That for the original Motion the following be substituted : 'This Assembly requests the Governor-General-in-Council to convey to His Majesty's Government that, in the opinion of this Assembly, unless the proposals of His Majesty's Government for Indian Constitutional Reform are substantially amended in the direction of conceding greater responsibility of action to the representatives of the people in the Central and Provincial spheres of Government, it will not be possible to ensure peace, contentment or progress of the country.'"

In moving his Amendment, Sir Abdur Rahim said it seemed to him to be inexplicable that, when the fate of the Government of the country was involved, the Government of India should have nothing to contribute to the discussion. They were not there to condemn the whole scheme set out in the White Paper. But he believed that the majority of the non-official Members would agree that unless there was considerable advance in the direction of devolving further responsibility on the representatives of the people, the proposals would not receive acceptance in India. He took his stand on the declaration made by the Prime Minister on behalf of His Majesty's Government in January, 1931, which was approved by both Houses of Parliament. The declaration said that the view of His Majesty's Government was that responsibility for the Government of India should be placed upon Legislatures, Central and Provincial, with such provisions as might be necessary to guarantee during a period of transition the observance of certain obligations and also guarantees required by minorities. It would be a primary concern of His Majesty's Government to see that the reserved powers were so framed and exercised as not to prejudice the advance of India to the full responsibility for her own Government. Now, he and his colleagues admitted the necessity for safeguards, but they challenged the safeguards placed in the hands of the Governor-General and the Governor. They challenged also the outlook of these proposals, that these safeguards and reserved powers must remain for ever. If carried into an Act of Parliament they would make the machinery of the Government of India so cumbersome that it would be well-nigh impossible to work the Constitution.

He was also opposed to the proposal that the Secretary of State should keep control of the Services. There was not the slightest fear that the future Government would treat European officers unjustly or harshly. All this worry would be worth while if the machinery to be set up would enable India to advance on the path of economic freedom. But let it not be made so complicated that Ministers would not be able to carry out any programme of reconstruction.

Dissatisfaction of European community.

Sir Leslie Hudson (*Bombay : European*) maintained that safeguards were necessary in order that the machinery should operate without serious accident to itself or to those for whom it would work. There were various matters in the White Paper in regard to which the European community would be dissatisfied—the safeguards themselves, financial and otherwise, the representation of the community in certain Provincial Legislative Councils and in the Federal Assembly, and then the financial implications of the new Constitution. The cost was going to be colossal and the taxpayers should recognise that now. There were doubtless many decisions in the White Paper with which bodies of Indian opinion would not be in entire agreement, but it represented a great advance, and if every endeavour was made by those responsible for working it to approach the problems involved in the spirit of partners in a common cause, they might look forward to an advance to the ultimate goal and to a land of prosperity.

Claims of landholders.

Nawab Naharsingji Ishwarsingji (*Bombay Northern Division : Muhammadan*) said the Government could boast of no more faithful allies than the landholders. Their continuous support to Government and opposition to unlawful activities had made them so unpopular that hardly any school of political thought was prepared to espouse their cause. Their claims had not been adequately safeguarded, and when every other class was having its representation increased as a result of the enlarging of the Legislatures, their representation remained the same. He hoped the Government of India and His Majesty's Government would extend their sympathetic consideration and support to the cause of the landed gentry.

Mr. B. Das (*Orissa Division: non-Muhammadan*) contended that the White Paper gave no Constitution whatever. It consisted of myriads of safeguards—safeguards to the minorities, to the European community, to the European mercantile community, to the Services and to the British Government, which happened also to be in a minority in India.

A gigantic task.

Sir Muhammad Yakub (*Rohilkund and Kumaon Divisions: Muhammadan*) had no doubt that the framers of a democratic Constitution for India were faced with a gigantic task having no parallel in the history of the world. If any tribunal or individual were to accept the task of framing a Constitution for the whole of Europe it would be considered an impossible one. Yet in the last six years an effort was being made to satisfy the different classes and communities in India, who were more divided among themselves than the people of the different countries of Europe. The impossibility became more paradoxical when democracy was being wedded with an autocracy to produce this novel Constitution. Whether the Princes should join the Federation it was for them to decide. But, as one of the representatives of British India, he must make it clear that they were as keen for the preservation of their rights as the Princes were for theirs, and they would not be prepared to accept any Constitution which might be thought to endanger the unity of British India. They ought to be satisfied that the representatives of the States in the Federal Legislature would have no right to discuss or vote upon matters relating purely to the administration of British India. Then, again, they would not be prepared to accept any weightage to the Indian States in the Federal Legislature which would impair in any way the position of the majority of the British Indian representatives as a deciding factor in the affairs of British India. He strongly submitted that the Constitution should provide for the transfer of residuary powers in the States when full Dominion status was established in India.

Reserve Bank and Railway Board.

Sir Cowasji Jehangir (*Bombay City: non-Muhammadan*) considered it just as unfair to Viceroys and Governors of the future, as it would be unfair and unjust to India, to give them wide powers so that if they exercised them they would be

blamed, and if they did not exercise them they would still be blamed. They were not going to get super-men as Viceroys and Governors. With regard to the Reserve Bank, he thought the Finance Minister Member might let them know what the position was. Was the Reserve Bank Bill coming before the Legislature? Then, as regarded the Railway Board, he was unable to understand what the proposals were. There was talk of general control by the Government and the Legislature. If there were any intention of leaving out of the definition of general control the policy of Indianisation, that House would most strongly protest.

The Finance Member (**Hon. Sir George Schuster**) said he desired to intervene in the debate in order to give the House information regarding the Reserve Bank and the Statutory Railway Board. He was now authorised to state that it was proposed that special discussions should be held on both these matters in London simultaneously with the Joint Select Committee discussions, and that selected representatives of Indian opinion would be invited to proceed to London for this purpose.

Child Marriage Act: interference with religion.

Raja Bahadur G. Krishnamachariar (*Tanjore cum Trichinopoly: non-Muhammadan*) declared that there was no sufficient safeguard in the White Paper against interference with religion and religious rites and usages. There was no question that the Child Marriage Restraint Act was a direct interference with the religion of the Hindus. Sanction for its introduction ought never to have been given. They now had the Temple Entry Bill and the Untouchability Bill, and he held that these Bills did interfere with religion. There ought to be a specific safeguard to protect them against carping, cavilling and thoughtless interference with religion by people who had never made a study of it.

"Ex-soldiers ignored; Sikhs' offer rejected."

Capt. Sher Muhammad Khan Gakhar (*Nominated non-Official*) said that during the War he was busy making it safe for their talking politicians to carry on their propaganda. After the close of the War he found that those who had never gone in sight of a battlefield were agitating for a reward for the great services India had rendered to the Empire. The last 15 years' struggle had shown that the Government had certain formulæ to go by: first, "to act on lines of least resistance"; and second, "to bend before agitation." In the proposed Constitution all special interests were given adequate representation; but the poor ex-soldiers were totally ignored. He would be failing in his duty if he did not press upon the Government of India to see that before the Bill was introduced into Parliament adequate representation should be made in both Houses for the Indian Army.

Sardar Sant Singh (*West Punjab: Sikh*) said that the Sikhs' offer of co-operation had been rejected. The Communal Award and the proposals in the White Paper were sufficient to tell them that their claims could not be considered by a Tory Government. They would await the proper time to come when their co-operation would be needed; then and then alone they would consider how they should act.

He was afraid India must pass through another ordeal of fire before she could convince her master she was in earnest in gaining freedom.

Danger of communalism.

Lieut.-Colonel Sir Henry Gidney (*Nominated non-Official*) said they had been driven to the Minority Pact by communal mistrust. Seventy to eighty per cent. of the questions in that House were pregnant with communalism, bias and curiosity. This communalism was the gravest danger that faced India. With communalism rampant, with each one of them fearing the majority community when the new Constitution would be in operation, and when possibly the Congress Party would be in power, what opportunities did the White Paper afford to represent minority grievances in the various Cabinets? He contended that in every Cabinet—Provincial and Central—there should be one Member whose special portfolio should be the protection of minorities.

Privileges to the Services.

Diwan Bahadur A. Ramaswami Mudaliar (*Madras City: non-Muhammadan*) said that on some fundamental points the proposals of the White Paper made a radical departure from the agreements arrived at with the consent of the majority of the Members of the Round Table Conference. The Services Committee of the Conference recommended that the right of future recruitment and control should vest in the Government of India, and not in the Secretary of State. He failed to see any justification for the departure that had been made, which was calculated to upset the whole scheme of responsible government. If the privileges proposed were to be given to the Services, if Indians were not to have the right to say, "We shall guard you and give you every possible privilege," then the Services, who had enabled the Empire to be built, would be the people about it would be written—if ever the chapter of lost dominion came to be written—"This Dominion was lost, because it was murdered by excessive privileges to the Services."

Mr. Muhammad Yamin Khan (*Agra Division: Muhammadan*) affirmed that the power transferred to the Legislature

by the White Paper was in substance the same as that demanded by the late Pandit Motilal Nehru in a Resolution which he moved in 1924. Not only that, but a great deal of power had been transferred to India which the country would not be prepared to shoulder for some years. The man who cultivated one *pucca bigha* of land, or two or three *kacha bighas*, and paid an annual rent of Rs. 10 would be entitled to vote. These men did not know what the Legislature was even to-day. The persons returned by these voters would call themselves real representatives, but he did not think anybody could call himself a real representative of these people unless these people themselves understood all the implications of the vote and of the Constitution.

Wide terms of the safeguards.

Sir Hari Singh Gour (Leader of the Nationalist Party) said that the questions of Federation and the Premier's Award were no longer open to controversy. In the White Paper it was clearly pointed out that if the Indian Princes did not come into the scheme His Majesty's Government would consult the representatives of India as to what further course to adopt, and that he thought was a fair proposal. But whatever difference there might be on the question of Federation, all Members occupying the popular Benches were apprehensive of the wide terms in which the safeguards had been couched in the White Paper. He was prepared to believe that a constitutional Governor-General or Governor would not be likely to abuse these powers, but he did not wish to give him an opportunity of doing so. It was for that reason that Members on his side of the House desired that not only should there be no large safeguards given in wide terms, but that they must be strictly defined in the Constitution Act. They were all anxious that the members of the permanent Services should work in hearty co-operation with the Ministers, but he was doubtful as to whether, if they were placed under the control of an outside authority, there might not be a hostile current of public opinion directed against them. If the Services were recruited and controlled by the Governor-General with the aid of the Public Service Commission, he thought the assurance they demanded would be amply met.

Sir Abdur Rahim's Amendment, on being put from the Chair, was adopted without a division.

INDIAN MARINE AMENDMENT ACT.

(Reserve of Officers.)

On 7th February, in the Legislative Assembly,

The Army Secretary (Mr. G. R. F. Tottenham), in moving that the Indian Marine (Amendment) Bill be taken into consideration, said the Bill was a small but necessary part of an interesting proposal made by the Flag Officer Commanding the Royal Indian Marine to bring into existence a small reserve of officers for that force. By the Bill, Government merely wished to place officers of the Reserve in the same position as the gazetted officers of the Indian Marine; that was to say, to ensure that they should be subjected to the same code of discipline. The Royal Indian Marine was now a naval force in all but name. If India, as they hoped, was going to assume responsibility eventually for her own defence, that defence could not rest on land and air forces alone. The idea was that the size of the Reserve should be limited to 50 or 60 officers in the first place, and it would be open both to Europeans and Indians.

The Bill was passed through all its stages; and on 20th February it was passed by the Council of State.

THE BUDGET.

(Financial demands; Indianisation of Services and reduction of pay; The Indian Army; Military expenditure.)

A summary of the Budget speech of the Finance Member (Hon. Sir George Schuster) and of the debate in the Legislative Assembly was given in the last issue of the JOURNAL (Vol. XIV., No. 2, pp. 400-06). The following summary deals with the discussion on the financial demands for the Executive Council and the Army Department.

On 7th March, in the Legislative Assembly, Mr. Amar Nath Dutt moved that the Demand for Rs. 77,000 in respect of "Executive Council" be reduced by Rs. 100.

DEBATE IN LEGISLATIVE ASSEMBLY.

All-round Indianisation advocated.

Mr. Amar Nath Dutt (*Burdwan Division; non-Muhammadan*), in moving the reduction, said he had given notice of his Motion in order to discuss retrenchment and cognate matters of Indianisation of the Services and reduction of pay for future entrants. The Budget exceeded the resources of the people, and when they remembered that within the last 12 years about Rs. 140 crores of additional taxation had been imposed on an impoverished country, the representatives of the people had a right to ask for retrenchment. He was not for retrenchment by driving men out of the employ of the Government considering the great unemployment facing them in India. But salaries of over Rs. 1,000 a month could certainly be reduced. He was not going to the figure laid down by the saint now in Yaravada jail, but he would say that in a country like theirs salaries ranging from Rs. 1,000 to Rs. 2,000 were enough for officers, however high their position. He submitted that there should be all-round Indianisation of the Services in order to get a reduced scale of expenditure. The whole of the Government of India should be Indianised to such an extent as would leave only a few posts for *bona fide* experts to be imported, and those salaries should be less than they were to-day. As regarded future entrants, their pay should be commensurate with the capacity of the people to bear it, and should be fixed on the scale which was prevalent before 1858.

Diwan Bahadur A. Ramaswami Mudaliar (*Madras City: non-Muhammadan*) said the mainstay of the Government of India to-day was Customs revenue. He looked forward to the time when interests represented by the producers of raw material and the consumers would ally themselves against the industrialists and commercial men in vindicating a policy of Free Trade. The time had come when the whole position of the expenditure of Government should be reviewed, and scales of expenditure would have to be lowered. He was not one of those who believed that the elementary simplicity could be restored in regard to the work of officers; that life could go on as it did 30 or 40 years ago. The changes that had taken place involved a more complex administration, but he thought that though this complexity in an artificial sense led to efficiency, it might in a human sense lead to deterioration in that efficiency, and in the revision of policy in these matters the real hope of fruitful economy lay.

Recruitment for the Services.

Hon. Capt. Rao Bahadur Chaudhri Lal Chand (*Nominated non-Official*) declared that the agriculturists and the military classes were all ignored in recruitment for the Services, particularly in the Civil Departments; and Indianisation in practice was another name for urbanisation. Rural people were out of all the Services, and in spite of assurances given by heads of Departments and by Executive officers to the people belonging to the martial races and to agriculturists for some favoured treatment, all offices were choked with urban people.

Sir Abdur Rahim (Leader of the Independent Party) contended that it would be possible to reduce the personnel of the Services to a considerable extent. There were a number of men in every Department who had earned their pensions or were on the verge of earning them. If they could get rid of these men no real hardship would be caused, and as regarded others who had to be retrenched owing to financial necessity, it would not be difficult to provide compensation. In regard to reduction of salaries the Government had deputed an officer to deal with the question and had drawn up, it was understood, some scheme. The question of difference of pay between Indian and European officers employed in the same class of work was a matter of political significance, and unless due care was taken to consult and conciliate Indian public opinion, there would be great difficulty, and also discontent in the Services themselves. In any event, it was a question which would be dealt with by the House if the Government chose to place the official scheme before it.

Mr. F. E. James (*Madras: European*) said that the position in regard to the Services should be made perfectly clear to those who entered them from England. While it might be true that some reduction was necessary in looking at the basic pay from the Indian point of view, he and many of those associated with him felt strongly that whatever scale was laid down it should be such as to attract the best men in India and in England.

Reductions in personnel and rates of pay.

The Home Member (Hon. Sir Harry Haig) said that Mr. Amar Nath Dutt credited the Finance Member with increasing taxation to the extent of Rs. 140 crores. Groaning as they were under heavy taxation, he did not think that they had approached that amount, which represented double the present taxation figure. The Retrenchment Committees had gone very carefully through the establishments and had endeavoured wherever possible to reduce the number of posts, but he did not think it was possible to reduce them very largely. The administration of India had for many years been carried on with great economy. And perhaps hon. Members did not realise the great burden of work imposed on the Services by the democratic system which had been partially introduced in the last 10 years and would be carried further in the new Constitution. In the great majority of the Services Indianisation held the field completely; that was to say, in all the Provincial Services; and in the Central Services it now rested with the Government of India to recruit as they pleased, and the recruitment of Indians was the almost invariable rule. He hoped the House would remember that there were only two of the great all-India Services, or, if they counted the Indian Medical Service, only three, in which at the moment any recruitment of Europeans continued.

Coming to the very difficult question of the reduction of the pay of future entrants, the officer who had been

placed on special duty to work out new scales had devoted himself in the first place to the Class I. and the Class II. Services. When these had been settled it ought not to be difficult to devise new scales for future entrants into the clerical and subordinate Services under the Government of India. In devising new scales they had to find out what would be a reasonable rate to attract men of the stamp required. They must get suitable candidates and see that the pay bore some relation to the responsibility of the work. It was essential in fixing these new scales that they should be fixed primarily with reference to the conditions in India and not with reference to the conditions in any other country. The question of what rates of pay would attract Europeans of the type required was one of fact on which the Secretary of State ought to be in a better position to form an opinion than the Government of India.

Mr. Amar Nath Dutt said he thought that on both sides of the House there was agreement on the principle that there should be retrenchment in salaries and Indianisation. There had also been an admission that the pay of future entrants could not be the same as it was now. He, therefore, asked leave to withdraw his Motion.

The Motion was by leave withdrawn.

Disbandment of regiments.

Mr. Muhammad Yamin Khan (*Agra Division: Muhammadan*), in moving that the demand of Rs. 409,000 under the head "Army Department" be reduced by Re. 1, said that if India had to depend upon the English Army for her defence she could never be suitable to be a self-governing country. He would not contest the point that at the present time British troops were essential to keep internal peace. His contention was, when he moved a Resolution in 1923, that in future all recruitment in the Indian regiments should be from Indians themselves. The then Commander-in-Chief, the late Lord Rawlinson, then made an announcement that eight units should be at once Indianised. That, he thought, was not a right policy; and it had not been approved by Indian officers or by the Indian public. He must pay credit to the British officers who had taught discipline both to Indian soldiers and to Indian officers, and he wanted the high tradition of the British officers to continue and to become the tradition of the Indian officers who joined the Army. No regiment wanted that it should remain an absolutely Indian regiment while others were not. If an Indian officer held a higher rank and a British officer a lower one, he wanted that the latter should be placed under the Indian officer. The Indian officer should learn to obey the orders of his superior British officers, and at the same time he must know how to teach his junior British officers. He was sorry to see that certain Indian regiments had been disbanded; this retrenchment had entailed very great hardships on the sepoys. He thought it would be no hardship if one British regiment was disbanded in place of five Indian regiments, because the saving would be the same. It was no use having responsibility at the Centre and Provincial autonomy without an Army to defend the frontiers, and he thought the policy should be adopted which would give them in the shortest period a fully equipped Indian Army, officered by Indian officers, without depending upon British help.

Acceleration of Indianisation.

Lt.-Col. Sir Henry Gidney (*Nominated non-Official*) said the present policy of the Government was to denationalise the rank and file of the Indian Army, while it was ready to nationalise the officer class. In other words, the rank and file was closed to all communities, whatever their military history and traditions, whatever their skill as soldiers, except to the so-called martial classes. The Government refused admission to the ranks to the non-martial classes, but they were prepared to allow persons belonging to the non-martial classes to become officers and to command regiments recruited from the martial classes. In the Sandhurst Committee, of which he was a member, they decided on the enlistment of 60 officers per year. At that rate it would, he thought, take more than a hundred years before India could have an Army Indianised in the true sense of the word so far as the officer class was concerned. God alone knew what India would do without the British Army to-day and without the British officer. He was not one of those who said that the British officers should be replaced *en masse* by Indian officers, but he did submit that the recruitment of 60 officers per year was toying with the question. The Government should make a more liberal effort to Indianise the Indian Army by a larger recruitment of officers, and he appealed to the Army Member not to compartmentalise the rank and file in the Army and call it an Indian Army.

Sir Abdur Rahim maintained that if the military authorities went on recruiting and training men from outside the borders of India, they had to consider what would happen if they had trouble with their neighbours. If they were going to have Provincial autonomy, was it not right that the inhabitants of each Province should have a chance of being trained for the Army? He hoped that those friends of theirs who went to the Round Table Conference, and who might go again, would take up the question in earnest and tell the British Government that unless they pursued a policy of Indianisation of the Army

in its true sense, the proposed Constitution would not give India that self-government to which all parties in the country and all sections of the population were looking forward.

Capt. Sher Muhammad Khan Gakar (*Nominated non-Official*) supported the Motion. He said that during the Great War there were occasions when Indian officers found themselves in command of companies, and even of a battalion, and gave a good account of their leadership. It was, therefore, in 1918 that the first attempt to prepare them for leadership was made. Thanks to the sincerity and decision of character of the Commander-in-Chief, there had been no delay in regard to the opening of the Indian Sandhurst, to which boys of all classes had been admitted. But the scheme should be accelerated and more admitted. He asked that Indians should not be kept under trial and observation in this matter for ages.

Policy of Army Administration.

The Army Secretary (Mr. G. R. F. Tottenham) claimed that the Army Administration was outstandingly sympathetic towards Indian aspirations. The Commander-in-Chief had explained that the admissions to the Military Academy were at present sufficient to carry out fully the requirements of the new Indianising Division and Cavalry Brigade, and the time would not come to increase the number of admissions until that policy had some chance of success. Their contention was that this was the quickest approach to the complete Indianisation of the Indian Army. What they wanted was not a large number of units officered partly by British and partly by Indian officers, but a smaller number officered entirely by Indians and to satisfy themselves that those Indian units would stand comparison with units officered by British officers. Until that time Government could not see the final step. A period of at least 35 years would have to elapse after the last British officer had joined the Indian Civil Service before there was complete Indianisation. So also in the case of the Indian Army. A large majority of the Retrenchment Committee's proposals for Indianisation, not only of the officer ranks, but in the subordinate branches of the Army, had been accepted. Further, officers of Army Headquarters were engaged on the problems that would arise in substituting for British officers and British formations of the British Army Indian officers and Indian formations. He referred to the Engineers, Artillery, Signals, Tanks, and so forth. There was no sign of obstruction and every sign of co-operation and help.

Mr. Muhammad Yamin Khan said he was glad that the Indian Air Force had been started and he hoped there would be a change in the near future in military policy, for which the Government of India was not responsible. It was no use censuring the Army Department, who had no power in the matter. But he would like the debate to be sent to the military authorities as the unanimous demand of the representatives in that House. He wished to withdraw his Motion, as a division on this question would not be effective.

Objection having been taken to the withdrawal of the Motion, the House divided and the Motion was adopted by 38 votes to 37.

Motion for a reduction of expenditure.

On 8th March,

On a Motion that the Demand under the head " Army Department " be reduced by Rs. 100,

Mr. B. Sitaramaraju (*Ganjam cum Vizagapatam: non-Muhammadan*), in moving the reduction, said that the sole delegate of the Congress before the Round Table Conference considered that the whole military expenditure was a sinful waste, and that he would rely on the good-will of his neighbours. The good-will of their neighbours was undoubtedly a security, but a well-loaded gun was a better one; a well-equipped Army was after all the best security. But that did not mean that they should spend the major part of their income for the purpose of incurring expenditure in the belief of fighting somebody some day. The Finance Member had stated that the small reduction since 1929-30 had been due to the giving up of cherished schemes destined to increase the efficiency of the Army and to the fall in prices. This showed that the figure of over Rs. 47 crores was not one that could be taken as the limit of expenditure. Before the War this expenditure stood at below Rs. 30 crores, but immediately after the War, when other nations were reducing their expenditure, the Government of India nearly doubled theirs. He maintained that the present expenditure of nearly Rs. 47 crores could be reduced in three ways: first, by the reduction of the strength; or, if that strength was considered necessary, not for India's defence, but for Imperial purposes, by securing a contribution from the Imperial Exchequer; second, by stopping the unjust exactions of England, like capitation charges; and third, by eliminating wasteful and unnecessary expenditure.

The bogey of the North-West Frontier was not so real as it was made to appear. They had an impregnable mountain barrier, and their land frontiers, instead of being a source of weakness, were a source of strength for India.

Air Force stationary for 10 years.

Mr. Arthur Moore (*Bengal: European*) said they on his side of the House appreciated the substantial result already

achieved by retrenchment. Sir Walter Layton, in his financial Report, which was published with the Simon Commission Report in 1930, said the best he could hope for was that after the mechanisation programme had been completed it might be possible to get the Budget down to Rs. 52 crores, and thereafter it might be possible to hope for further economies from the fall in prices. The mechanisation programme had not yet been completed, and yet the Army had got their Budget down to the neighbourhood of Rs. 46 crores. That was a real achievement. But the paramount consideration was the efficiency of India's defence. Mr. Sitaramaraju had referred to India's impregnable natural barriers. Had they proved impregnable in the past? He would remind the hon. Member of what Mr. Baldwin said the other day, that the development of aircraft had broken down every natural barrier. He would draw attention to the fact that for nearly 10 years the Air Force in India had remained stationary. There must be something wrong in the fact that while in the rest of the world the balance of expenditure was continually altering in favour of the Air Arm, in India the balance was steadily altering to the detriment of the Air Arm. When it was necessary to evacuate their nationals from Kabul, they had to borrow air transport from Iraq. Why could India not have a transport squadron?

Retrenchment Committee's recommendations.

Sir Muhammad Yakub (*Rohilkund and Kumaon Divisions: Muhammadan*) said that in lending support to this cut he did not propose to go into the intricate question of the defence of India. But to his great disappointment he found that there was scarcely any recommendation of the Army Retrenchment Committee, of which he was a member, that had been given effect to *in toto*. On the Medical side there was a great deal of extravagance. Then, there were four schools in India, known as the Lawrence Schools, which provided a home and education for the children of British soldiers and ex-soldiers. The total net cost of these was Rs. 5,91,000 a year, and the Committee considered there was no justification for burdening the Indian Exchequer with the expenditure. Again, the British soldiers' ration was supplemented by a cash payment or allowance of 3½ annas. The allowance was based on that in England, but while the latter rate had been reduced to 3d. the Indian rate was 3½ annas. The Committee recommended that it should be reduced to 3 annas, which would give a saving of Rs. 6 lakhs annually. Further, the Committee found that the number of officers at Army Headquarters was too large and there was hardly any work for them.

The Army Secretary said that in the last two or three years the Army had been extensively employed in various parts of India, in Burma, on the Frontier and in Bengal, and it had paid for the extra cost out of its own Budget. The extra cost of the disturbances during the last three years totalled nearly Rs. 2 crores; but for these troubles they might have shown a greater saving than had been the case. As regarded the Army Budget, there had been a reduction in the last five years of nearly Rs. 9 crores, and since 1922-23 the reduction had been not less than Rs. 17 crores. The actual cost of defence in India per head of the population was infinitely smaller than in any other country; and of all the countries which took part in the Great War Great Britain and India were, he thought, the only nations which had made considerable reductions in their defence expenditure. Sir Muhammad Yakub had complained that they had not given effect to certain recommendations of the Retrenchment Committee. The recommendations referred to were mostly of a minor character and last year explanations had been given in all cases where they had failed to accept the Committee's recommendations. As regarded the Lawrence Schools, it was stated in last year's Report that the Commander-in-Chief accepted the principle that the Lawrence Schools should not be charged to the Army Estimates, and would be glad to relinquish the responsibility to some other authority. Since the mere transfer of liability was not in itself an economy, the saving taken by the Committee had been omitted from their list. As regarded the Medical Services, they had actually secured Rs. 14½ lakhs saving in the Budget next year as against the recommendation of the Retrenchment Committee of Rs. 9 lakhs in the Budget for 1932-33.

On a division the Motion was defeated by 44 votes to 39, and the Demand was subsequently passed.

SAFEGUARDING OF INDUSTRIES ACT.

(Governor-General empowered to impose Customs duties for safeguarding Indian industries; Effect of Japanese competition.)

This Act received assent on 16th April. It provides for the imposition of additional duties of Customs on imported goods for the purpose of safeguarding industries in British India. The Bill was introduced in the Legislative Assembly, on 11th April, by the Member for Commerce and Railways.

The objects of the Bill were set out in Clauses 2 and 3 as follows:—

2. If the Governor-General-in-Council is satisfied, after such inquiry as he thinks necessary, that goods, the produce or manufacture of any country outside India, are being sold in or imported into British India at such abnormally low prices that the existence of an industry established in British India is thereby endangered, he may, by notification in the *Gazette of India*, impose on any such goods a duty of Customs of such amount as he considers necessary to safeguard the interests of the industry affected.

3. Every notification issued under Sub-section 1 of Section 2 shall be laid before both Chambers of the Indian Legislature as soon as may be after it is made, and shall cease to have effect on the expiry of two months from the last date on which it has been so laid before either Chamber unless in the meantime it has been approved by a Resolution of each Chamber.

DEBATE IN LEGISLATIVE ASSEMBLY.

The Member for Commerce and Railways (Hon. Sir Joseph Bhore), in moving the Resolution, said if the Government were asking for extremely wide powers he would like to assure the House, and through the House a wider audience, that they were actuated by no feelings of ill-will towards any nation in the world. They were merely taking to themselves defensive weapons to protect their own industries. In a debate on Customs in that House in the previous month strong pleas were put forward that the interests of the consumer should not be sacrificed, but he thought there was an almost unanimous expression of opinion that Government should do all in their power to prevent Indian industries being submerged by the rising tide of foreign invasion which had been rendered possible by certain special conditions. The view of the House, it seemed to him, merely reflected the general view that prevailed in the country. He could give specific instances to illustrate the necessity for the possession of the powers asked for. He had representations from something like twenty or thirty industries pointing out the position to which they had been reduced by the present uneconomic competition. But he thought that, in view of facts which were common knowledge, it was unnecessary for him to justify the purpose of the Measure.

A stop-gap Measure.

He would, however, like to say a few words on the form of the Bill. The duration of the Measure would be limited to a period which would not extend beyond 31st March, 1935. This was more or less of the nature of a stop-gap Measure. It enabled them to view economic conditions in the world and, if necessary, to bring forward a more complete and a less general Measure. Their policy of discriminating protection continued as in the past. So far as the industries which had been given definite protection were concerned, they were in no way dependent upon the present Measure for the protection already granted. But outside the limited number of these industries a large number of small industries had, behind a heavy revenue tariff, sprung up, and what they were asking for was that the special conditions on which the foreign competitor relied other than manufacturing efficiency should be neutralised. One of these conditions was a depreciated currency, but that might not be the most important consideration. In these circumstances, he thought it would be unwise to limit the definition of special conditions. The Bill secured for the Assembly the ultimate control over any such action as the Executive might take. It would have been extremely difficult to justify the request for such wide powers without this provision.

Danger from a depreciating currency.

The Government had been considering this matter for a considerable time. They had hoped that the operation of natural economic factors would enable them to meet foreign competition which had been made possible by a depreciated currency. But those anticipations had failed to materialise. As the Tariff Board had shown, the real danger was not so much from a depreciated as from a depreciating currency. When a currency had reached a position of more or less stable equilibrium then other factors came into play and acted as a counterpoise. So far as Japan was concerned, there had been a steady increase in the cost of living, but that had not been reflected in the import prices of commodities from that country; or, if it had, the effect had been slight. In those circumstances, the Government had no option but to proceed with the present Measure. It was not, however, possible for them to come forward with a Measure within twenty-four hours. They had to consider the effect of their decision on their Foreign Treaty obligation. They had a Trade Agreement with Japan which conferred upon her most-favoured-nation treatment. In so long as that Treaty remained it was impossible for the Government to impose duties under the Bill. The Treaty, however, contained a Clause by which it might be denounced by six months' notice; and they had taken steps to denounce it.

Japan a world menace.

Mr. B. Das (*Orissa Division: non-Muhammadan*) declared that Japan was becoming an Asiatic menace and a world menace. By her conquest policy in China she was looked down upon throughout India as a curse. He would like to shut her out of India. Like England, under her old policy, Japan was getting hold of Indian capitalists and merchants and capturing the Indian markets. Japanese firms

were financing cotton-growers all over Bombay and buying cotton at very low prices. He expressed his surprise that the Commerce Member's experts could not advise him as to how Japanese manufacturers were in a position to dump their goods in India at such ridiculously low rates. He hoped a committee of experts would be sent to Japan to investigate this matter.

On 12th April,

Mr. C. S. Ranga Iyer (*Rohilkund and Kumaon Divisions: non-Muhammadan*) said the greatest necessity of the day was to tell those who were adopting an unfriendly attitude, who were adopting a policy which meant the destruction of Indian industries, that this could not be permitted, and then to open negotiations with them. This Bill would be really opening negotiations with an unfriendly competitor. He represented a large number of sugar districts, and panic was running through these districts owing to the increasing reduction of the price of sugar candy coming from Japan.

An all-Asia Labour Conference.

Mr. N. M. Joshi (*Nominated non-Official*) said that when they talked of dumping from Japan and her depreciated currency and bad labour conditions it would be well to get first-hand knowledge of these things. He had no doubt that the Japanese industries were a hundred times better organised than Indian industries. The Japanese hours of work were certainly not longer than was the case in India. Let them remember that labour in Japan had a health insurance law and a better workman's compensation law than India had. In 1929 he had moved a Resolution in the International Labour Conference at Geneva that there should be an all-Asia Labour Conference to consider the problems that arose in Asiatic countries. That Resolution had now been passed, and the International Labour Office was anxious that there should be such a Conference. It could not be held so long as Japan and China were fighting, but Government should investigate these questions. So far as his own views were concerned he supported the Bill.

State control of industries in Japan.

Sir Hari Singh Gour (Leader of the Nationalist Party) said that in giving his support to the Bill he must point out to his Bombay friends that whatever assistance the State might render to the struggling industries of India, it would not serve as a panacea. Japan's paramount position in the industrial world at the present day was due to several causes, one of them being dumping. But before she started dumping she had State control over all industries. If the industries were found to be inefficient, the State took over charge of them, and for a period of 13 years some of the mills were run by the State and then turned over to the concerns involved with expert advice as how to render them profitable. The second thing Japan had done was to adopt a policy of ruthless protection. But, apart from the protection and the manipulation of the currency, there was the Japanese policy of mass education. From the age of six up to 21 the State watched over the progress of the alumni of the primary, secondary and higher schools and advised parents to drive their children into channels in which they would be of the greatest service to themselves and the State. The third thing Japan had done was the rationalisation of her industry. The last factor to which he would refer was the efficiency of Japanese labour. The efficiency of the Japanese operative was at least two or three times greater than that of the Indian mill operative. In one sense he was dearer; in another he was not. In all the factories he visited in Japan the operatives were girls getting about one yen and 50 sen. At the ordinary rate, it would be about one rupee eight annas or two rupees, but at the present rate it was much less. But they were in charge of from 12 to 20 automatic looms, and the Director explained to him that in Bombay the operative looked after only two, while in Lancashire, he believed, he now looked after six, Looking at the question from the standpoint of output, he thought he would be on safe ground in saying that the Japanese operative was about two or three times cheaper than the operative in Bombay. He could not help giving a warning to the representatives of the mill industry in Bombay which, so far as he had been able to gather, was still carrying on its old traditional antiquated ways. He suggested that the mills themselves should send out their industrial representatives to study the industry in Japan and profit by it.

"Legislation dictated by millowners."

Mr. A. H. Ghuznavi (*Dacca cum Mymensingh: Muhammadan*) had no doubt this piece of legislation had been dictated by the Bombay millowners. He felt that it would not help the smaller industries. He had received a number of telegrams from merchants on the subject. The Indian Importers' Association, for instance, had protested against any enhancement of the cotton duties, and urged the Government to launch an inquiry into the piece goods trade which, they said, was injured owing to the severe fall in the purchasing power of poor consumers who could not afford to buy at existing rates. The situation, they added, had become more disastrous in view of the fact that the new duties were imposed on existing contracts.

The Member for Commerce and Railways, in his reply, said that the interests of consumers would not be ridden over roughshod under this Bill, and he also desired to utter a note of warning that the passage of the Measure must not be regarded as a sign for every industry to join in a scramble for protection. He was astonished to find that the Bill had been regarded as a revenue-producing Measure. The whole object of anti-dumping duties was to stop or reduce the importation of particular articles. The result might be that the Finance Member would be seriously affected. He was also astonished to hear the suggestion of Mr. Ghuznavi. He must be singularly deaf and blind not to appreciate the sources from which the demand for this legislation had come. He would seriously ask his hon. Friend whether he was suggesting that he was forcing this Measure down the throat of the Assembly.

The Motion that the Bill be taken into consideration was then adopted.

On Clause 2,

Mr. S. C. Mitra (*Chittagong and Rajshahi Divisions: non-Muhammadan*) moved an Amendment that the Legislative Assembly should appoint a Committee consisting of seven non-Official Members for the purpose of advising Government to carry out the provisions of the Act.

The Member for Commerce and Railways regretted he could not accept the Amendment. If the suggested Council was going to be always in session it would inflict intolerable inconvenience on its Members. If not, was the Council to be summoned every time an industry asked for a consideration of its case? He did not want to refer to the objections of principle. The real safeguard would be that the case must always within a very short period of time come before that House.

The Amendment was by leave withdrawn and the Bill was passed. On 15th April it was passed by the Council of State.

INCOME TAX (SECOND AMENDMENT) ACT.

(Taxation of income from abroad.)

On 11th April the Legislative Council passed the Income Tax (Second Amendment) Bill.

The object of the Bill was to amend the Income Tax Bill of 1922, which provided that income derived from sources abroad was liable only to income tax if (A) it was derived from business, and (B) it was received in or brought into British India within three years from the end of the year within which it accrued, arose or was received abroad. The present

Bill proposed to render all foreign income of a resident in India liable to income tax whenever it was received or brought into British India.

In consequence of representations regarding the retrospective effect of the Bill, a proviso was included providing that nothing contained in the Bill should apply to any income, profits or gains accruing or arising prior to the first day of April, 1933, unless they were income, profits or gains of a business and were received in or brought into British India within three years of the end of the year in which they accrued or arose.

The Bill was passed by the Council of State on 15th April.

DEPRESSED CLASSES AND TEMPLE ENTRY.

(Movement for removal of disabilities said to be growing; Measure opposed and debate not completed.)

On 24th March, in the Legislative Assembly, Mr. C. S. Ranga Iyer moved :—

"That the Bill to remove the disabilities of the so-called depressed classes in regard to entry into Hindu temples be circulated for the purpose of eliciting opinion thereon by 30th July, 1933."

DEBATE IN LEGISLATIVE ASSEMBLY.

Mr. C. S. Ranga Iyer (*Rohilkund and Kumaon Divisions: non-Muhammadan*), in moving his Resolution, said the foundation for the movement to which this Bill referred was laid in the Yerawada jail. That movement had been moving from place to place and from village to village until the whole country had been caught up in one great conflagration to purify and to unify the Hindu community. He had no other object but to unify and purify the community.

Raja Bahadur G. Krishnamachariar (*Tanjore cum Trichinopoly: non-Muhammadan*) said he had strong objections to the Bill. He challenged anybody to say what right Mr. Gandhi had to interfere in a question like this. He admitted that so far as the disabilities of the depressed classes depended upon economic conditions, everyone was agreed to put an end to these disabilities. But if they went into the interior of any town in Southern India they would not find half a dozen persons, members of the depressed classes, who would say they wanted to enter the temples. On the contrary, they would fight shy of them. He said that the entry of these gentlemen into the temples would desecrate them. This was purely a political stunt. By his fast, Mr. Gandhi was able for the time being to bring the depressed classes and the Hindus together, but the very next moment he spoiled the effect of his fast by driving a wedge through the Hindu community through introducing this Temple Entry Bill. He was not opposed to the circulation of the Bill, but he asked the Government in sending for opinions to bear all the issues he raised in mind.

Pandit Ram Krishna Jha (*Darbhanga cum Saran: non-Muhammadan*), in moving the following Amendment :—

"That the Bill be circulated amongst the heads of the religious institutions, secular heads, trustees or administrators of the village temples in consultation with the Hindu villagers and Collectors of Districts, for ascertaining the opinion of lay people likely to be affected by this Bill, and not among the Arya Samajists, the Brahmos and Hindu Mahasabhaites, who have no faith in temple worship,"

said they must consult only those people whose rights they were going to take away. The opinion of those who were not temple-goers was not worth having.

At this stage the time for the adjournment of the House had arrived, and the President offered to sit late, as this was the last day of the Session for non-official business, provided it suited the convenience of hon. Members. Twenty Members rose in their seats to indicate that they were opposed to sitting late and 21 Members who were in favour of that course.

The President (Hon. Mr. R. K. Shanmukham Chetty)* said if it were really the desire of a majority of non-official Members that this Bill, or at all events this Motion, should be finished that day, there must be a predominant opinion to that effect. But in view of the count that had been made, the Chair did not think that it could take upon itself the responsibility of forcing a discussion on the House.

The discussion of the Bill therefore terminated for the Session.

INDIAN MEDICAL COUNCIL BILL.

(Measure to establish a Medical Council in India and to provide for maintenance of a register of qualified practitioners of modern scientific medicine.)

On 13th February, in the Legislative Council, the Secretary, Department of Education, Health and Lands, moved that the Bill to establish a Medical Council in India and to provide for the maintenance of a British Indian Medical Register, be referred to a Select Committee.

DEBATE IN LEGISLATIVE ASSEMBLY.

The Secretary, Department of Education, Health and Lands (Mr. G. S. Bajpai), in moving the Resolution, said there were two versions as to the origin of the Bill. One version was that the Bill was the result of the dictation of the General Medical Council of Great Britain, which withdrew recognition of

* Mr. Chetty's name appeared in H.M. The King's Birthday Honours as K.C.I.E.

British Indian medical qualifications in February, 1930. The other version was that the Bill had no connection whatever with the decisions of that Council. Neither version was accurate. The idea of an all-India Medical Council dated back to 1910. Describing the history of the question, he said that Sir Norman Walker, after two visits to India on behalf of the General Medical Council of Great Britain, suggested that there should be set up in India a co-ordinating authority which could give some guarantee of uniformity of standards of medical education. The General Medical Council, recognising that it would be some time before such a body could be set up, wanted the Government of India in the meantime to appoint an Inspector of Medical Qualifications and Standards. That proposal did not commend itself to hon. Members, and the counter-proposal of the Government of India for the appointment of a Board of Inspectors did not find favour with the General Medical Council. The result was the decision of that Council to withdraw recognition from Indian medical qualifications. This meant that Indian medical graduates who graduated after the withdrawal of recognition might have difficulties in the pursuit of post-graduate work in England; also that in countries such as Malaya and Ceylon, and other places where the condition precedent to employment was the possession of a medical qualification recognised by the General Medical Council, it would be difficult for Indian medical graduates to find employment. The Government of India took the only proper step; they invited representatives of Universities and Provinces to meet in Simla and the present Bill was the outcome of that Conference. Government wished the Indian Medical Council to be in a position of effective equality for the purpose of negotiating with the General Medical Council for obtaining recognition of British Indian medical qualifications.

Bill not circulated to medical associations.

Mr. Maswood Ahmad (*Patna and Chota Nagpur cum Orissa: Muhammadan*) moved that the Bill be circulated for the purpose of eliciting opinion by 31st July, 1933. He said that up to the time the Bill had been accepted by the General Medical Council the Government did not dare to introduce it. He contended that the Simla Conference was not of a sufficiently popular and representative character and the draft of the Bill had not been circulated to all-India medical associations.

Dr. R. D. Dalal (*Nominated non-Official*) declared that the idea that the General Medical Council had forced the Government of India to establish a Medical Council in India was a mischievous delusion. The Bill represented a genuine attempt to secure a sound and dignified status for the medical degrees of Indian Universities.

Government and "urgent necessity."

Mr. B. Sitaramaraju (*Ganjam cum Vizagapatam: non-Muhammadan*) said it was suspicious that the Government should consider there was urgent necessity to proceed with the Bill at the present time. It gave the impression that they were afraid of the future Indian Legislature. If the Assembly agreed to the Select Committee, they were accepting the principle of the Bill. The British Act of 1886 gave a right of appeal to the Privy Council if Indian degrees should be unjustly not recognised by the General Medical Council, and they could thus get redress. He denied that reciprocity was included in the Bill. Under the provisions of the Measure India recognised foreign degrees forthwith, while other countries did not recognise India's. Then, India would beg them for fair treatment, and if they refused there was the right of appeal to the Governor-General-in-Council, who would intercede with the foreign body. If the latter did not agree, the Governor-General would say: "We will omit some of their degrees from our Schedules." That was some sort of a remedy, but it was not reciprocity. As regards licentiates, who were accepted in India as qualified men in high positions, it would satisfy a large body of public opinion if a place could be found for them as a separate group in the Register, and this could not put any difficulties in the way of the Government in regard to arranging schemes of reciprocity.

Scope and principle of the Bill.

On 12th April,

The Member for Education, Health and Lands (Hon. Khan Bahadur Mian Sir Fazl-i-Husain) said a good deal of time had been spent in drawing red herrings about the floor of the House. It was said the Bill was so rotten because the Government were afraid of the General Medical Council; whatever he did was because of the General Medical Council. But during the debate the point was raised that when a Bill was committed to a Select Committee the principle of the Measure was adopted. That was a very proper point to be mooted. He submitted that the principle of the Bill was necessarily limited by its scope, and the scope of the Measure was to provide for the maintenance of a uniform minimum standard of higher collegiate or university medical education; in other words, the question of medical school education was not within its scope. The second point was that those institutions imparting collegiate or university medical education would continue to do so, and the Medical Council under the Bill was intended only to appoint Inspectors who would inspect the colleges and the examinations with a view to seeing that the uniform minimum standard was being maintained. Those were the two matters which might be said to constitute the scope as well as the principle of the Bill.

In regard to reciprocity, that was a matter within the discretion of the Select Committee, and personally he was in keen sympathy with the sentiments to which many Members had given expression. There was no reason why the Select Committee should not arrive at a decision just and fair to all concerned and also do justice to Indian sentiment. As regards licentiates, he saw no reason why, if a Register was considered of such importance, the licentiates should not have a Measure like this of their own.

The Amendment was defeated by 43 votes to 24 and the Motion for reference to a Select Committee was adopted.

EXTENSION OF TERM OF LEGISLATIVE ASSEMBLY.

On 6th March, in the Legislative Assembly, **The Deputy President (Mr. R. K. Shanmukham Chetty)** announced that he had received the following Message from His Excellency the Governor-General:—

"Gentlemen of the Assembly,

"Your Chamber is now in the third year of its normal term of three years, and the question of the date of the next General Election has been engaging my attention. As this is a matter of great interest to you and to the public generally, I take an early opportunity of informing you of my present decisions.

"Under the operation of Section 63 D of the Government of India Act, the term of this Assembly will expire next January and, in the ordinary course, I would have dissolved it in the autumn of this year, so that a General Election could be held towards the end of this year and the meeting of the new Assembly convened in the beginning of next year. However, as you are aware, His Majesty's Government are pressing forward with their plans for a Federal Constitution in India, and as the new Assembly, which would meet for the first time in January, might have a short life, the expenditure of energy and money which a General Election entails, both on Government and on candidates, would hardly be justified in these circumstances, and particularly so at a time when public interest will be focussed on the new Constitution, and Government and public men will be busy preparing for its inauguration.

"I have, therefore, decided not to dissolve the Assembly and to hold a General Election this year. I propose, when the time comes, to exercise my powers under 63 D of the Government of India Act, and to extend the life of this Assembly for such period as may be expedient in the light of the conditions then prevailing."

SOUTHERN RHODESIA.

The following summary is in continuation of that given in the previous issue of the Journal *(Vol. XIV., No. 2) and deals with further proceedings of the Sixth Session of the Second Parliament, which opened on 27th March,* 1933.

Resignation of the Premier (Mr. Moffat); Reconstruction of the Cabinet. (*Note.*)

It was announced on 5th July that following the resignation of the Premier Mr. Moffat, the Cabinet had been reconstructed as follows:—

Prime Minister and Minister of Native Affairs and of Mines and Agriculture	The Hon. George Mitchell, M.P.
Minister of Finance	The Hon. P. D. L. Fynn, C.M.G., M.P.
Minister of Justice and of Defence	Maj. the Hon. R. J. Hudson, M.C., K.C., M.P.
Minister of Internal Affairs ...	The Hon. W. M. Leggate, C.M.G., M.P.

TATI TERRITORY.

(Question of incorporation with Southern Rhodesia: inadequate representation of Europeans: attitude of Imperial Government; Position regarding the Union.)

On 12th April, in the Legislative Assembly,

Hon. R. A. Fletcher (Rhodesian Party,* *Matopo*) asked if the Members who went to London on their way to the Ottawa Conference had approached the Imperial authorities on the question of the transfer of the Tati Territory to Southern Rhodesia and, if so, with what result?

The Premier† (Hon. H. U. Moffat)‡ stated that the reply received from the Dominions Office was to the effect that the present time was not opportune for the consideration of the matter.

Motion for the incorporation of Tati with Southern Rhodesia.

On 26th April, Mr. Gilchrist moved

(a) That this Assembly urges the Government to lay down as a definite objective the policy of the incorporation of Tati with Southern Rhodesia. (b) That towards this end, the Government associates itself at once in a practical manner with the inhabitants of Tati in making mutual representations to His Majesty's Secretary of State and in taking such further steps as are likely to achieve the amalgamation of the two territories at the earliest date.

DEBATE IN THE LEGISLATIVE ASSEMBLY.

Mr. R. D. Gilchrist (Leader of the Opposition) said this was no new question; the Premier himself as far back as 1921 had proposed a [similar] Motion. Historically and geographically, Tati belonged to Southern Rhodesia, geographically because it adjoined the Southern Rhodesian

* Now a member of the Reform Party.
† *Vide* Ministerial Titles Act on p. 666.
‡ *Vide* Note on this page.

border for a considerable distance, and historically because it was originally a portion of Lobengula's country. When Lobengula was finally defeated and the country conquered by the British South Africa Co., the Tati district by rights should have fallen in as portion of Southern Rhodesia. He was not aware why that had not been done; probably it was because the Tati Concession Co. held all the mineral and land rights of the Company. It had always been a portion of Matabeleland and was only kept out of the operation of the Charter because of the concession which the Tati Concessions Co., the predecessors of the present Company, had from Lobengula before the Charter was granted.

Disabilities of European population.

The European inhabitants of Tati were labouring under very considerable disabilities. The only European representation they had was through a member of an Advisory Council in a Native State, the Bechuanaland Protectorate. The Premier had referred (in a previous debate) to the inadequacy of such representation in connection with Native Councils, and they had the identical state of affairs which he characterised as being almost deplorable in connection with the Europeans in Tati to-day. The change would involve very little additional responsibility as far as Southern Rhodesia was concerned. At present it was administered from Mafeking. All the banking and legal business was done in Bulawayo.

During the twelve years which had elapsed since the Premier had made his proposal the European population had been stagnating in the environment of a purely advisory Native Council. The native view had also to be taken into consideration.

Mr. Gilchrist, continuing, quoted from a letter from a Member of the Advisory Council resident in the Territory as follows:—

"We were part of Matabeleland, and are all Rhodesians in thought, word and deed. We have no commercial or land banks in the country and our banking is all done in Bulawayo. The impossibility of progress under a native administration was recognised many years ago, and about 1921 we petitioned the then Colonial Secretary for relief by absorption into Southern Rhodesia. Col. Amery, whom the writer, along with others, interviewed in Salisbury in 1927, promised us relief, but unfortunately his Government went out of power immediately he returned to London."

Position regarding South African Government; the Native question.

Hon. R. A. Fletcher (Rhodesian Party, *Matopo*), referring to the reply received by the Premier from the Dominions Office, said that was just the old reply, and he supposed the old reasons were repeated which were stated in the 1928 *Hansard*. In the past probably the Imperial Government were not quite satisfied with the political position in South Africa. There were two very strong political Parties in the Union which differed very much on the native question; and it was perhaps only natural that the Imperial Government should be loath to act in a matter of this sort, where a Native Protectorate was concerned, while that line of cleavage and discord existed. But the two Parties had formed a Coalition Government, and one of the first questions they would prepare to tackle was that of native policy, which governed the question of the future of the native reserves in South Africa. He (Mr. Fletcher) thought, therefore, they should not lose one moment in making fresh representations to the Imperial Government on the matter.

In regard to such questions as the protection of their cattle against disease, etc., Mr. Fletcher contended that had they been joined up with the Tati Territory, and had their boundaries marched with those of the Union, forming a common boundary which could be mutually protected, the whole of South Africa would to-day probably be free from foot-and-mouth disease.

"Not only," he added, "should we have Tati transferred to us but there should be a partition of Bechuanaland Protectorate, and it should be decided how far the southern boundary of Southern Rhodesia should go, and where the Union boundary should join ours."

Attitude of the Imperial Government.

The Premier (Hon. H. U. Moffat) said the Imperial Government had not been for some time past averse from the transfer of the Tati Territory to Southern Rhodesia. But such a policy would raise other questions which it was undesirable to raise at present. He was prepared to accept, therefore, the Resolution, or rather the first portion of it (A); but the second part (B) it was quite impossible for the Government to accept.

Apart from the question of the utility or inadvisability of adopting that policy so shortly after the discussion with the representatives of the Imperial Government, he was not sure that it would be fitting and proper that the (Southern Rhodesian) Government should directly associate itself with the inhabitants of another State in making representations. The manner in which their representations had been met by the Imperial Government encouraged them to hope that they would give Southern Rhodesia the first reversion of the Tati area.

Section (B) of the Motion was withdrawn by Mr. Gilchrist, and the Motion as altered was agreed to.

MINERAL RIGHTS.

(Offer to the British South Africa Co.; Ownership rights; Constitutional question; British Empire and the Referendum; Future leadership of Southern Rhodesia.)

On 16th May, in the Legislative Assembly, the debate was continued on the Motion of the Premier (Hon. H. U. Moffat) of 30th March, that the Agreement regarding 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.*

DEBATE IN LEGISLATIVE ASSEMBLY.

On 16th May, in the Legislative Assembly,

The Minister of Mines and Agriculture (Hon. G. Mitchell) said there had now been considerable time for discussion and correspondence in the Press regarding the negotiations with the British South Africa Company. The Company had not felt able to supply certain information asked for (a list of any rights already alienated or of agreements under

* *Vide* JOURNAL, Vol. XIV., No. 2, p. 416.

which mineral rights might be effected by commutation or by other arrangements), and had explained that, in relinquishing the administration of the country, they had handed over their records to the Mines Office, the only source from which information could now be obtained. A list had eventually been produced which had been circulated to Members as a White Paper. Every effort had been made to ensure that the records now published were correct, but it was difficult to go back 40 years through files and papers and be absolutely sure that everything had been included; for that reason the Company had been asked to provide an indemnity to cover any possible omissions, and this they had done.

The "foundation of everything."

Referring to the Budget Statement, the Minister said they had made up to now a successful Colony. The mineral asset was the foundation upon which everything depended and would depend for some considerable time. It would be a very good thing for the country, and for the mining section of the community in particular, if this matter could be settled one way or another.

Ownership rights of British South Africa Company.

Mr. S. M. L. O'Keeffe (Reform Party, *Insiza*) dealt at length with the question of the B.S.A. Company's title to the mineral rights with special reference to the Rudd concession (1888), the Charter, the Orders-in-Council, the Mining Ordinances, the Land Case and the Devonshire Agreement. The Cave award [1921] reported that the administrative deficits of the B.S.A. Company amounted to £4,435,225, less the value of lands taken by the Company for commercial purposes and the value of lands and rights alienated by the Company for considerations other than cash and plus the value of buildings to be taken over as public works. But there was no mention of anything like mineral rights. In 1922 there was the Petition of Right, an action taken by the B.S.A. Company against the Crown of England because they were not satisfied with the findings of the Cave Award. Later in that year the Referendum took place. The Letters Patent giving the Constitution to Southern Rhodesia provided in terms of the Cave Award that the administrative deficits of the B.S.A. Co. should be paid from time to time to the Company as and how the land was sold. There was no mention whatever of any mineral rights.

In 1923 Responsible Government was granted, and by an arrangement made in London the Company agreed to withdraw the Petition of Right on certain terms, and accepted instead of the four millions odd which they were granted under the Cave Award a sum of £3,750,000, of which Southern Rhodesia was to pay £2,000,000. Again there was no reference to the mineral rights; but in August, 1923, a telegram from the Secretary of State contained the words "save and except the Company's rights to minerals therein." In the Draft Constitution drawn up subsequent to the Devonshire Agreement, Mr. O'Keeffe said, Clause 48 was replaced by Clauses 48 and 49 of the Constitution finally issued, and Clause 49 vested the land in the Governor "save and except the Company's rights to minerals therein."

Mr. O'Keeffe deprecated the proposal to pay £2,000,000 to the Company, take over their risk and pay interest on it—"all," as he said, "only for a gamble." He urged the Government to drop the Resolution and go to the country, get together Members of all Parties and "make a team."

Reference to the Privy Council.

On 18th May,

Mr. A. R. Welsh (Rhodesian Party, *Bulawayo, N.*) said the legal position was such that there was now no longer any doubt as to the ownership by the B.S.A. Company of the mineral rights in Southern Rhodesia. Last year a Committee was appointed by the Premier representative of all Parties in the House to advise the Government in connection with the testing of the claim of the B.S.A. Company to the mineral rights, and the Committee recommended that the Government should offer the Company such a sum as it considered a fair payment for the surrender to the State of the rights of ownership and mining.

The country would pay nothing for these rights except the amount provided towards the sinking fund, and the revenues acquired from the Company would pay off the interest on that money. What the country would pay in the early stages was a small portion of the sinking fund; but assuming they paid the full amount, that was all that would be raised by taxation, and in his belief the country would never be called upon to pay any portion of the interest on the money.

Appeal to the country urged.

Mr. J. H. Malcolm (Labour, *Umtali S.*), having spoken on the legal aspects of the case and the document presented to the people at the time of the Referendum, which contained a Clause regarding the treatment of the Company by the new Administration, said he did not think the House could be taxed with being unfair. He believed, however, that although not one-fiftieth part of the electorate had given their support to the Government's proposal, the country was willing to endorse the statement made in the House. The question was a greater one than they could solve at the moment, and the Premier would be acting in the best interests of the country if they appealed to the country.

Mr. C. Eickhoff (Rhodesian Party, *Umtali N.*) said the Government had been charged with rushing the matter. He recalled the purchase by the British Government of certain Suez Canal shares which was put through in 24 hours, with no Referendum. For twice 24 years and more the British people had enjoyed the beneficial results of that transaction. Let them see to it that a deal which possessed enormous benefits for Southern Rhodesia was not allowed to slip away through lack of courage and prompt action.

A constitutional difficulty.

Mr. J. H. Smit (Progressive, *Salisbury S.*) expressed the opinion that the main reason why the Government had brought in the matter by Motion was to get round the Constitutional issue—to avoid a two-thirds' majority of the House. If they could foresee that the passing of the Motion would mean a consequential alteration in their Constitution, then they were getting round the Constitution by a political trick.

The evidence through the newspapers was that the majority of opinion in the country was against the proposal. As to the price, he thought it was far too high, and that at the most £1,000,000 would be ample. He would have liked to see the whole question referred to a decision of the Privy Council, "the highest court in the Empire."

Mr. A. R. Thomson (Rhodesian Party, *Wankie*) considered the proposal the chance of a lifetime, and said he would vote for the Measure even if he lost his seat in Parliament by so doing.

Mr. M. Danziger (Rhodesian Party, *Gwelo*) said available evidence showed that the people did not wish to purchase the mineral rights, and it was their duty as representatives, if the Government refused to hold a Referendum, to vote against the Resolution pending such a Referendum. If that was held and it went against the purchase, the Government must adopt other methods of acquiring the mineral rights. He took this view with great reluctance because he thought he was the only Member who had consistently for years past advocated the purchase of the mineral rights and blamed the Government for not doing anything to acquire them.

British Dominions and the Referendum.

On 19th May,

The Colonial Secretary (**Hon. W. M. Leggate**), dealing with the constitutional question, said the view that the Members of the House did not represent the majority of their constituents and that they should not decide this question was taking up a position as regards the British Constitution which was rank heresy. This view would possibly receive credence in parts of Europe—for example, in Switzerland, where the Referendum was often appealed to—but certainly not in the British Dominions. In these Dominions and in the Imperial Parliament the King, Lords and Commons (or in Southern Rhodesia the Governor and Legislative Assembly) had absolute authority in dealing with legislation. Hundreds of examples could be quoted of that. In the Constitution a bare majority was the authoritative requirement to pass a Bill of that nature. He could not recall in the British Dominions so small a matter having been put to a Referendum.

Leadership of the future.

On 25th May,

Mr. E. W. L. Noaks (Rhodesian Party, *Mazoe*) said there was a much wider issue before them than the purchase of the mineral rights. Their claims to leadership were in the balance. Southern Rhodesia lay across the highways of Africa. The countries to the north expected them to lead the way in the future. It would depend very largely upon them what happened to the big territory lying between the Limpopo and the North, and they could not carry out the rôle for which they were cast unless they were in a position to build up Southern Rhodesia on a sound foundation. To do that it was absolutely essential that they should own the biggest asset in the country,—the mineral rights.

On 29th May,

Hon. R. A. Fletcher (Reform Party, *Matopo*) urged that they should put the responsibility on the Imperial Government and get them to do something. He moved an Amendment to the effect that further consideration of the matter be deferred until the rights of the B.S.A. Company had been tested by a direct reference to the Privy Council.

Labour opposition.

On 30th May,

Mr. L. J. W. Keller (Labour Party, *Raylton*) said he and his colleagues of the Labour Party would go back to their constituents and explain to them that they had opposed the Measure, which would impose a penalty on them for the next 40 or 60 years with the full cognisance that they were paying something like 100 per cent. to the Chartered Company more than they should ever have paid. Next year or in following years the people would be asked to do something similar in regard to the mineral rights in Northern Rhodesia.

On 1st June,

The Premier (Hon. H. U. Moffatt) referred to certain Amendments which had been put forward, none of which he could accept as each of them amounted to a negative of the Motion. None of the reasons, as he proceeded to show, were sufficiently sound to justify their postponing a final decision of the question. When they received the Company's acceptance of their offer he considered that it was a fair deal, and in his opinion the probabilities were that it was the lowest price the British South Africa Co. were likely to accept.

The House having divided on each of the Amendments proposed, the question was put and, on a division, was affirmed by 23 votes against 6.

THE BUDGET.

(Economic conditions ; Imports and exports ; Surplus ; Reduction of taxation ; Return to penny postage.)

On 11th April, in the Legislative Assembly, the Treasurer delivered his annual Financial Statement.

The Treasurer* (Hon. P. D. L. Fynn), in submitting the Financial Statement and Estimates, referred to hopes entertained twelve months ago that some of the more important international questions bearing on the economic conditions of the world would be brought to a conclusion within the year. Some of these matters remained to be settled, but other events had occurred which tended to ease the situation. Perhaps the most important was the Loan Conversion Scheme last year. This not only eased the budgetary position in Great Britain, but tended to stabilise sterling within certain limits and also brought out an abundance of cheap money, which, in the opinion of the Ottawa Conference, was one of the essentials for the recovery of industry. Then there was the Ottawa Conference which paved the way for the development of trade within the Empire, and also by the adoption of moderate tariffs induced other countries to seek trade agreements with Great Britain and the Empire.

Among other important changes he alluded to the abandonment of the gold standard by the Union of South Africa, which, it was hoped, would be for the benefit of their trade, and the similar course taken by the Government of the Mozambique Territory, much to the relief of Southern Rhodesia trade so much of which depended on the Port of Beira.

* *Vide* Ministerial Titles Act on p. 666.

The premium on gold had been maintained at a higher level than they expected, and there was reason to believe that one of the effects of the Exchange Equalisation Fund would be to maintain the value of gold at its present figure, subject, of course, to any decisions which might be arrived at at the Economic Conference.

Surveying the position as a whole, whilst their hopes had been disappointed in certain respects—for instance, the prices of commodities which remained at a very low level—the outlook was certainly more hopeful; and, as far as internal conditions were concerned, they were ready to advance as soon as world conditions gave them any encouragement.

Imports and exports: secondary industries.

Imports had again fallen, from £5,686,000 in 1931 to £4,272,000 in 1932; but taking merchandise only, the drop had been £5,394,000 to £3,971,000—a drop of 26 per cent. This was partly due to a decrease in trade with Northern Rhodesia to the extent, probably, of not less than £350,000. Another factor was that imports from the Union were stated in terms of gold values, and if this were converted into sterling it would still further reduce that difference by about £150,000.

Drawing attention to features in the trade returns which showed the effect of tariff changes made with a view to the development of their trade within the Empire, the Treasurer said that coffee imports from Nyasaland, which were 1,300 lbs. in 1931, increased to 32,400 lbs.; and from Tanganyika the increase was from 8,800 lbs. to 22,800 lbs., with some decrease, of course, in imports from foreign countries. There was a substantial drop in imports of cotton goods, but this had occurred mostly in imports from foreign sources which were less by 37·8 per cent., whilst imports from British sources had increased by 11·5 per cent. The total imports of motor cars, lorries and trucks had decreased by £111,000; but £81,000 of that was due to a decrease in their exports to Northern Rhodesia. So far as their imports as a whole were concerned, the proportion of British cars had increased from 12 per cent. to 46 per cent.

Local industries were of importance to the development of the country. Agriculture was the largest employer of labour, viz.: 45 per cent.; secondary industries employed 20 per cent.

Exports had increased from £5,894,000 to £6,330,000, which, of course, included the gold premium in both years, but in the earlier year for only about three months. That gave them an increase of £436,000. Foodstuffs had increased by £101,000; tobacco by £146,000. Imported goods re-exported had fallen by £467,000. Trade with Northern Rhodesia had fallen from £1,536,000 to £941,000. As between imports and exports there was a favourable balance of just over £2,000,000.

Mining industry.

Regarding gold production—there had been an increase in value (including the premium, of course) from £2,221,000 in 1931 to £3,404,000 in 1932. Base metals showed a continuous drop. Taking the value of the mineral exports as a whole, there had been an increase from £3,132,000 to £3,889,000. Mining had assisted very materially in relieving unemployment.

Continuing, the Treasurer said with regard to the finances of the past year there was a deficit of £17,000. Revenue, estimated to produce

£2,161,000, yielded £2,262,000; Expenditure, estimated at £2,143,000, reached £2,171,000, so that on the year's working there was a surplus of £91,000; but deducting the deficit from the previous year (£17,000), there was left a surplus of £74,000. Additional taxation had given them an increase of £152,000.

Revenue and Expenditure.

Details of Revenue receipts were as follows: Customs duty yielded £644,000; income tax, £399,000; native tax, £342,000; gold tax—the gold premium tax—£96,000; mining revenue, £43,000. Departmental receipts, covering a multitude of items, were £104,000, including a windfall paid to them from the liquidation of German assets. He had given the main increases, but stamps and licences were less than the estimate by £11,000, and posts and telegraphs by £38,000.

Expenditure, which was £27,000 more than the Estimate, included a payment of £15,000 to the Cold Storage Co.; it was hoped that this payment would tend to encourage the business upon which they had now entered—the export of chilled beef—and also give them some benefit in the form of increased prices.

They had now completed the first decade of Responsible Government. They emerged at the end of this 10-year period with a balanced Budget, with no arrear deficits to carry forward, with a scale of taxation which, although at the moment somewhat higher than they would like, was one which under normal conditions was moderate, and with a Public Debt considerably lower, proportionally, than that of any other part of the Empire, so far as they knew.

Estimates, 1933-34.

Estimated Expenditure for the present financial year amounted to £2,257,114, an increase as compared with last year of £114,000.

The estimated Revenue was £2,247,750, about £86,000 more than the Estimate for last year although somewhat less than the actual receipts for that year. That was due mainly to an anticipated drop in income tax, also in interest on loans; but as against that there was a new item, seigniorage—a profit on silver coined under the provisions of an Act passed last year. Silver coin was minted to the amount of £120,000, which was now in circulation. They also came to an arragement with Nyasaland to supply them with Rhodesian silver, £45,000 worth, on terms which entitled them to a share in the seigniorage; and their silver coin had been made legal tender in both Nyasaland and Northern Rhodesia. Arrangements with Northern Rhodesia would shortly be discussed, and no doubt they would arrange with them on the same lines. This seigniorage or profit of £60,000 would accrue after making provision for the repayment of a large part of the seigniorage which came to them from the Union on the Union silver coin imported.

If their Estimates were realised they would have a surplus of £64,000 at the end of the financial year.

Reduced taxation.

The Treasurer announced a proposal to reduce the maximum amount of income tax, except in the case of incomes derived from gold mines, from 4s. to 3s. 6d. A flat rate of 1s. would apply as formerly to the first £500 of taxable incomes instead of £200, to which it was reduced at the last Budget. Postage internally would be reduced to 1d., and 1d. postage would apply within the Colony, but other rates would remain as before.

The Loan estimates amounted to £414,000, £100,000 more than last year.

Port of Beira ; Customs Agreement with the Union.

On 25th April,

Mr. G. M. Huggins (**Leader of the Opposition**, *Salisbury, N.*), referring to the Ottawa Conference, where, he said, they had secured all that they could have expected, asked whether the Canadians had yet accepted the Port of Beira as a British Port in so far as Southern Rhodesia was concerned ? That was a point left undetermined of great moment, because of the likelihood of their developing a big trade in ground nuts if Beira was accepted as a British Port.

They had to carry on, he continued, in the spirit of Ottawa, but he did not think that the Customs Agreement with the Union was in that spirit. It was their first duty to realise that their best customer was the country that bought most from them, and under the arrangement with their nearest neighbour undoubtedly the Union had a preference over the over-populated and highly industrialised United Kingdom, who were Southern Rhodesia's best customers, and, at any rate, they should be put on level terms.

There was no doubt, looking at the Budget as a whole, that they had been saved by the gold premium ; and they had to thank their lucky stars they were a gold-producing Colony. Although there had been many occasions on which they had had a surplus, Mr. Huggins pointed out, this was the first time they had had a reduction in taxation. He hoped the Government would see their way to have a proper overhaul of their whole system of administration. There was room for considerable economy, which was one of the few ways in which they could bring down their overhead costs.

Secondary industries.

The increased prosperity of their secondary industries was a matter for congratulation, because unless they could develop some of these, not only would they have nothing for their children to do, but they would not have the means of inducing other people to come and help them to populate the Colony—so essential in order to get down the burden of taxation. Many of these secondary industries were already economically sound. Others could be established, especially if they made closer relations with their neighbours to the North and the North-East, where there was a market at their door if it were encouraged.

Mr. J. H. Smit (**Progressive**, *Salisbury, S.*), dealing with the economic position and statements about the want of cheap money, said money had never been so cheap for a long time as to-day. He was not surprised the other day at the statement of the Standard Bank in regard to the financial position in the Union, and also of the Reserve Bank, and to see that they had such a surplus for investment. The reason was that no profits could be made at the present time from any particular undertakings except monopolies like tobacco and the banks.

Managed currencies.

Referring to the Treasurer's statement that the effect of the exchange equalisation fund was to maintain the value of gold at the present figure, Mr. Huggins said they could now see the danger of managed currencies. They got a warning a few months ago when the United States got into difficulties. The position was getting so dangerous that international trade became almost impossible.

He urged his belief that the only basis of currency which could be effected was gold, and that sooner or later all nations of the world must come back to that standard.

Regarding the Customs Agreement with the Union, he asked—why one part of the Empire should receive more favourable treatment than other parts which were better customers to Southern Rhodesia ?

Farmers' "self-help."

On 27th April,

Capt. L. L. Green (**Rhodesian Party**, *Marandellas*) said he greatly appreciated what the Government had done for the farming community, but there had been a wave of self-help by taxation among farmers themselves—taxation for their own needs. But if over 20 per cent. of a tax was going to be spent in high administrative charges, all that the farmer was paying to market his produce was going to waste ; therefore he hoped a very strict eye would be kept over these administrative expenses.

Mr. C. S. Jobling (**Independent**, *Inyati*), emphasised the fact that while some £30,000 was to be provided for the relief of farmers, no definite announcement as to the attitude of the Government towards them had been made. The position of the settler in Southern Rhodesia was by no means singular ; it applied to farming all over the world. The problem in the Union was a tremendous one, but it was being faced.

Capt. H. Bertin (**Rhodesian Party**, *Salisbury, S.*) said the release for the farmers from their obligations would be absolutely fatal to the farming community. If such a remedy were to be adopted, what credit did he think the average farmer would be able to get from the merchants or from investors with money to lend out ? Such a thing would not be forgotten for fifty years if the Government did anything so foolish.

With reference to a National Bank, it was possibly a thing worth looking into. At the same time, one had had a very striking instance in recent years of the danger of small banks. If they had a bank located purely in Southern Rhodesia, it might not be able to withstand a financial storm or depression.

Amalgamation with N. Rhodesia.

Touching briefly on amalgamation (with N. Rhodesia), Capt. Bertin said they should aim to become a bigger unit ; but it would not be possible to do that by adding a large number of Europeans to the present population owing to their native population. They could not absorb them in any time that would enable them to become a bigger unit within the time of anybody living. One of the ways by which they could become a big unit was by joining with Northern Rhodesia. It was necessary because they could not live apart. The bigger the unit the more powerful they were ; they were unfortunately at present too small to be a sufficiently important factor. He also based this on cheaper administration. They would be able to have one Governor, one Parliament and one High Commissioner. It could be run for very much the same overhead expenses, and they would have a union of industries that would help to carry them over bad times.

Tobacco.

Capt. R. E. Downes (Independent, *Hartley*) referred to what, he said, was going to be of great importance to the country no matter whether the United States was on or off the gold standard ; if Great Britain went on buying her tobacco from America, amounting to a considerable number of millions every year, she had got to pay for it in gold. America could never supply the British market with goods unless she lowered her standard of living to a degree which she was not prepared to do. Therefore, any tobacco bought by Great Britain from America would have to be paid for in gold, and Great Britain was not in a position to pay gold. If, on the other hand, she bought her tobacco from Southern Rhodesia, they had arranged through the Ottawa Conference, and also at other times, to take the payments in pots and pans from Great Britain. Ultimately and inevitably, therefore, their tobacco industry must make great strides, and he believed they were already at the foot of the ladder of prosperity.

State Insurance.

Mr. L. J. Keller (Labour Party, *Raylton*) pointed out that with regard to State insurance, Southern Rhodesia was probably the most backward country in the world. Members had sat opposite for ten years and never in that period had they ever considered the needs of the people. There would never have been a Workman's Compensation Act on the Statute Book had it not been for the Labour Party.

Rhodesian Aviation Company.

Mr. Keller referred, in connection with aviation, to the subsidy [£500] paid to the Rhodesian Aviation Co. With a fleet consisting of five aircraft, their flights per month averaged between 8,000 and 9,000 miles, and they carried between 90 and 100 passengers per month. Their work for the future embraced the inauguration of aerodromes and landing grounds in the towns and ranches throughout the country, which were calculated to be of the utmost use to people living outside the towns in isolated places. It was intended, as soon as funds permitted, to resume the training of pilots and the inauguration of intermediate services between Salisbury and Johannesburg, calling at other places en route. This service was urgently wanted by residents in towns not served by Imperial Airways, and owing to persons averaging five each way per week who were unable to obtain seats in the planes, the Company required the subsidy to be increased to £1,000.

On 1st May the Motion was agreed to.

MINISTERIAL TITLES ACT.

(Status of Delegates at Ottawa ; Prestige of a Responsible Government Colony ; Objections to "masquerading as a Dominion.")

This Act amends certain sections of the Constitution by substituting for the titles "Premier," "Treasurer" and "Colonial Secretary" the

titles "Prime Minister," "Minister of Finance" and "Minister of Internal Affairs." Authority is given to the Governor to assign to the "Minister of Justice" the powers now vested in the Attorney-General. The Bill was introduced in the Legislative Assembly by the Attorney-General, and read a second and third time on 31st March and 6th April respectively. It received assent on 5th July.

DEBATE IN LEGISLATIVE ASSEMBLY.

On 31st March,

The Attorney-General* (Maj. the Hon. R. J. Hudson), in moving the Second Reading, said Members would recollect that at a meeting of the Empire Parliamentary Association the question as to the alteration of the title of the head of the Government in Southern Rhodesia was raised. It was suggested that the title might be altered from Premier to Prime Minister. That discussion did not proceed very far and no expression was really given upon it, because the Premier himself stated that he did not want the title altered. But the matter had proceeded somewhat further since then.

Southern Rhodesia had representing it at the Ottawa Conference two Ministerial Delegates, who attended on terms which gave that Colony a very high status. It could not for a moment be suggested that it was afforded full Dominion status, but in the main work of the Conference and the work of Committees the Delegates were treated on an equality with those from other Dominions. There could be little doubt that at any similar Conferences in the future the status would be at least as high as it was at Ottawa last year.

Origin of the titles.

In these circumstances it would seem that the question of the titles borne by the Ministers, and particularly the head of the Ministry, required reconsideration. Originally the title of Prime Minister was confined to the head of the Government in Great Britain. When the self-governing Colonies were constituted from time to time the title used was that of Premier ; later on, when the Dominions were formed, the head of the Ministry in the Dominions was given or assumed the title of Prime Minister. In the course of time most self-governing Colonies properly so-called disappeared, and now there were only two—Southern Rhodesia and Malta ; but coincident with the formation of the Dominions another factor came into being, namely, that in some of the Dominions, in Canada and Australia, there were subordinate legislatures, in Canada styled Provinces and in Australia, States. These had their Parliaments and their Ministers, the head of the Ministry being accorded the title of Premier.

The Premier, the Attorney-General continued, was referred to by the other Delegates (at Ottawa) as Prime Minister ; and it seemed that the time had arrived for giving to the head of the Ministry the title which was in accordance with the status Southern Rhodesia had attained. To do this it became necessary to make an amendment to the Constitution, in which the title was referred to and specified.

* Now Minister of Justice.

Regarding the title of Treasurer, even greater confusion and misconception was likely to arise through a Minister from Southern Rhodesia holding a title which in other Governments applied to a permanent official. When their Delegate was referred to as "Treasurer" people became confused as to whether he was a Minister representing the Colony, or an official who was adviser to the Minister. Here also it became necessary, if the title was to be changed, to provide in the Constitution that the Minister concerned should be described as "Minister of Finance."

Clauses regarding Attorney-General and Colonial Secretary.

Regarding the titles of Colonial Secretary and Attorney-General, in neither case was it strictly necessary to take legal powers to make an alteration. It was permissible to call the Colonial Secretary "Minister for Internal Affairs" to-morrow; he had simply to be appointed as such, and the same applied to the Attorney-General. But in various Acts administrative powers had been conferred on the Minister in charge of the division administering the Act, and therefore, if the title of Colonial Secretary was to be changed, it became necessary to make the provision contained in Clause 5 of the Bill.

In regard to the Attorney-General, an Act had been passed making it possible for the Governor-in-Council in future to appoint a Minister of Justice, in whom (under the Act) the appropriate powers in connection with the administration of the criminal law would be vested, giving him the control of the administration of justice. In effect, therefore, the House had already approved of the title being changed.

Continuing, the Attorney-General said the proper thing seemed to be that, since it had been decided that some members of the Government should be called Ministers, all should be called Ministers.

He added that under the Constitution this Act would be reserved. The Premier while in London had a discussion with the Dominions Office, and it was reasonable to assume that the Secretary of State would have no objection to the Bill if passed by that House in accordance with the provision of the Constitution.

Maintaining prestige abroad.

Capt. H. Bertin (Reform Party,* *Salisbury S.*) thought that in the interests of Southern Rhodesia it was highly desirable that their prestige abroad should be as high as possible. They wanted to feel that the men who for the time being were representing them, whether at Ottawa or in the Union of South Africa, should have the feeling that they were on an equality with those with whom they were dealing, and there was no doubt that the titles in that regard had considerable bearing.

He surmised that when the Colonial Office were drawing a Constitution for Southern Rhodesia, they had rather looked upon the new Colony as something that was not quite a Self-governing Colony under quite Responsible Government because of the restrictions that were placed in the Constitution. They (the Southern Rhodesian Government) represented 1,000,000 inhabitants. They were far bigger than Malta, with a population of, he thought, under 100,000. At any rate, Newfoundland was only 250,000; so, although the greater part of the inhabitants of Southern Rhodesia were not such large wealth producers as in a Colony composed entirely of Europeans, yet the possibilities were there, and their representatives represented 1,000,000 of the King's subjects, however humble they might be.

* Capt. Bertin has now joined the Rhodesian Party.

Mr. R. D. Gilchrist (Leader of the Opposition)* said he was rather surprised that no reference was made to a proposal by a Member which was made at the meeting of the Empire Parliamentary Association that the title of "M.L.A." should be changed to that of "Member of Parliament." The present was a fitting time for consideration of this matter.

Objections to the alteration; Southern Rhodesia not a Dominion.

Hon. R. A. Fletcher (Rhodesian Party,† *Matopo*) disputed the fact that the status of the Colony had been tremendously raised by the Ottawa Conference. Southern Rhodesia was one of the important Responsible Government Colonies in the Empire to-day; Malta was another. But they were only a Responsible Government Colony and not a Dominion; they had not even yet obtained full Responsible Government, and they attended the Ottawa Conference only by the courtesy of the Dominions.

"These titles," Mr. Fletcher said, "which were discussed in London by the Delegation, of which the Colonial Secretary was one, were explained to us as the Ministerial titles in keeping with our status as a Responsible Government Colony. We understood the position, and the Ministers have borne the titles provided for in our Constitution for the last 10 years and nobody has ever before thought of changing them. Why it should now be proposed that we should change them I do not know."

Mr. Fletcher pointed out that the Australian States were fully developed Responsible Government Colonies and a great deal further advanced when they federated than Southern Rhodesia to-day. The Federal Government of Australia co-ordinated the administration of those Responsible Governments or States, and in order to distinguish the Leader of the Federal Government from the Leaders of the Colonies the title of Prime Minister was used, which at that time only applied to the Prime Ministers of Great Britain.

In regard to South Africa, the Orange River Colony and the Transvaal both had Responsible Government when the Union took place; and as far as the title of Premier was concerned, this was used in the old Cape Colony right up to the time of Union, and there was no question of changing it. It was only when the Colonies were unified that the title was changed to Prime Minister.

In connection with the titles of other Ministers, the only case in question in South Africa was that of Natal, where the Minister they in Southern Rhodesia called Attorney-General was called Minister of Justice. In all the other cases the titles were the same as in Southern Rhodesia. It was most undignified for a Colony such as Southern Rhodesia to attempt to masquerade as a Dominion when they had not even full Responsible Government.

On a division the question was affirmed by 21 votes to 3, and the Bill was read a second time.

* Mr. G. M. Huggins (Reform Party) has now been elected Leader of the Opposition.

† Mr. Fletcher is now a Member of the Reform Party.

No desire for "high-sounding titles."

On 6th April,

The Attorney-General, answering a question as to whether they intended to have both an Attorney-General and a Minister of Justice, said that when this point was debated and decided in the House last year, it was realised that some time in the future the Minister responsible for this portfolio might not be a legal man at all, in which case it would not be possible for him to be the Attorney-General, and for that provision was made in the legislation.

There was nothing in the accusation which had been made that Members were seeking high-sounding titles, because they had already had in that Colony for the past 10 years the title of Minister applied to three of the Ministerial portfolios, namely, Minister of Mines, Minister of Agriculture and Minister of Defence.

On a division the question was affirmed by 25 votes to 4, and the Bill was read a third time.

MALTA.

The following summary deals with further 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. 2).*

THE BUDGET.

(Financial position; Ottawa Agreement; Imports from Empire and foreign countries; Emigration; Revenue and Expenditure for 1932-33; Estimates for 1933-34; Government's programme: agriculture, new industries, Vote for teaching Italian language in Elementary Schools.)

On 24th April, 1933, in the Legislative Assembly, the Minister for the Treasury made his Annual Financial Statement.

DEBATE IN HOUSE OF ASSEMBLY.

The Minister for the Treasury (Dr. the Hon. C. Mifsud Bonnici) said the financial position, looking into the future, was far from rosy. They were confronted with an expenditure which was successively increasing from year to year, while the Revenue was on the decrease. Compared with the Estimates, the Revenue for last year showed a marked drop.

The Provisional Government had had to impose new taxation to the amount of £50,000 to be able to balance the Budget. Contrary to what was done in England, they did not levy their taxation annually to meet the necessary expenditure. Their Revenue depended on permanent factors, and particularly on the Customs; but though Customs duty was leviable from more or less permanent sources, adventitious circumstances beyond their control were apt to affect adversely the normal takings of that Department. One of the most important factors in this connection was the presence of the Services, and the Provisional Government had admitted that there had been a reduction in the spending power of members of the Imperial Forces. Not only the Fleet, but even normal sources of Revenue through the Customs were not stable.

Malta was now importing in considerable quantities Japanese goods, the same material and commodities usually imported from European countries. These were being produced and sold at cut-throat prices. As the duties on these goods was levied on their value the normal receipts from the *ad valorem* duties dropped proportionately. When, on the one side, the Expenditure was always on the increase and on the other they had a Revenue depending on factors which were far from being permanent and stable and which had resulted in a fall in the estimated Revenue compared with 1932-33 of about £23,000 . . .

Mr. A. P. Montano (Constitutionalist, *Second Division*): "Is it all due to Japanese imports?"

The Minister for the Treasury: "To several factors. I mentioned the Fleet, too."

Mr. Montano: "Is it mainly due to the duty on beer?"

The Minister for the Treasury agreed that it was partly due to the duty on beer; but while the new breweries had enriched the country economically and financially, and while they were yielding Revenue which was reported under another head in the Estimates, the other factors were depressing the Revenue without yielding any corresponding benefits.

Ottawa Agreement.

It was not a new story that they were an importing country; they had small exports. Exports compared with imports were absolutely insignificant. Regarding the Ottawa Agreement, there should have been something for them to get besides something to give. They imported £3,300,000 a year, of which £940,000 was from the United Kingdom and £228,000 from British Colonies. They were contributing to the Imperial market to the amount of £1,168,000; and the balance of £2,132,000 representing imports from foreign countries was divided as follows: £330,000 cereals, other than wheat, food for animals, particularly from Tunis, Italy, Turkey, Roumania and Syria; £432,000 petrol, petrol spirits, and heavy oil from Roumania, Dutch West Indies and Egypt; £771,000 foodstuffs, distributed among Italy, the United States, France, Jugoslavia and Belgium; and about £600,000 manufactured articles from Germany, Japan, France and Italy. These figures referred in the main to commodities and materials obtainable from countries from which they imported them, or, if they were produced elsewhere in the Empire they were quoted to them at almost prohibitive prices.

Since England went off the gold standard they had had their share of its effects in their economic life because, while imports from Imperial markets were still for them of the very same value as when the pound was a pound, imports from foreign countries cost them much more. When, after the Ottawa Agreement, England and other countries erected new commercial barriers, the action of the other countries operated against Malta.

Effect of check on migration.

Proceeding, the Minister referred to emigration which, he said, meant something for them. When their people emigrated they had the double benefit of their absence from the labour market and the remittances which they sent from foreign countries. They could not speak of emigration any longer.

Revenue and Expenditure for 1932-33.

The balance of the Consolidated Revenue Fund on 1st April, 1932, stood at £147,537, and though a great part of it had been availed of in connection with Re-votes, the new Government had thought it fit to comply with the terms of the General Hospital and of the Harper Area by transferring from the Consolidated Revenue Fund to the Special Funds £9,000 regarding the General Hospital and £1,526 regarding the Harper Area. The balance was thus reduced to £137,011.

The Expenditure and Revenue for 1932-33 were not in duly balanced proportions, and they had an excess of Expenditure over Revenue of £13,924, and this further reduced the balance to £123,087.

Continuing, the Minister said it had been realised that for the first time in twenty years there was no need for the Depreciation Fund, and the balance of that Fund, £60,916, was transferred to the Consolidated Revenue Fund on 1st March, 1933. This helped to bring up the balance to £184,003, with which the financial year 1933-34 was to open.

Estimates for 1933-34.

Expenditure for 1933-34 as estimated amounted to £102,461 for Extraordinary Expenditure and they were going to draw on the balance of £184,003, reducing it to £81,542. The estimated Revenue stood at £957,392. They were following their policy of keeping the recurrent Expenditure within the estimated Revenue. The recurrent Expenditure was £954,511, thus leaving a small margin of £2,881, which, added to £81,542, yielded an aggregate balance of £84,423. When out of that sum the necessary Re-votes were taken to the amount of £43,000, it was presumed that at the close of the year 1933-34 they would have a balance of £41,423. They anticipated that balance taking into account the fact that they had secured £60,916 from investments; but what would be the case to-morrow if the swing of the pendulum should be against them?

Government's programme: Agriculture, new industries.

The Minister said that several financial measures would be submitted to the House. Referring to the Civil Service, he stated that certain Departments had been totally abolished; others had been reduced to a minimum.

With regard to the Agricultural Department, for the first time the problem was being tackled in a statesmanlike spirit. Measures were being taken for the industry of wine-making, dairying and animal husbandry; a new section had been created to give its attention to the diseases of plants and animals; and there was a Vote for the reclamation of land; and other measures such as a law to regulate the national trade market for their production and other laws to enable them to secure the English market, etc. From the point of view of Customs, protective measures would be brought before the House.

As a Government they had returned to the policy initiated by them in 1924-27, of planting new industries. They had already secured the greyhound industry, which employed a capital of £100,000, and the Minister said he might also mention the creation of small industries, such as the manufacture of earthenware and china articles, briar pipes, pyjamas, shirts, matches, sterilised milk, soda crystals, tanneries, sterilised vegetables and fruits. All these new industries were going to crop up.

Elementary Schools: Vote for teaching Italian.

In the matter of Education, they had brought forward a Vote for £5,000 for teaching Italian in the Elementary Schools, although they had not received a definite reply from the Imperial Authorities with regard to the means excogitated by the Minister for Public Instruction with a view to providing at least for the voluntary teaching of Italian in the Elementary Schools. After all, if self-Government was to mean anything within the British Commonwealth of Nations, he could not conceive the possibility that the Imperial Authorities should interfere with the right of the Maltese Government to afford the opportunity to Maltese children to learn Italian, if they so desired, with their own money and in their own schools.

Concluding, the Minister said: "We do not want to violate the Constitution; even if we wanted to, we could not do it. We are here to administer the law as it should be administered, but we cannot renounce the pledges made to the people. We cannot but believe that the Constitution was given back to us seriously ; we cannot but believe that the Constitution was restored to us in order to enable the Maltese people to govern themselves. If we are fit to govern ourselves I think we have every right to assume that we are fit to educate our children. After all, we are not asking for any particular favour ; we are only asking for our right to spend the money—money collected from the Maltese taxpayer—in the interest of our children."

DEBATE IN LEGISLATIVE ASSEMBLY.

On 2nd May, on the Motion to go into Committee of Supply,

Prof. the Hon. R.V. Galea (Leader of the Opposition) said the Minister for the Treasury had stated that the balance on 31st March, 1933, stood at £184,003, and that the balance of the Consolidated Revenue Fund forecasted for 31st March, 1934, was £41,423. If they compared these two balances, they found a drop of £142,580. The estimated Revenue for 1932-33 was £979,525 and for 1933-34, £957,392—a loss of £22,133. Estimated Expenditure for 1933-34 was £1,056,972 and for 1932-33 £975,918,—for the current year, £81,054 more than for 1932-33. Part of the drop was beyond the control of the Minister, particularly with regard to Revenue ; but the increase of Expenditure was fully under his control. Approximately one-fifth of that part of the drop due to loss of Revenue and increase of Expenditure was the result of decrease of Revenue, and approximately four-fifths was due to the rise in Expenditure. No provision had been made for Supplementary Estimates and no margin was allowed for a possible depreciation in securities. There had been no provision for Supplementary Estimates the previous year ; but fortunately their securities during last year had had their luckiest hour for the last 20 years. The two Supplementary Estimates passed during the present year could, therefore, only be met out of a fortunate surplus of £60,916 from the Securities Depreciation Fund. The Minister had stated that if this sum had not been available they would be faced with a deficit at the end of 1933-34.

The Minister had also stated that, according to the Nationalists' policy, the recurrent Expenditure was in no case to be higher than the estimated Revenue, and that the extraordinary Expenditure was always to be met out of the balance of the previous year. Prof. Galea said that when the previous year ended with a balance this was possible but when they were foreseeing a deficit it was utterly wrong to raise recurrent Expenditure so high as to leave hardly a margin of £3,000 between recurrent Expenditure alone and the entire estimated Revenue for the year. The recurrent Expenditure alone in one year was going to be augmented by £48,593, which he considered an enormous increase.

Question of a loan.

A part of the Minister's speech left no doubt that he was referring to the floating of a loan. All countries had a National Debt ; Malta had a small one—the *Massa Frumentaria*—which was negligible. If, however, a loan ever became necessary, the money which would accrue to the Government should be applied on reproductive investments.

New industries.

Another way in which the Minister meant to make up for a possible deficit was the encouragement of new industries. But if these were required to balance the Budget, Prof. Galea said he must state that while new industries might enrich the country they had the opposite effect upon the Exchequer. Quoting two previous cases, beer and cigarettes, he said that in the case of beer they had a decrease in Revenue this year alone of £12,000, and, as an effect of the manufacture of beer, a decrease of £6,000 on wines and £3,000 on spirits. Against this they had an Excise duty on local beer which showed an increase of £4,000. This left a net decrease of £17,000 over and above what had been lost in the previous year. They had protected hand-made cigarettes and had a loss of £3,000.

Agriculture.

Regarding agriculture, if they considered that almost every inch of ground in Malta was over-exploited they must come to the conclusion that if they wanted their people to return to the soil, they must open for them other horizons in order that they might enrich themselves on soils which were still virgin ; but to do this they must educate the people in such a way that when they went to these places they would be able to get on with the job.

Ottawa Agreement.

Continuing, the Leader of the Opposition said the disparity between their imports and exports was, if he was not mistaken, over £3,000,000. But there was something behind it all—the invisible exports, the bulk of which was due to money coming principally from the Imperial Services. Were it only to affirm their status of a self-governing country within the British Empire, the Government should have entered into correspondence with the Imperial authorities on the Ottawa Agreement. He did not agree that there was absolutely nothing to give in exchange for what they were to get. The Minister for Agriculture intended to propose legislation which would enable their products to be among the first to catch the English market. This was a result of part of the Agreement. It was a one-sided benefit ; but there were articles not of food but of luxury which could well be protected by them when they came from the Mother Country to whom they owed so much for their invisible exports. The authorities concerned would perhaps have been very willing to widen the doors for their intending emigrants in return for certain concessions which they would be prepared to make under the Ottawa Agreement.

Language question.

Dealing with the language question, Prof. Galea said Ministers pretended they were pledged to the country to teach children in the Elementary Schools this third language [Italian]. The Constitution was there before the elections were held, the Letters Patent amending the Constitution had also been published, and Ministers and the Party opposite had no business to give pledges which it was not in their power to carry out. The only honest political way out of it would be to tell the people that the Party in power had pledged things which it was beyond their means to carry out and give the people who sent them there an opportunity to express themselves on other items.

Revenue dependent on imports and invisible exports.

Dr. P. Boffa (Labour, ***Fifth Division*****)** said it was no fault of either Party that the financial situation was precarious. Self-government brought in its wake a larger expenditure every year. Unfortunately their Revenue depended chiefly upon imports and invisible exports which represented money spent in Malta by the Services and the people employed in the Dockyard, inasmuch as nowadays the doors were closed against their emigrants in all parts of the British Empire.

The only possible way to tide over the present financial difficulties was to decrease expenditure. He was not referring to the Extraordinary Works Vote, with regard to which he wished to congratulate the Minister for having brought forward a Vote for £102,000 to give work. In Malta, contrary to all other civilised countries, 90 per cent. of taxation represented indirect taxation and only 10 per cent. direct taxation. In order to decrease recurrent expenditure, other countries had reduced the salaries of high-placed Government employees. A way should be found whereby the Revenue would be increased, say, by increasing the direct taxation. If indirect taxes, such as those on bread and petroleum, which hit the poorer classes hard, could not be taken away, let them increase direct taxes.

Education and emigration.

Mr. R. Strickland (Constitutionalist, *Eighth Division*) said he had always looked on education and emigration as one subject. He looked back to the years when their countrymen had gone to Australia and America and had met with handicap after handicap because they were unable to speak and write English. Now that Europe was beginning to round the corner and would be ready to throw her surplus population into the uncultivated wastes of Australia, unless they had their future working-classes as fit as other Europeans and with a good knowledge of English, they would not be able to derive benefits.

Language question.

The Head of the Ministry (Hon. Sir Ugo Mifsud), dealing with the language question, said that the obstinacy of the Imperial Government in denying them their constitutional rights, rights which for historical reasons were theirs, rendered them more determined. The fight was a secular one in which the Maltese nation had been engaged for the last 70 years, a struggle which other peoples, small and unarmed, had gone through, such as the Canadians in Canada, the Boers in South Africa, and other people in other parts of the Empire, as the Irish in Ireland. Arguments of a philosophical or didactic nature were of no avail. What counted was the verdict of the people.

If for argument's sake they interpreted the Letters Patent as precluding them from teaching Italian in the Elementary Schools, logically they would be right in interpreting the Clause in the way they had done inasmuch as by Elementary Schools was meant the curriculum of those Schools. Under the Letters Patent of 1932 they were not precluded from teaching Italian to those pupils who wished to learn it, of whom, according to the plebiscite of last October, 87 per cent. had declared their wish to learn Italian. That was not circumventing the Letters Patent; it was teaching voluntarily the children of the people after school hours what they had the right to demand.

Reserve Fund.

The Prime Minister said they had created a Reserve Fund of £75,000, and had assigned £75,000 for the exploitation of the Harper Area and £30,000 for the new Hospital. These amounts added to the balance of £188,000, would leave their successors more than a quarter of a million pounds. The Government had had increases in current expenditure and increases in the salaries of high and low grade employees; but they were responsible for a reduction in the expenditure of many Departments, such as the Commissioner in London, the Labour Bureau, and the Departments of Emigration, of Fisheries, etc., although they had had to augment it for the Department of Agriculture. He could assure the House that they had already considered the question of the protection of agriculture; and that they were studying the matter of the protection of deserving industries which employed capital and labour without, as in the case of the manufacture of beer, affecting the Treasury.

On 3rd May, on a division, the Motion was agreed to by 18 votes against 9.

EMIGRATION.

(Figures for 1932-33; Emigration to Tunis and Algeria; Position regarding Australia; Question of repatriation of Maltese residents in Turkey.)

On 22nd May, in the Legislative Assembly, in Committee on the Estimates, the House discussed " Vote 4—Emigration £2,930."

DEBATE IN LEGISLATIVE ASSEMBLY.

The Head of the Ministry (Hon. Sir Ugo Mifsud) said that whilst the situation regarding unemployment in the United States was serious, as it also was in England, Canada, Australia, New Zealand and South Africa, the emigrants from Malta exceeded those returning. He emphasised the point because according to certain sections of the local Press this phenomenon had not been realised. From 1st to 30th April, 1933, 159 persons of the migrant class had been approved by the Department, whilst only 64 persons returned to Malta. From 1st April, 1932, to 30th March, 1933, the number of persons applying for passports was 2,108, and the number of returning emigrants was 1,137.

Emigrants to Tunis and Algeria.

At the present moment, countries which were receiving emigrants from Malta were Tunisia and Algeria. The emigrants were admitted to proceed if they were in possession of £10. The majority of their emigrants managed to find work. Very few returned to Malta.

Australian attitude.

The Australian Commonwealth Government had informed the Maltese Government that in view of unprecedented unemployment prevailing in Australia, and of the depression that existed, it was not desirable to send new Maltese emigrants unless they had landing permits issued from Canberra. This meant that only those emigrants who could produce proof of assured work in the country were guaranteed landing in Australia. It was important, however, to note that the Commonwealth placed no obstacle in the way of the return to Australia of Maltese, and their wives and children, who were already established in Australia on the condition that they produced proof of being able to support their family.

Emigration to the United States was at its lowest level.

Importance of emigration to Malta.

Prof. the Hon. R. V. Galea (Leader of the Opposition) said he regarded the Vote as important not because of the amount it involved, but because emigration was the life and soul of the nation. The population of Malta was increasing by leaps and bounds, and it was with much consternation that they observed that the world crisis was keeping back emigration from the Islands. He hoped the Emigration Department was not idle, but was taking the necessary steps in order that when the present circumstances would change, as many people as possible would emigrate.

Emigration from Malta was divided into two classes: emigration to those parts of the world where the standard of living was equal to or higher than that in Malta, and emigration to other parts of the world where the standard of living is lower. In the first case, emigration was regulated by laws and they must satisfy the conditions imposed by those countries. Emigration to other places was not so regulated and it was less difficult. During a crisis such as the present, emigration to countries where the standard of living was not as high as that of the British Dominions should also be encouraged.

They ought to study new openings. For instance, he had heard that people from other parts of the world had established what were called "kitchen gardens" in the vicinity of towns; for these it was not necessary to have large plots of ground. Emigrants from England to other parts of the Empire generally did not take this up, but people from other parts of Europe undertook it with profit. The Department should make inquiries. It was most suitable for their farmers who knew well how to manage that sort of business. Also there should be schools for training waiters and musicians. In Canada he had observed that most of the waiters and musicians that served in the hotels in the big cities were generally Italians or people who were not British subjects. If Maltese were to be trained to do such work, he felt sure the Canadians would prefer to employ British subjects.

In conclusion, Prof. Galea said he hoped the Department would do its best to prepare intending emigrants in order to have them ready when the time came.

The Head of the Ministry said they were allowed to send to Australia as many as 1,200 emigrants yearly, but that actually there were never more than 700 to 750. Although their emigrants were accepted in Algeria, the standard of living in such countries was not that of Overseas countries, but in the absence of other outlets they had to be content with this for the time being.

Maltese residents in Turkey.

Regarding the conditions of Maltese residents in Turkey, Sir U. Mifsud said that while not expelling foreigners, the Turkish Government had passed a law declaring that certain trades, such as those of carpenter, tinsmith, mechanic, etc., might be carried on by Turks only. From the point of view of international law there was much to be said, because in effect the prohibition by the State of certain class of work to foreigners whose livelihood it represented was the expulsion of foreigners. There were about 433 Maltese families in Constantinople, which meant 1,000-1,100 persons. They had long left Malta, and no longer knew Maltese, and had become either Turkish or Greek. In 1922, on account of the occupation of Smyrna by the Turks, a number of Maltese who lived an honest and laborious life in Asia Minor were shipped in British ships to Malta. They had, therefore, an example in the event of a similar situation arising. It was not a matter of forced repatriation of Maltese who had worked in the Levant owing to the War, but the application of a law preventing Maltese established for a long time in the Levant from earning their bread. The Maltese Government was in accord with the Imperial Government regarding this question and was studying it.

Mr. A. P. Montano (Constitutionalist, ***Second Division*****)** said the Government must be very careful not to incur responsibilities and accept the so-called Maltese nationality. It was true these people were of Maltese origin, but he did not know for how many generations their forefathers had been away from Malta. While they had accepted Turkish hospitality and exploited Turkish soil, they had only retained their so-called Maltese nationality in order to be protected by the law of capitulations. Had they been living in Italy, Germany, or some other country where capitulations did not exist, they would not have been considered Maltese any longer, but Italians or Germans.

Although they sympathised with these people in their present plight, they should be careful not to accept any responsibility with regard to their maintenance.

Prof. Galea hoped the Government would bear in mind that on a previous occasion in the case of the Smyrna refugees, the Maltese Government paid only for the repatriation of those Maltese who had been born in Malta. All the rest had been brought to Malta and kept at the expense of the Imperial Government. He pointed this out in order to remind the Government that in this event the same procedure should take place.

The Head of the Ministry said there was Maltese-British citizenship and English citizenship, as distinct from Maltese citizenship. In 1922-23 a distinction had been made, and the Imperial Government maintained the quota of those who were not originally from Malta. The Government had to contemplate the case in which through the operation of laws against those residents who, having become indigent, would apply to the Consul, who, at the Imperial Government's expense, would repatriate them and later would recover the cost.

Regarding the situation envisaged by Mr. Montano, Sir U. Mifsud said they could not maintain such a hard attitude as he had suggested. The matter was certainly being watched, but before accepting these people back the Imperial authorities should be approached with a view to finding work for them in other countries of the Levant, because he was sure they would not like to come to Malta. Malta could not absorb them. If they did come, the maximum that the Government could do would be to give them the same diet as that given to the aged. The only thing they could do would be to keep them in camps as in 1922. There was no hope of work for them in the country as they knew neither Maltese or English.

The situation, however, had not yet arisen; but he felt it was necessary to investigate it as the Emigration Vote was being discussed.

The Vote was agreed to.

CEYLON.

The following summary deals with some of the proceedings of the State Council which re-assembled on 17*th January*, 1933, *and is in continuation of the summary given in the last issue of the* JOURNAL (*Vol. XIV., No.* 2).

GOVERNOR AND THE STATE COUNCIL.

(Motion for the recall of the Governor; Action regarding passage allowances, salary levy, income tax Ordinance, judgment debtors' relief, etc.: Motion negatived by large majority.)

On 2nd March, 1933, in the State Council, a debate took place upon the following Motion standing in the name of Mr. G. E. de Silva, viz.:—

That in view of the attitude adopted by H.E. the Governor towards the Motions passed by the State Council which is calculated to be derogatory to the dignity of this Council and his extremely undemocratic and reactionary attitude towards the good government of this country, this Council is of opinion that the continuance of his administration is likely to create dissatisfaction among His Majesty's loyal subjects living in this Island, and that the Secretary of State for the Colonies be asked to recall him from this Island, and that a new Governor who is more sympathetic towards the aspiration of the people be appointed.

DEBATE IN STATE COUNCIL.

Mr. G. E. de Silva (*Kandy*) said that one object he had in view was to express his disapproval with regard to the conduct of His Excellency as Governor. He was not going to impute any ulterior motives to the Governor. It was sufficient for his argument to say that they had not received from him the sympathy they should have received, knowing that they had been given a novel Constitution.

Passage allowances.

Proceeding, Mr. de Silva recalled that first of all the Council had decided by a large majority not to allow public servants passage allowances once in four years but to ask them to take them once in five years. But immediately the Motion was passed the Governor thought it best to exercise his rights under the Order in Council. After he had refused to carry out the decision of the Council, practically all the elected Members were present at a meeting at which they expressed their strongest disapproval of the conduct of the Governor; and they forwarded, through His Excellency, a memorial to the Secretary of State for the Colonies, saying that the order the Governor had made under the Order in Council was unjustifiable and that it could not be maintained in view of the decision of the Council. They received a reply from the Secretary of State and learnt for the first time that His Excellency had decided the question before they had approached the Secretary of State or presented their case to him.

The reply of the Secretary of State was the following:—

"I shall be glad if you will cause the writers of these statements to be informed that I have received and carefully considered their representations, but that your action was taken after prior consultation with the Secretary of State and with his full approval."

Mr. de Silva said that was practically abusing the power given to the Governor under Articles 22 and 23 of the Order in Council. If

Ministers had not been consulted regarding the despatches sent to the Secretary of State on the question of the passage allowances, he submitted that the Governor had omitted to carry out a most important recommendation laid down for his observance. They had been allowed to forward the memorial, and all the time the Governor knew that he had already consulted the Secretary of State.

Salary levy.

Regarding the salary levy, the Council perhaps would not have any objection to His Excellency cutting down salaries of public servants, but he should have consulted the House before he made the order.

The Speaker of the State Council (Hon. Mr. A. F. Molamure): ". . . At least this House refused to pass the Bill."

Mr. de Silva said that when the Bill was presented His Excellency had beforehand practically decided the matter.

Income Tax Ordinance.

The Income Tax Ordinance had been passed by the House and the Governor had assented to it. In doing so he had never made the Council understand that he was intending to repeal any section of it. After assenting to the Ordinance, His Excellency introduced a Bill amending certain sections of the Ordinance, and that was done by certification.

Relief for judgment debtors.

Coming to another question, Mr. de Silva said that in July, 1931, Mr. Wijeyeratne gave notice of a Motion asking that judgment debtors be given a certain amount of relief. Rightly or wrongly, the Bill was passed by the House and His Excellency had every opportunity of deciding whether he should assent to the Bill or not immediately it had been passed or at the time it was being discussed. But he had never indicated that he was going to nullify the effect of that decision by making a report adverse to the Bill. The country was kept waiting for nearly a year till his decision was announced. Time was the essence of the relief asked for; but nothing was done till all the unfortunate judgment debtors had been sold up and put out of their homes.

Concluding, Mr. de Silva said that if the Governor was not going to rule the country according to the will of the people, either the Governor must leave the place or the people must leave the country.

Mr. A. E. Goonesinha (*Colombo Central*) said that what made him sympathise with the Motion was that the Governor, who at the inauguration of the scheme of government ought to have acted more sympathetically and done all he could to help the Board of Ministers and the Council to work the Constitution, had by his acts of certification brought members of the Council into contempt in the eyes of the public. He seconded the Motion.

Mr. E. W. Perera (*Horana*) said the only successful action they could take was to use all the resources that the constitutional machinery of the Council and the country made available to them to alter the Constitution. He had formulated an Amendment to the Motion. The Motion would then read:—

That in view of the attitude adopted by H.E. the Governor towards the Motions passed by the State Council which is calculated to be derogatory to the dignity of this Council and his extremely undemocratic and reactionary attitude towards the good government of this country, this Council is of opinion that the continuance of the present Donoughmore Constitution is likely to create dissatisfaction among His Majesty's loyal subjects living in this Island, and that the Secretary of State be asked to amend the same in accordance with the Resolutions passed by this House.

The Speaker said he could not allow the Amendment as it was irrelevant to the question proposed.

Mr. S. W. R. D. Bandaranaike (*Veyangoda*) said he had not the slightest doubt that the Secretary of State would ignore the request, and if he did so it would be placing the House in a most humiliating position. If they were dissatisfied with certain things and felt that they could not carry on without certain amendments to the Constitution, they should follow up their words with some kind of action. They should go out of the House, if necessary, and let the country be ruled by any method the British Government wished while they made the necessary efforts to attain their object. If the majority of Members were not prepared to take that step—the only step that could be taken—then let them not pass the Motion.

Mr. F. A. Obeysekere (Deputy-Speaker) thought the difficulty was due to the defects of the Constitution. That was why Mr. Perera had tried to foist on the House an unconstitutional and irrelevant amendment: he had sensed there was nothing they could lay at the door of the Governor and had whittled down the Motion. If they had unduly hoped that the Constitution could be worked satisfactorily let them blame themselves, but let them not ask the House to adopt a personal Motion for which there was no justification.

The Chief Secretary (Hon. Mr. F. G. Tyrrell), dealing with Mr. de Silva's complaint that in the matter of the certification of the passages vote the Governor had consulted the Secretary of State in advance, said that under Article 87 (4) of the Order in Council, that course was imperative because under that Article the decision of the Secretary of State upon any proposal was in itself the determining factor as to whether the proposal could be deemed to be essential to give effect to the provisions of the Order; and without ascertaining the extent to which the Secretary of State's decision required the certification to be made it was not possible for the Governor to exercise the powers under the Order which he did exercise. Action under Article 87 could only be taken to the extent required by the decision of the Secretary of State.

In connection with the Judgment Debtors' Bill, under Article 76 the Governor might either assent to it, refuse his assent to it or reserve it for His Majesty's pleasure. He was advised that the Bill was not one which he could assent to without the signification of His Majesty's pleasure. Under the Constitution he was bound to withhold assent.

The wording of the Motion was most unfortunate and reflected upon the good sense and generosity of Members and he would be sorry if it received support.

On a division, the Motion was negatived by 30 votes against 5, with 4 abstentions.

BERMUDA.

Parliament was prorogued on 28th April, 1933, and a General Election took place on 11th May. The new Session opened on 31st May.

GOVERNOR'S SPEECH.

(Financial position: necessity for economies.)

The Legislature was opened by the Governor (Lt.-Gen. Sir Thomas Astley-Cubitt) on 31st May, 1933. The following is a summary of his Speech:—

The Speech stated that His Excellency had considered it desirable on grounds of public policy that Parliament should be assembled at the earliest possible moment. Members had entered into their responsibilities at a time when the welfare of Bermuda demanded clear vision and balanced judgment in public affairs.

FINANCIAL POSITION.

An analysis of the financial position had been forwarded to their predecessors a month ago, and since that time figures had been published in respect of the month of April. Looking at the Revenue side of the balance sheet, they would find that receipts for the four months ending 30th April were £29,591 less than the receipts for the corresponding period in 1932. As the total amount voted for Expenditure in 1933 was some £3,000 in excess of the actual Revenue for 1932, it was clear that savings or additional sources of Revenue were necessary to cover an amount of approximately £32,500 plus any decrease in the comparative figures that might be anticipated in respect of the last eight months of the year.

A Committee, appointed by their predecessors, had made recommendations to meet this situation, and it would be the duty of the House to give its earliest consideration to such measures as were necessary to ensure a balanced Budget. There was, however, a definite limit to such measures, and they should not be adopted to an extent which would endanger the general employment situation. If, after careful scrutiny, they found the position could not be rectified by judicious economies, His Excellency commended to their consideration some measure of direct taxation or a transference to Loan Account of such capital works as might justifiably be deemed a liability on posterity, or, if necessary, a combination of both those methods.

FINANCE.

(Motion for a Committee to report on financial position.)

On 21st June, in Committee, the House of Assembly considered the references to finance in the Speech of His Excellency the Governor at the opening of the Legislature.*

DEBATE IN HOUSE OF ASSEMBLY.

Hon. S. S. Spurling (*St. George's*), having quoted the remarks of His Excellency dealing with finance, said the Expenditure as there set forth was higher than the Revenue, and up to the end of May, excluding Suspensory Account, they had spent £3,969 more than they had taken in Revenue for the five months. Personally, he did not think that that was such a very bad situation, but he did think it needed a very careful analysis.

He was offering a Motion for the consideration of the Committee, that the Finance Committee be instructed to report within ten days

* *Vide* this page.

on the financial position, with any recommendations they thought desirable as to how best to deal with it. He thought himself that a small Committee would be better than a very large Committee.

Mr. H. T. North (*Hamilton*) said the feeling of the general public was that they were spending too much on their public officials, and he hoped the Finance Committee would see if some way could not be devised so that they could cut out some of their officials, and reduce salaries. The cost of living in Bermuda had come down to the lowest point he had known it. Public servants must either take much lower salaries or get out.

If they had a population of 130,000 they had officers enough to carry on all right, but they had only 28,000 to 30,000 people to pay it. He thought the Civil Service cost around £130,000 a year, which, he supposed, was all right when they were enjoying great prosperity, but it was not so to-day.

Lt.-Col. the Hon. T. M. Dill (*Devonshire*) said that if the total cost of the administration of Government ran something over 25 per cent. of their total expenditure, then there was a necessity for a business overhaul of the whole affair but, so far as he could see, they had not exceeded that.

The Motion moved by Mr. Spurling was agreed to.

On 30th June, the Finance Committee presented their Report to the House of Assembly.

ELECTION OF SPEAKER OF THE HOUSE OF ASSEMBLY.

On 30th May, in the House of Assembly, **Mr. J. R. Conyers** (*Southampton*) was elected Speaker of the House of Assembly.

On 31st May, **Mr. H. Villiers Smith** (*Warwick*) was elected Deputy Speaker.

PARLIAMENTARY ELECTION ACT, 1928, AMENDMENT ACT.

The Bill* for this Act, providing that every candidate for election to the House of Assembly shall deposit the sum of £50, was passed by the Legislative Council and the Governor's assent was announced on 22nd April.

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*) was intended to prohibit "plumping," *i.e.*, voting for one candidate only when there are four vacancies to be filled. A summary of the Bill, which consisted of only one clause, was given in the last issue of the JOURNAL (Vol. XIV., No. 2, p. 444).

On 4th April, on the motion for the Second Reading, the Bill was rejected by 25 votes against 7.†

* *Vide* JOURNAL, Vol. XIV., No. 2, p. 444.

† *Corrigendum.*—In the previous issue of the JOURNAL it was incorrectly stated that the Second Reading of this Bill had been agreed to.

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