JOURNAL OF THE PARLIAMENTS OF THE EMPIRE

Vol. XV.—No. 4. October, 1934.

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.*

CONTENTS.

CONTENTS.

PAGE

INDIA.

SOUTHERN RHODESIA.

MALTA.

CEYLON.

BERMUDA.

BAHAMAS.

INTRODUCTION.

The subjects affecting international interests which have been considered in the Parliaments of the Empire during the period covered by the following summaries mainly concern disarmament, defence and trade.

For example, in the United Kingdom section disarmament, air policy and naval armaments are prominent features; while defence by sea and air are dealt with in the Dominion of Canada, Australian Commonwealth, New Zealand, Union of South Africa and Southern Rhodesian sections, the last four also touching upon military defence. An interesting discussion on the Indian Navy Discipline Bill also occurred in the Central Legislature of India and is summarised in this issue.

Amongst other matters discussed which affect the external relations of the countries of the Empire are British policy regarding Austria in the United Kingdom summary; the League of Nations in the Canadian and New Zealand summaries; Japanese trade competition in the United Kingdom, New Zealand and Indian summaries; the Eastern Mission and trade with Italy and other foreign countries in the Australian Commonwealth summary; the International Wheat Agreement in the Dominion of Canada summary; and International Conventions in the Irish Free State summary.

Apart from defence questions to which attention has already been called, subjects of inter-Empire importance which are dealt with in the following pages include those arising out of the Statute of Westminster, *i.e.*, the Colonial Stock Act in the United Kingdom and Union of South Africa Parliaments, and the Admiralty Act in the Parliament of the Dominion of Canada.

A number of important references to inter-Empire trade also occur in the various summaries. These will be found in the United Kingdom section, where some interesting figures of exports to Empire countries are recorded and a summary is given of the Cattle Industry (Emergency Provisions) Act and the discussions upon that measure; in the Australian Commonwealth section, where trade with the United Kingdom, New Zealand and India, the Raw Cotton Bounty Act, Primage Duty and the effects of the Ottawa Agreement are discussed; in the Victoria section, where import restrictions and British agricultural policy are referred to; in the New Zealand section, where tariff policy, the Ottawa Agreements, British preference, secondary industries and trade with Canada are considered; and in the Ceylon section, where the quota system in relation to the importation of Japanese textiles, Empire Preference, and the Ottawa Conference are discussed.

Other matters affecting trade and monetary policy which find a place in the following pages are the National Credits and Currency Bill in the New Zealand Parliament, the Budget debate in the Union of South Africa Parliament and the Gold Clauses (Construction) Act in the New South Wales Parliament; while amongst subjects of inter-Empire importance not directly affecting trade may be mentioned a discussion on the South African Protectorates in the Parliament of the Union of South Africa, and references to relations with the Irish Free State in the United Kingdom Parliament and to a National Flag in the Irish Free State Parliament.

Subjects of more local concern but still of general interest are the Incitement to Disaffection Bill in the United Kingdom Parliament; the Dominion Franchise Act, the Oaths of Allegiance Amendment Act and the work of the Senate in the Parliament of the Dominion of Canada; the Lotteries Act in the Quebec Parliament; finance and unemployment in the Parliaments of New South Wales, Victoria, South Australia and Western Australia; the Tobacco Bill in the Irish Free State Parliament; the review of the position in India contained in the Viceroy's Speech; and the Budget statement in Ceylon.

THE EDITOR.

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

30*th October*, 1934.

UNITED KINGDOM.

(Great Britain and Northern Ireland.)

Parliament adjourned for the Summer Recess on 31st July, 1934. Debates in the two Houses up to that date are summarised in the following pages.

GREAT BRITAIN AND AUSTRIA.

(German influence in propaganda against Austrian Government; Attitude of British Government; Interference in Austria's internal affairs reprobated.)

On 30th July, in the House of Commons, in reply to **Mr. F. S. Cocks** (**Labour**, *Broxtowe*) and **Mr. G. Nicholson** (**Unionist**, *Morpeth*),

The Secretary of State for Foreign Affairs (**Rt. Hon. Sir John Simon**) said that in February last* and again recently he received from the Austrian Government a collection of material indicating the complicity of German influence in propaganda against the Austrian Government and in a series of outrages committed on Austrian territory. This material was also communicated by the Austrian Government to the Italian and French Governments. In acknowledging the receipt of this communication he informed the Austrian Minister that:—

"While His Majesty's Government have no intention whatever of interfering in the internal affairs of another country, they fully recognise the right of Austria to demand that there should be no interference with her internal affairs from any other quarter."

"The views of His Majesty's Government on this matter, abstaining from interference ourselves and reprobating interference by others, remain unchanged," the Foreign Secretary added.

Mr. Nicholson asked what steps the British Government were taking, and proposed to take, to preserve the independence of Austria?

The Secretary of State for Foreign Affairs said that the British Government were continuing to watch the situation carefully, but no action on their part was either called for or in contemplation.

* *Vide* JOURNAL, Vol. XV., No. 2, p. 258.

IMPERIAL DEFENCE POLICY.

(Expansion of Royal Air Force ; Labour Party's criticism ; Encouraging competition in armaments ; Government and Disarmament Conference ; Air power vital to national and Imperial security ; Parity a cardinal feature of British defence policy.)

Following the announcement made on 19th July* of the Government's decision to embark upon a five-year programme of expansion of the Royal Air Force debates on the subject of re-armament took place in both Houses.

DEBATE IN HOUSE OF LORDS.

On 23rd July, in the House of Lords, the debate took place on the following Resolution :—

"That this House regrets that a policy of increased armaments has been announced by His Majesty's Government before the termination of the Disarmament Conference, and after the recent conversations with France ; and considers that such a policy is not calculated to give greater security to this country, but by encouraging further competition in armaments is likely to endanger world peace."

Lord Ponsonby of Shulbrede, in moving the Resolution, said that he was voicing the opinion of the Labour Party. The policy declared by the Government involved an increase of 41 squadrons in the Air Force which, when complete, would mean that 33 squadrons would be added to the total number available for home defence. That was an increase of 75 per cent. Eight extra squadrons would be available for service overseas, and provision would be made for four new squadrons in the 1934 Estimates. The total increase in strength would be approximately 460 first line machines when the whole programme was completed. The total expenditure, comprising a great number of new aerodromes, was likely to be in the region of £20,000,000.

Object of the increase : quest for parity.

What was the object of this sensational increase in the air arm ? Lord Ponsonby, in view of Mr. Baldwin's speeches, dismissed the idea that it was for defence, and also held that the proposition of one nation being deterred from dropping bombs on the capital of another nation by the threat of retaliation was no argument at all. Turning to a third reason for the policy of expansion, he referred to a statement of the Secretary for Air that the Government were determined to obtain for Great Britain parity in the air "with any country within striking distance of these shores." It was this quest for parity that led to a wholesale competition in armaments, and the mere desire for it was an insufficient reason for alarming the country. They were now in the full flow of re-armament. That the British Government should take it on themselves openly to declare the failure of the Disarmament Conference before the doors were closed the Labour Party regarded as a malevolent act of diplomatic sabotage without any parallel.

The Marquess of Reading remarked that the momentous statement of policy by the Government in regard to the Air Force must have an effect upon the international situation. The difficulty he found in the Government's pronouncement was not so much in the declaration that they would have to increase the Air Force as in the moment they had chosen for making the announcement. One of the Government's statements was :—

"The Government's policy remains one of international disarmament, and we have by no means abandoned hope of reaching some limitation."

It was to be observed that in this statement of policy the Government did make reservations, and indicated that in consequence of the fluctuations in the course of events it might be necessary to modify or adjust their programme. They reserved all the right to do that, as it seemed to him perfectly rightly, because it did not follow, if they had the authorisation to increase the Air Force by 41 squadrons, that it would be necessary to do it.

The Eastern Locarno.

Supposing the Eastern Locarno Pact, or something approaching it, were to eventuate, obviously it might not be necessary to go as far as the Government had at present indicated, because the result would be that they would have got rid to a large extent of the difficulties in Europe. They would have got agreements both on the Eastern and Western sides of Germany, with the consequence that there would be a far greater hope of reaching agreement at the Disarmament Conference than ever could have existed before. He submitted that it was not pressing the Government too far to ask that, whilst talking of steps that might be essential for the purpose of safeguarding the coasts of Great Britain, they would stay as far as they could more active steps in carrying out this policy until at least a reasonable time had been allowed in order to see whether the negotiations for the Eastern Pact would be successful.

Competition in armaments.

Viscount Cecil of Chelwood said that the whole argument for expansion was that there was another country whose Air

* *Vide* JOURNAL, Vol. XV., No. 3, pp. 521-523.

Force was so big that Great Britain must have a bigger force. That was a definite acceptance of the principle, or the practice, of competition in armaments which many of them thought so disastrous to the peace of the world.

The decision of the Government, taken at the moment, bore a suspicious appearance of a reversion to the pre-War policy in armaments and consequently in all external affairs. The theory that they could defend themselves by retaliation was unsound. He did not believe there was any means by which they could be secure from air attack except peace, and, as a means of peace, the abolition of naval and military aircraft. If after taking every conceivable step to secure that object they were driven at last to the decision that it could not be secured, then, while the amount of security they would get from it would be very small, an increase of armaments might possibly be defensible. It was not defensible until they had made that tremendous effort.

Viscount Elibank supported the Government in the policy they had announced, but said he was sorry to see that the statement contained no reference to the Imperial aspect of the question. The time had come, in view of the position with regard to air development, when the Empire had to consider working together in the matter. He felt certain that if the British Government would only approach the Dominion Governments they would receive a much more sympathetic hearing than they did six or seven years ago.

Internationalisation of civil aviation.

Lord Snell said that the Labour Party had always supported the policy of a pooled security. They had always advocated disarmament by agreement, but had never advocated re-armament in isolation. He could not understand why the Government would not endeavour to promote the internationalisation of civil aviation.

Lord Lloyd thought that they had pooled security in the shape of Locarno. Were they then not to have the wherewithal to give effect to their pooled security? Many of them felt that the Disarmament Conference was already dead. Therefore, they thought that the time for the fulfilment of the pledge of the Lord President of the Council that at that moment they should be given parity, or an Air Force which would be as large as any within striking force of their shores, had already arrived. He thought the Government's policy was dangerously weak: they needed much greater and more rapid expansion. By their admission of a change in the situation the Government had committed themselves to a reconsideration not only of British air strength, but of the whole of the balanced armaments which were necessary for an island people.

Lord Rennell observed that there was hardly anybody with whom he talked in other countries who did not consider that the best hope for Europe was in the strength of the British Empire and the knowledge that she would make good what she had undertaken to do. Therefore, he did not believe that any increase in the British Air Force, or for the matter of that in the British Navy, would do anything to start off the competition in armaments in other countries.

An Air Convention.

Lord Arnold asked whether any further attempt was going to be made to secure an Air Convention? Under the Kellogg Pact the Government undertook to renounce war as an instrument of policy. Having set their hand to that they now went in for re-armament. It was very likely that within little more than a year Locarno would be dead as a door nail. The policy of the Government entirely left out of account that the real risk which Great Britain was running was in re-armament, because it made the next war as certain as anything could be.

The Secretary of State for Air (Marquess of Londonderry) said the Government had by no means abandoned the hope of ultimately reaching a Disarmament Convention. If it was on the lines of the Draft Convention which was presented by the Prime Minister he was sure Great Britain and the world in general would have every reason to be grateful. In the matter of the Defence Services generally, and of the Royal Air Force in particular, the British Government had practised a degree of restraint which had placed them in what amounted to a position of unilateral disarmament. To-day it was recognised on all sides that air power was as vital to their national and Imperial security as sea power. They had for some years ranked fifth among the nations in terms of first line strength.

Substantial programmes of air development were in hand in almost every country. The expenditure of large sums had now been authorised by, among others, the United States, France, Italy, Russia, Japan, Sweden, Switzerland, Belgium, Jugoslavia, and Turkey.

Position of tremendous inferiority.

Yet it was thought that the British Government had taken a departure of their own in deciding to extend Great Britain's Air Force. The numerical strength of the Air Forces of France and Russia was twice that of the Royal Air Force. No responsible Government, with any regard for the overriding duty to ensure by all means in their power the safety of the people of Great Britain, could allow their Air Force to remain any longer in a position of such tremendous inferiority. The Government had decided that parity with the strongest Air Force within striking distance of their shores must in future be a cardinal feature of their defence policy. The time had come when, without relinquishing ideals, they must face realities and when they were entitled to ask all political Parties to do the same.

They were committed by Locarno and it was necessary that they should have some force which could carry out their obligations under that Pact. The Government's action seemed to be regarded as threatening a new race in armaments. It was even suggested that it might endanger the world's peace. It was his sincere belief that the decision the Government had taken would have exactly the opposite effect. He hoped, indeed, it might effectively hasten the day when they would be successful in concluding that international agreement for the limitation of air armaments, as of all other forms of armaments, which they so earnestly desired. The whole world agreed that the British Empire had the will to peace: it was surely essential that they should have the means, if need be, to make that will effective.

An ordered programme.

The 41 new squadrons represented an increase of over 50 per cent. on the present regular strength of the Royal Air Force. The Government saw no need for panic measures. They intended to go steadily forward with this programme on a basis which would ensure the continuance in the new units of the high degree of efficiency which the Royal Air Force had always maintained. An ordered programme such as they contemplated would enable them to watch carefully the course of the international situation and the further progress of disarmament, and they would by allowing a reasonable degree of elasticity in their plans be able to control development. They could accelerate it if necessary, or they could cut it down, as circumstances demanded.

Lord Ponsonby said that a more disappointing reply and explanation of the Government policy could not have been given. The Opposition had been twitted regarding their policy of pooled security under Article 16 of the Covenant of the League of Nations. The Labour Party desired to participate in any steps that the League might take towards corporate action to secure peace and to punish an aggressor. In fact in the declaration of that policy they went a great deal further than the British Government, who showed the greatest reluctance in the Far East to take advantage of Article 16. Their reluctance was not due to the inability to supply a sufficient number of aeroplanes but to their inability to support the League of Nations.

On a division the Motion was negatived by 54 votes against 9.

DEBATE IN HOUSE OF COMMONS.

On 30th July, in the House of Commons, the subject was debated on a Labour Party Motion in these terms:—

"That, while reaffirming its adherence to the system of collective security under the League of Nations and accepting its obligations thereunder, this House regrets that, despite negotiations for a Disarmament Convention and for European pacts of non-aggression and mutual assistance, His Majesty's Government should enter upon a policy of re-armament neither necessitated by any new commitment nor calculated to add to the security of the nation, but certain to jeopardise the prospects of international disarmament and to encourage a revival of dangerous and wasteful competition in preparation for war."

The Lord President of the Council (Rt. Hon. Stanley Baldwin) regretted to say that the difficulties of those working for a Disarmament Convention had been made far more difficult not only by the absence of Germany from international councils, but from the fact that there had seemed throughout the year but little probability of getting Germany in the near future to join once more in those discussions. More than that, there had been events in various parts of Europe that had not only tended to make the task more difficult, but had created a greater sense of uneasiness, of malaise, than they had hitherto experienced. It was in circumstances such as those that they had seen in the majority of the nations who were working on the question of disarmament, whether actively at Geneva, or with sympathy as on the part of the United States, a move towards increasing rather than decreasing armaments.

The uncertainty of the fate of the proposed Eastern Agreement, which had commended itself in principle to the British Government, must have its reactions on the work of those at Geneva, and another factor, the results of which must exercise an important influence on the whole question, was the success or otherwise of the Naval Conference due to take place in 1935.

Referring to the Royal Air Force, Mr. Baldwin said that Great Britain was in effect practising unilateral disarmament in the one region where it was most dangerous to do so. He had heard in the whispering gallery of Europe that Britain's defences were so small as to offer but little contribution to collective security.

Air strategy.

There had been a general tendency in recent years to increase air armaments throughout the world, and there was a general trend towards the adoption of a definite air strategy in which aircraft were contemplated as the primary offensive arm. In the United Kingdom their actual increase of strength in the last four years had been trifling—42 machines—and the new programme would raise the number of machines from 844 to 1,304 if it was carried out in its integrity to the term of the five years. There was little doubt that it was Germany's intention that the moment she felt free to re-arm the air would be one of her principal considerations. After stating that the proposals he announced on 19th July were a considerable step towards parity, Mr. Baldwin said that Britain had to follow the example set by other countries, because if they did not they might find themselves later on in terrible jeopardy.

They had time to spare to put their defences in order: so far as he could see there was no risk in the immediate future of peace being broken. The Government had assumed no new commitment, but one of the results of the inquiries they had been making had been to emphasise the importance of making up some of the accumulated deficiencies of these last years and of increasing this particular arm if they were to be able to fulfil existing commitments. Without the additions now proposed to their air defence, they would be unable a few years hence, when the foreign programmes had all been completed, to carry out the Locarno commitment.

He could not agree that what they were doing jeopardised one iota the proposals of disarmament. It was even possible that had their own scale of armaments been higher they would have been better able to influence the course of the Disarmament Conference.

Imperial defence.

Passing to the criticism that what they were doing was insufficient, Mr. Baldwin said the proposals for air defence formed part of a comprehensive scheme of Imperial Defence as a whole. They had to provide for the safety not only of these islands, but of a widespread Empire with trade routes that ran from country to country. On those trade routes the power of the air, unless used from shipboard, was very limited and the bulk of the trade routes were on the open sea where they could be attacked and defended only by ships. In the financial depression deficiencies had accumulated and would have to be rectified. The position of Imperial Defence as a whole would have to be kept under continuous observation in the light of the international position in every part of the world and in the light of financial considerations.

There were in this world signs of a form of force being used which showed a spirit which might mean the end of all that they valued and made life worth living. "Let us never forget this: since the day of the air the old frontiers are gone," Mr. Baldwin added. "When you think of the defence of England you no longer think of the chalk cliffs of Dover: you think of the Rhine. That is where our frontier lies."

National defence or collective security.

Mr. C. R. Attlee (**Labour**, *Limehouse*) said that members of the Government might do lip service to the League of Nations and to collective security, but at the back of their minds there was always belief in reliance on the old anarchic principle of self-defence. The Labour Party believed that it was necessary to make a peaceful world, but not by encouraging world armaments. Was Great Britain for national defence or for collective security? Had she been asked by other members of the League to strengthen her forces in order to do her duty under the Covenant? The Labour Party denied the proposition that an increased British Air Force would make for the peace of the world, and they rejected altogether the claim to parity. It was an out-of-date, pre-War conception of the balance of power.

They accepted Mr. Baldwin's diagnosis of the air peril and believed there must be the absolute abolition of national fighting air forces. "We believe," Mr. Attlee continued, "in an air police force, and we believe in the internationalisation of civil aviation. The condition of the world worsens as long as no real remedy is put forward, but there is no reason whatever why the beginning of an international system should not be built up with those countries that are faithful to the League. . . We are profoundly dissatisfied with the action of the Government. We believe that in saying that because France, because Russia, because the United States have increased their forces we must increase ours they are beginning again the old competition in the air."

Two Powers to consider.

Rt. Hon. Sir H. Samuel (**Liberal**, *Darwen*) said that the arguments based upon obligations to the League of Nations or under the Locarno Treaty, or the fact that Great Britain was the fifth air Power, and the probability that by increasing armaments they could get others to reduce armaments, merely confused the issue. They came back to the single point that there were only two Powers which came into consideration—France and Germany. The conclusion of the matter, as the Government case appeared to be, was that in order to meet a possible menace from Germany they had to accept an air standard equal to that of France. The word "parity" was a new kind of formula for the Air Forces, and he was very suspicious of formulas in matters of defence. They had to consider the precise need for the particular increase that was proposed at a particular time in the circumstances that existed.

Rt. Hon. Winston Churchill (**Unionist**, *Epping*) observed that Great Britain was much more precisely and formally involved in Europe than 20 years ago. Her weakness did not only involve herself: it involved also the stability of Europe. He found it difficult to believe that the Government's decision made adequate provision against the dangers which they had to face and which were admitted. Germany had already in violation of the Treaty created a military air force which was now nearly two-thirds as strong as the present British home defence air force. By the end of 1935 the German air force would be nearly equal in numbers and efficiency to the British home defence force at that date even if the present proposals were carried out. If Germany continued this expansion then some time in 1936 Germany would be definitely and substantially stronger in the air than Great Britain. Once they had got that lead Great Britain might never be able to overtake them.

An assurance wanted.

He asked for a solemn, specific assurance from the Government that at no moment for which they would have responsibility would they fail to have a substantially superior military Air Force at home to that which they had reason to believe had been set on foot in Germany. He was assured that German civil aviation was three or four times as large as British civil aviation: but that was only part of the story.

The British civil aviation was in its character purely commercial and the machines could not be converted for military purposes without falling far below the comfortable standard of war machines. The German machines, on the other hand, had been deliberately and scientifically planned by the Government for the express purpose of being converted into war machines. "We must ask ourselves," Mr. Churchill said, "whether we wish to be dependent on France for our domestic safety. We must ask ourselves whether we can accept the protection of a foreign country for any long period of time without losing that freedom to place our own interpretation upon our Continental obligations which it seems to one is absolutely vital to the sound conduct of our affairs."

Capt. the Rt. Hon. F. E. Guest (Unionist, *Plymouth, Drake*) welcomed the Government's programme as being capable of acceleration and retardation. He thought it would have a helpful effect on German mentality in the higher command. It would point out to them the wisdom of joining an Air Convention under which air armaments and the use of aircraft might be limited.

Pooled security.

Sir Stafford Cripps (Labour, *Bristol, E.*) remarked that the Government had given up faith in the Disarmament Conference. They had, indeed, best demonstrated by their own acts that they had a profound disbelief in the system of pooled security. Did Ministers believe that it was right to leave China to the tender mercies of Japan when there was a Covenant to protect? The answer was "Yes," and it meant that they did not believe in pooled security. If they believed in isolationism the present policy was hopelessly inadequate. It was really a sheer panic creation and it was not justified. It was definitely entering upon a new and desperately dangerous policy, abandoning the very hopes which the Government had told them time after time were the only hopes that stood between them and the annihilation of civilisation and entering upon a policy which would inevitably lead to a new race for armaments.

The Secretary of State for Foreign Affairs (Rt. Hon. Sir John Simon) said it was not true that the Government's proposals had been caused or actuated in any way by conversations with any other Power or Powers, or any representatives of any other Power or Powers. The proposals were the result of prolonged examination by Ministers of every aspect of the matter and Mr. Baldwin's first announcement* had never been the subject of conversation with any Power. Their unilateral disarmament had not rendered the task of securing international agreement any easier. "It is extremely difficult," Sir John said, "to carry through a successful negotiation of an international agreement for limitation and reduction of armaments if . . you have carried your own disarmament in advance to such a point that you cannot make a contribution to it." The programme of air expansion in which the Government emphasised that many factors were still fluctuating and liable to change, and announced that their defensive position would have to be kept constantly under review and that they reserved the right to modify or adjust the programme in the light of new factors, could not prejudice a disarmament agreement and might very possibly assist it.

On a division the Motion was negatived by 404 votes against 60.

NAVAL ARMAMENTS.

(The Conference in 1935; Preliminary conversations; Careful survey of the ground; Premature public discussion deprecated.)

On 27th June, in the House of Commons,

Mr. G. Mander (Liberal, *Wolverhampton, E.*) asked what

* *Vide* JOURNAL, Vol. XV., No. 3, pp. 521-523.

was the present position with regard to the Naval Conference of 1935 ?

The Lord President of the Council (Rt. Hon. Stanley Baldwin) replied that preliminary conversations had begun with representatives of the United States of America. The Governments of France, Japan and Italy had also agreed to participate in bilateral conversations. No decision had yet been taken as to the place where the 1935 Conference was to be held, and no demand for parity had been put forward by the Japanese Government.

Mr. Mander inquired whether Mr. Baldwin was able to say anything with reference to the many statements that had appeared indicating that Great Britain had suggested a possible increase in British Navy Estimates to the United States Government ?

The Lord President of the Council said that the conversations were entirely confidential.

Difficult world conditions.

On 3rd July,

Mr. Mander asked whether in view of statements that the number of cruisers might be increased to 70 in certain contingencies Mr. Baldwin would give an assurance that they would not be committed in the matter until discussion had taken place in the House of Commons ?

The Lord President of the Council said : " World conditions are in many ways more difficult than they were at the time of the London Conference, and therefore it is more than ever necessary that a most careful survey of the ground should be made before the Conference meets, because the very deterioration of certain conditions in the world makes it the more necessary, in the view of the Government, that the Conference should meet and should achieve some end. Discussions are taking place and will take place between some of the participating nations, and the sole object is so to explore the ground that it may be possible for the Conference to meet and, when it meets, to have a successful issue.

" Any widespread or premature public discussion of definite proposals put forward in a numerical way may very easily, as those who have had previous experience of these Conferences know only too well, create such prejudice in some countries—it may be this, or it may be another—that it will entirely defeat the object which all the members of the Conference at present have, and that is to get together and to do some good work."

COLONIAL STOCK ACT.

(Conditions for registration of trustee stocks; British Government's power of disallowance of legislation affecting security of stockholders; Effect of Statute of Westminster; Action by Government of Union of South Africa; Agreement with British Government on new procedure; Labour Party plea for inter-Imperial arbitral tribunal.)

On 31st July the Royal Assent was given to the Colonial Stock Act.

DEBATE IN HOUSE OF COMMONS.

On 11th July, in the House of Commons, on the Order for the Second Reading of the Bill,

The Chancellor of the Exchequer (Rt. Hon. Neville Chamberlain) explained that under the Colonial Stock Act, 1900, it was provided that Colonies which desired to have their loans registered as trustee stocks had to conform to three conditions which were laid down by the Treasury. The third condition was :—

" A Colonial Government shall place on record a formal expression of their opinion that any Colonial legislation which appears to the Imperial Government to alter any provisions affecting the stock to the injury of the stockholder, or to involve a departure from the original contract in regard to the stock, can properly be disallowed."

After 1900 things began to change in the constitutional relations between the Colonies, as they were then, and the Government of Great Britain, and colony after colony became a Dominion. A Conference was set up in 1929 to discuss the operation of Dominion legislation. They expressed the opinion that this power of disallowance should no longer be exercised, and any Dominion which had the power of amending its constitution could amend it by repealing the power of disallowance.

Statute of Westminster.

That opinion was subsequently confirmed by the Imperial Conference of 1930, and in the Statute of Westminster it was to all intents and purposes embodied in legal form. There was one exception to the principle laid down by the Conference of 1929, and that was in regard to Colonial trustee stocks. They expressed the view that, where a Dominion had complied with the Treasury conditions and there was at the time outstanding trustee stock of that Dominion, the power of disallowance must remain and could properly be used in the case of the passing of any legislation which in the view of the Home Government would be injurious to the interests of the stockholder. That exception had not been embodied in legislation. It was merely an understanding accepted by the Dominions and formed what was called "A gentlemen's agreement."

Obviously, it was not an understanding which it was to the interest of any Dominion to upset, because naturally the Dominions desired to maintain the credit of their loans as high as possible in the London market. When, therefore, the Government of the Union of South Africa in 1933 made up their minds that they desired, in the exercise of their undoubted constitutional rights, to repeal Section 65 of the South Africa Act, 1909, which dealt with the power of disallowance, they were extremely anxious that no deleterious effect should be produced upon the value of the stocks. A discussion followed and, as a result, the Union Government agreed to enter into the following undertaking:—

"The Union Government undertake that legislation which appears to the United Kingdom Government either to amend the Act of 1913 of the Union to the injury of stockholders, or to involve a departure from the original contract with regard to the stock, shall not be submitted for the Royal Assent except after agreement with the United Kingdom Government. Furthermore, if attention is drawn to such legislation already passed by the Union Parliament, the Union Government will take the necessary steps to ensure such amendments as may be requested by the United Kingdom Government."*

Two alternatives.

That undertaking was perfectly satisfactory to the Treasury. The Bill validated the procedure which had already been adopted by the Union Government and provided that in future there should be two alternatives open to a Dominion Government:—

(1) To comply with the third condition laid down by the Treasury in 1900, or,

(2) To give an undertaking in the form of the Union Government's undertaking.

That undertaking was to be confirmed by the legislature of the Dominion. Canada, Australia, and New Zealand had informed the British Government that they were perfectly satisfied to abide by the original condition.

"I need hardly say," Mr. Chamberlain added, "that it is very gratifying to His Majesty's Government to find that with regard to these other Dominions they are perfectly satisfied to allow the present state of affairs to remain as it is and to maintain the safeguards of the interests of the stockholders which cause their trustee stocks to stand so high in the market, and that, at the same time, we have been able

* *Vide* under "Union of South Africa."

to agree with the Union of South Africa . . upon an alternative which, in our opinion, gives the full equivalent amount of security to the stockholders."

Development of the Commonwealth.

Sir Stafford Cripps (**Labour**, *Bristol, E.*) said that this was a very important step in the gradual development which had been taking place in the transfer of the Empire into the Commonwealth of Nations. It was true that the Canadian, the New Zealand, and the Australian Governments at the moment were prepared to cling to the old right of Great Britain to disallow Bills which they had passed in this particular area. That was clearly a right which was going, and which had to go if they followed logically the development which had been taking place. They had in fact now entered upon an era when they had substituted agreements between equal nations for control by one nation.

The Clause which had been agreed upon with South Africa seemed to offer very great dangers, because they were in fact not doing away with the old system, but were merely giving it another form. It was obvious that two Governments might take, perfectly legitimately, a different view as to what was injury to stockholders, or as to what departure from the original contract might be. He would not envy the Minister who had to get up in the South African Parliament and say, "I have been told by the British Government that this Act which the South African Government has passed must be repealed." It would give a glorious opening for attack to the secessionist element, and that, surely, was what they wanted to avoid.

An inter-Imperial arbitral tribunal.

He stated on the Second Reading of the Statute of Westminster that it was absolutely urgent and vital that an inter-Imperial arbitral tribunal should be set up immediately the Statute was passed, because otherwise they would find themselves involved in discussions in which there was no solution. They had the recommendation of the Imperial Conference of 1930 in some detail as to what sort of tribunal it should be and how it should operate. If in the case of a difference arising between a South African Government and a British Government the matter was left to the tribunal, it would provide an absolute method of solving the difficulty, and it would be a precedent for the settlement of inter-Imperial difficulties.

Mr. H. Graham White (**Liberal**, *Birkenhead, E.*) remarked that he had always felt that the Colonial Stock Act had an important place in the development of the Colonies and subsequently of the Dominions. The fact could not be too widely advertised that no change was intended which would in any way act deleteriously to that development. A point of great substance was that there should not be in the proposed alteration any seed of possible trouble between different parts of the Empire. He subscribed to what had been said as to the desirability of having some machinery to which, however remote the contingency might be, differences of opinion might be referred to arbitration.

Advantage to Dominions.

Sir William Davison (Unionist, *South Kensington*) could not see why it should be thought there was anything invidious in saying that the United Kingdom Government should have the decision as to whether or not legislation in a Colony or Dominion affected a particular security. The fact of any loan being put upon the Trustee List meant that the Dominion or Colony would obtain the money they desired at one or two per cent. less than would otherwise be the case.

The Financial Secretary to the Treasury (Mr. A. Duff Cooper) remarked that they had not yet reached the stage in inter-Imperial relations when the principle of an inter-Imperial arbitral tribunal was sufficiently well established to command the necessary confidence and general assent.

Sir Stafford Cripps: "Surely the only way to get that started is to start it in a small way with such a thing as this, so that people may get confidence in it?"

The Financial Secretary to the Treasury said he could not agree. This was one of the subjects which ought not to go to such a tribunal, because it differed from every other Measure and cause of dispute which could possibly arise between the South African Government and themselves, as it was not a question of inter-Imperial policy, or, indeed, of policy at all.

When a Dominion was asking for special privileges, which Great Britain never gave to any foreign Government, however friendly, Great Britain must be the judge of the conditions under which those privileges were to be exercised. Under this system they were able to borrow money in London more easily than they otherwise would be and the plan suited them admirably.

South Africa satisfied.

The Government of the Union of South Africa were perfectly satisfied with the scheme and when people spoke of a secessionist group arising on a matter of this sort he thought they were entirely wrong. The last thing a secessionist group would want to do would be to undermine the credit of South Africa on the London market.

It was the policy of the British Government that the more use which was made of arbitration in the future the

better, and it was an ideal that they might reach the time when all disputes were submitted to arbitration. But at the present time the ordinary bondholder would much rather have the whole guarantee of the British Government behind his money than the guarantee of an inter-Imperial arbitral tribunal.

The Second Reading of the Bill was agreed to without a division.

The dispute with the Irish Free State.

On 16th July, in Committee on the Bill,

Sir S. Cripps moved an amendment to provide that any dispute arising in connection with the Measure should be referred to an inter-Imperial arbitral tribunal. He said it was rather remarkable that the Government should say that the principle of such a tribunal was not yet sufficiently accepted when it was the very thing they had insisted upon the Irish Free State accepting. He could imagine no weapon that Mr. De Valera would more like to have in his hands than to be able to point to Mr. Duff Cooper's speech and say: "They say now that the principle of inter-Imperial arbitration is not accepted, and here they are trying to dragoon us into something the principle of which is not accepted by the Commonwealth."

Rt. Hon. Sir H. Samuel (Liberal, *Darwen*) said that in the summer of 1933 he had the advantage of attending at Toronto an unofficial inter-Imperial Conference at which the question of an inter-Imperial tribunal was fully considered. There was, he thought, a unanimous feeling that it was important for the Empire that there should be established a permanent tribunal for dealing with possible disputes or disagreements that might arise between the various members of the Commonwealth. It was felt that the Judicial Committee of the Privy Council was not adequate nowadays to perform such functions and that those present had gone beyond the point reached by the last Imperial Conference in London, namely, that such a tribunal was desirable, but ought to be set up *ad hoc* to deal with each case as it arose.

Consultation with Dominions.

All of them felt that it was a dangerous thing to wait until a dispute had arisen, and possibly feelings were embittered, before a selection was made of a tribunal which was to decide a quarrel, and that it would be far better to establish at least a *cadre* of persons to form the tribunal, or in some other way to create permanent machinery. But it was obviously most necessary before a step of fundamental constitutional importance was taken that the Dominions and India should be fully consulted and that there should be a general agreement. For the British Parliament to put into a Bill, without consultation with the other members of the Commonwealth, a particular form of tribunal would tend to defeat the very object in view.

The Chancellor of the Exchequer said that on the general question of an arbitration tribunal the Government accepted the principle which was laid down by the Imperial Conference. He was doubtful whether it would be wise to set up a permanent tribunal at this stage. On the contrary, he was rather disposed to agree with members of the Conference who thought it would be better to have an *ad hoc* tribunal for particular purposes. The setting up of a permanent tribunal seemed almost to assume that there would arise questions between one Dominion and another, or between one Dominion and another country, which could not be adjusted by mutual agreement. His experience up to now, with one unfortunate exception, had been that such disputes were always discussed in a friendly manner between two Governments and were susceptible of solution by agreement instead of by arbitration.

British Government's duty.

Turning to the application of the principle to the question under discussion, Mr. Chamberlain said the British Government could not perform their duty to the existing bondholders of a security having trustee status if they consented to substitute for conditions which had already been laid down, and which were present in the investor's mind when he lent his money, something which obviously had not the same security. It was obvious that the investor could not have the same confidence in a hypothetical body like this tribunal as he had in the well-tried and well-known practice of the British Treasury.

The Government of the Union of South Africa would come to the British Government if they wanted to do something which they thought would be regarded as doubtful and would try to convince the British Government that their action would not prejudice the bondholders. What assurance could they get from any tribunal which was better than the word of the Dominion Government that if their attention was called to some accident which had happened and which, without their intention, had prejudiced the cause of the stockholders, they would repeal that legislation?

There was really no case for submitting matters of this kind to the jurisdiction of a tribunal, assuming that there were such a tribunal in existence, and there was no occasion for the proposal, because the Union Government had not asked for it, but were supporting what was in the Bill.

After further debate, the Amendment was negatived without a division. The Bill was then read a third time, and was subsequently passed by the House of Lords.

UNITED KINGDOM AND IRISH FREE STATE.

(Position of former Unionists in Southern Ireland; Question of the establishment of a Republic; Free State's obligations as a member of the British Commonwealth of Nations; Dispute between the two countries: British Government's attitude.)

On 25th July, in the House of Lords, a debate took place on relations between the United Kingdom and the Irish Free State.

DEBATE IN HOUSE OF LORDS.

Lord Danesfort said that he desired to obtain from the British Government an assurance which would allay the deep anxiety felt by Southern Ireland Unionists as to their future. Recent speeches by Mr. De Valera in the Dáil showed that his Government were determined to repudiate the Treaty of 1921, and all other solemn engagements entered into by the Free State with Great Britain, and to secede from the Empire on the earliest possible occasion. Mr. De Valera had made elaborate preparations with a view to severing the link with Great Britain and establishing a Southern Ireland Republic. He had abolished the Oath of Allegiance, he had swept away the appeal to the Privy Council, and the Governor-General, the King's representative, was destined for extinction.

Already legislation had been passed in the Dáil for abolishing the Free State Senate and although the Bill was rejected by the Senate,* it would come into operation next March. The annuities which were payable by Free State tenants had been withheld from Great Britain and appropriated by the Free State, he supposed as part of Mr. De Valera's announced policy to get the country into a position of strength with a view to a final severance. Referring to the deep anxiety of Irish loyalists, Lord Danesfort observed that if a Republic were declared residents in Southern Ireland, unless the British Government by appropriate legislation or otherwise intervened, would forfeit all their rights as British citizens and become aliens, with all the consequent disabilities. He begged the British Government to give an assurance that they were determined to safeguard the constitutional status and legitimate rights of all Southern Irish-born loyal subjects of the King.

The land annuities.

Lord Strabolgi believed it was unquestioned that in the vast majority of cases former Unionists living in Ireland were

* *Vide* JOURNAL, Vol. XV., No. 2, p. 457; No. 3, p. 718. *Vide* also this issue under "Irish Free State."

suffering no kind of persecution. As regarded the land annuities, the Irish thought they had a strong legal case. The British Government believed that they had a strong, or stronger, case. They could afford in those circumstances to give way and to say, "Very good, we will have a tribunal if you like, and the chairman of it shall be a citizen who does not belong to the Empire." They were strong enough, they were powerful enough, and generally speaking they were just enough in their dealings and clean enough in their reputation to be able to do that. He did not believe they were going to force the Irish to come to their way of thinking by cutting off their trade.

The Secretary of State for War (Viscount Hailsham) said that so far as he understood there was no justification for saying that Irish loyalists were being penalised for their loyalty in Southern Ireland. As regarded the land annuities, the British Government believed that they had an unanswerable case, and were quite willing to have the question arbitrated by any impartial Imperial tribunal. Unfortunately that proposal had not yet found acceptance on the other side of the Irish Channel, and, so far as he knew, there was no immediate prospect of its being accepted. He disclaimed the suggestion that the British Government were endeavouring to force the Irish people to give in by destroying their trade. The purpose they had in view in imposing such duties as had been found necessary had merely been to collect the sums due by way of annuity.

Free State and the Commonwealth.

Continuing, Lord Hailsham pointed out that the position of the members of the British Commonwealth in relation to one another was described in the Declaration of the Imperial Conference of 1926, in which the representatives of the Irish Free State participated and to which they assented. The Declaration was in these terms :—

"They are autonomous communities within the British Empire, equal in status, in no way subordinate one to another in any aspect of their domestic or external affairs, though united by a common allegiance to the Crown, and freely associated as members of the British Commonwealth of Nations."

In the Report of the Inter-Imperial Relations Committee of the Conference a further comment appeared :—

"The tendency towards equality of status was both right and inevitable. Geographical and other conditions made this impossible of attainment by the way of federation. The only alternative was by the way of autonomy ; and along this road it has been steadily sought. Every self-governing member of the Empire is now the master of its destiny. In fact, if not always in form, it is subject to no compulsion whatever."

That statement defined the general position in the case of the Irish Free State as of the other members of the British Commonwealth, but of course in the case of the Free State it was conditioned by the terms of the Treaty under which the Free State was granted the status it enjoyed.

An untenable doctrine.

The main difference which seemed to him to arise between Mr. De Valera and the British Government was his assumption that a Treaty which was entered into by two parties could be repudiated or modified at the will of one of them.

Mr. De Valera seemed to have a theory that, since every nation when it entered into a Treaty did so under the pressure of surrounding circumstances, but for which it would probably not assent to the terms, therefore it was involved that any nation could at its will repudiate the obligations which it had undertaken under a Treaty, whilst at the same time retaining the advantages. That doctrine was wholly untenable either in international or municipal law.

"Nobody suggests," Lord Hailsham remarked, "that a Treaty—the Irish Treaty or any other international agreement —remains sacrosanct for ever and is incapable of alteration. But what we do contend is that, in order to make an alteration, there must be an agreement between the two parties to the Treaty. In the very instance of this Irish Treaty there were several occasions on which modifications of its terms were negotiated between the Irish Free State and the Government of this country on the ground that a particular obligation pressed hardly on the Irish Free State, or was one which it could not fairly be asked literally to perform. But that is a wholly different proposition from saying that either the Irish Free State or the United Kingdom is at liberty to repudiate its obligations under the Treaty, whilst retaining the advantages, merely on the ground that the circumstances of the time were such as virtually to compel it to accept the bargain."

British Government's attitude.

Defining where the British Government stood upon the matter, Lord Hailsham said that if there were any terms which it was desired to discuss they were willing to discuss them. But if it was suggested that they were to accept a unilateral repudiation that was a position in which the British Government were not able to acquiesce. He was asked by Lord Danesfort to make a declaration which was not intended to involve an intimation that force would be used to prevent the establishment of a Republic, but which was intended to assure the Irish loyalists that the British Government would take adequate steps to safeguard their constitutional status and legitimate rights. That would be a highly dangerous statement to make.

He was not in the least oblivious of the fact that there were duties which legitimately rested upon the British Government with regard to the interests of British subjects of the classes named. But to assume that there was going to be a change in the relationship between the Irish Free State and Great Britain, and then to announce in advance what steps the British Government should take, or that they should take any particular steps, in the event of such a change, would tend to create a feeling of resentment, hostility and indignation in the Free State, and might make the position of those whose interests Lord Danesfort had at heart more difficult than it was at present.

Desire for cordial relations.

The British Government had nothing but the friendliest feelings and the desire for the most cordial relations with the Irish Free State, as with the other self-governing Dominions.

"Mr. De Valera is of opinion," Lord Hailsham added, "that it is not the fault of the Irish Free State that those relations are not so friendly to-day. For our part we equally feel assured that it is not our fault that they are not so friendly as we should like them to be. Any sign of a willingness to enter into a friendly discussion would be welcomed by His Majesty's Government as cordially as by any member of your Lordships' House, and it is a matter of profound regret to us that under existing circumstances there should be these unsolved differences existing between the two countries, differences which cannot redound to the good of either of them, considering the geographical and economic relations in which they necessarily stand to one another."

Lord Danesfort said that the only satisfactory portion of Lord Hailsham's speech was his re-assertion of the undoubtedly correct principle that a Treaty entered into by two parties could not be abrogated by one party alone.

After further debate, a Motion for Papers was withdrawn and the subject dropped.

JAPANESE TRADE COMPETITION.

(Colonies and forged trade descriptions ; Legislation on United Kingdom lines ; Quota restriction of textile imports ; Action in the Colonial Empire ; West African special duties on other Japanese goods.)

On 11th July, in the House of Commons,

Mr. G. R. Hall Caine (Unionist, *Dorset, E.*) asked whether in all British overseas territories steps were taken to prohibit entirely Japanese imports when it was discovered that they were bearing forged trade marks purporting to represent British manufacture ?

The Secretary of State for the Colonies (Rt. Hon. Sir P. Cunliffe-Lister) said : "Most parts of the Colonial Empire have legislation similar to that in force in this country with regard to false trade descriptions, and where such legislation does not exist, or is in unsatisfactory form, I am endeavouring to secure the enactment of legislation to bring it into line with United Kingdom practice. It is normally provided that goods to which false trade descriptions have been applied shall be subject to forfeiture."

Colonial quota restrictions.

On 16th July, in reply to **Sir Percy Hurd (Unionist,** *Devizes*), **The Secretary of State for the Colonies** said that of the territories which were invited to introduce a system of quota restriction of the imports of foreign piece goods the great majority had already taken the necessary action. According to the information at present available action had been taken in :—

The Bahamas, Barbados, British Guiana, Cyprus, Fiji, Gambia, Gold Coast, Jamaica, the Malay States, Malta, Mauritius, Nigeria, St. Lucià, St. Vincent, Seychelles, Sierra Leone, Somaliland, Straits Settlements and Trinidad.

Apart from action as to textile quotas, special duties had been imposed in the West African Colonies on imports of certain other manufactured goods from Japan.

OVERSEAS TRADE ACT.

(Period of Government guarantees to exporters extended for five years.)

On 26th April, the Royal Assent was given to the Overseas Trade Act.*

The Act provides for the extension for five years—that is until 31st March, 1940—of the period during which new guarantees of credit may be given under the Overseas Trade Acts.

It also ensures that guarantees authorised before that date may remain in force until 31st March, 1950.

* A summary of the Debate on the Second Reading of the Measure was published in the JOURNAL, Vol. XV., No. 2, pp. 306-307.

INTER-IMPERIAL TRADE.

(Canadian Tariff Board: British Government and Supreme Court's ruling; India and the Ottawa Agreement; Dominion imports from the United Kingdom.)

On 3rd July, in the House of Commons,

Mr. H. Graham White (Liberal, *Birkenhead, E.*) asked whether a statement could be made with regard to the functions of the Canadian Tariff Board as modified by the recent ruling of the Supreme Court in Canada?

The Secretary of State for Dominion Affairs (Rt. Hon. J. H. Thomas), in reply, said that he had now received a copy of the Judgment of the Supreme Court of Canada. The fuller study which it had been possible to give to the matter did not indicate that any action on the part of the British Government was called for.

Import duties in India.

On 11th July, in answer to a question as to whether the duty on British motor cycles imported into India is $7\frac{1}{2}$ per cent. higher than the duty on British motor cars,

The Under-Secretary of State for India (Mr. R. A. Butler) said that the difference of $7\frac{1}{2}$ per cent. represented the Preference granted at Ottawa on motor cars of British manufacture. It was not found possible to secure this Preference for motor cycles.

A suggestion that a communication should be made to the India Government with a view to having the duty on motor cycles reduced to the same level as that on motor cars would, no doubt, be borne in mind by the Board of Trade when the revision of the Agreement came to be considered.

British exports to Dominions.

On 24th July, in reply to **Mr. H. G. Williams (Unionist,** *Croydon, S.*),

The President of the Board of Trade (Rt. Hon. W. Runciman), supplied the following comparative table relating to domestic exports from the United Kingdom to various Empire countries:—

	12 months ended 31st March. 1932. £	1934. £
Canada	19,987,374	18,444,642
Australia	14,668,404	21,922,346
New Zealand	10,644,361	9,607,204
Union of South Africa (excluding S.W. Africa Territory) ...	20,498,652	24,886,316
Newfoundland and Coast of Labrador	529,874	673,173
British India	31,488,726	33,421,474
Southern Rhodesia	1,254,949	1,462,961

CATTLE INDUSTRY (EMERGENCY PROVISIONS) ACT.

(Assistance for livestock industry; Temporary subsidy of £3,000,000 to aid prices; Dominion and Argentine imports: negotiations on future policy; British Government's proposal: a levy and quantitative regulation of imports; Attitude of Dominion Governments.)

On 31st July, the Royal Assent was given to the Cattle Industry (Emergency Provisions) Act.

The Act provides for the establishment of a Cattle Fund and for advances to be made to it by the Treasury during the financial year ending 31st March, 1935, not exceeding in the aggregate £3,000,000.

The advances are to be repaid to the Exchequer out of moneys voted by Parliament.

Ministers are authorised to make payments out of the Cattle Fund to producers of classified live cattle at rates not exceeding 5s. per cwt. and in the case of carcases not exceeding 9s. 4d. per cwt.

Imported cattle are not eligible unless they have been in the United Kingdom for a continuous period of at least three months. Provision is made for the marking of imported cattle.

DEBATE IN HOUSE OF COMMONS.

On 16th July, in the House of Commons, a debate took place on the Financial Resolution on which the Bill was founded.

The Minister of Agriculture (Rt. Hon. W. Elliot) said that unless they were prepared to take some steps for the maintenance of the livestock industry they must see considerable sections of the country going out of cultivation. It was agreed at Ottawa that the position of the meat industry in Great Britain was highly unsatisfactory: indeed, one of the reasons for Ottawa was an endeavour to bring about an improvement in the livestock industry in general and of beef in particular. The desire of all parties at Ottawa was that the Empire should have an expanding share in the United Kingdom market, and under the arrangements that were then worked out that had been secured. Of the total meat imports of the United Kingdom, including bacon, the percentage which they took from the Empire in the Ottawa year was 28·6: to-day it was 33·9.

The home producer could not look on any such picture. In 1930 he supplied 584,000 tons of beef: in 1932 he supplied 536,000 tons, a fall of 50,000 tons. The Argentine imports had enormously decreased; there had been a 10 per cent. cut in chilled beef and drastic reductions in frozen beef also. During recent years a declining demand for beef had added to the difficulty. There was no doubt that consumption had changed to some extent from beef to mutton, lamb and pig-meat. The difficulty of the producer in Great Britain was that producers in other countries would not realise that there was a diminishing demand for absolute quantities of meat.

Desire of the Dominions.

It was common knowledge that the Dominions, such as South Africa, desired very largely to increase their shipments of chilled beef to Great Britain.

New Zealand in the Ottawa year sent 377,000 cwt. of frozen beef. The estimates of the Dominion were that there would be an increase thereafter of 10 per cent. The shipments in 1933 on the basis of the Ottawa year, plus 10 per cent., would have been 414,000 cwt., but the actual shipments were 700,000 cwt. In the first half of 1934 they had been over 500,000 cwt. and there was another 500,000 cwt. still to come. No industrial market could stand expansion at that rate. What might take place from other countries, unregulated, could be seen from the expansion of United States shipments of frozen pork. Between January and June, 1933, the United States sent 24,000 cwt., but in the corresponding period of 1934 the quantity sent was 153,000 cwt.

On a review of the whole situation it appeared to the British Government that the following courses were open to deal with the situation :—

(1) A reduction of imports from all sources to a figure sufficient to ensure a remunerative price level to the home producer.

(2) The collection of a levy, say of 1d. per lb., on foreign and Dominion imports with a Preference to the Dominions which would provide a fund from which payments could be made to supplement the return accruing to United Kingdom producers and to leave imports unregulated.

Each of these courses presented its advantages and disadvantages.

Consultations with the Dominions.

As regarded a reduction of quantities, it was clear that the expiry of the period referred to in the Ottawa Agreements left the British Government free to take action by way of quantitative regulation in the case of Dominion imports. It was also clear that to achieve that object any such regulation would have involved drastic cuts in Dominion exports. As regarded the second course, the provisions of the Ottawa Agreements precluded the imposition of a levy on imports

into the United Kingdom from the Dominions until August, 1937. Therefore, any levy to be collected by the British Government could only be collected with the consent of the Dominion Governments themselves. Accordingly, consultations with the Dominion Governments were opened on the widest possible basis.

In the course of the discussion a proposal was put forward for an arrangement combining the two proposals of a levy coupled with a quantitative regulation of imports of Dominion and foreign imports. The British Government intimated to the Dominions that they were in favour of a solution on these lines and recommended it for acceptance. They pointed out that the combination of a levy and quantitative regulation would require the concurrence of the Argentine Government, with whom they thereupon opened consultation. The discussions with the Governments concerned were still proceeding. So far, their consent to the solution which the British Government recommended had not been forthcoming, and it had been decided to secure time for further examination of the alternatives by instituting the present emergency arrangement.

Labour Party's attitude.

Mr. T. Williams (**Labour**, *Don Valley*) contended that the suggested levy would not increase consumption of the higher qualities of meat and might tend to decrease consumption of the lower grades. The Labour Party's attack upon Mr. Elliot was largely based upon the levy, which would fall upon every consumer of imported meat, because they could not afford to buy English-produced meat.

Col. E. A. Ruggles-Brise (**Unionist**, *Maldon*) said that the action of the Government in bringing forward this temporary measure of relief to the livestock industry was welcomed not only by those who were actively engaged in that branch, but by the whole agricultural community. He was glad to hear the Minister of Agriculture outline so clearly that the Government fully intended to deal, in so far as might be necessary, with the quantitative regulation of meat imports. They were only following recommendations of the Livestock Reorganisation Commission, who stated that in their view imports of all classes of meat and of livestock, irrespective of origin, should be regulated.

Sir Percy Harris (**Liberal**, *Bethnal Green, S.W.*) argued that, so far from stopping the glut, the levy would stimulate British farmers to put beef on the market.

After further debate, the Financial Resolution was carried by 215 votes against 42. The Bill was read a second time on 19th July and was subsequently passed through its other stages.

INCITEMENT TO DISAFFECTION BILL.

(Amendment of the law relating to seduction of members of the King's Forces from their duty or allegiance; Possession of literature to be made a punishable offence; Power to search premises and persons.)

On 16th April, in the House of Commons, the Incitement to Disaffection Bill was debated on the Order for Second Reading.

The Bill seeks to amend the law providing for the infliction of a penalty on persons endeavouring to seduce members of the King's forces from their duty or allegiance.

It proposes to make it an offence for a person, without lawful excuse, to have in his possession, or under his control, a document of such a nature that the dissemination of copies would be an offence under the Bill.

Power is given to a Justice of the Peace, if satisfied by information on oath, that there is reasonable ground for suspecting that an offence has been committed, to grant a search warrant.

This warrant will authorise a constable to enter premises, if necessary by force, and search them, as well as every person found there. He will also be authorised to seize anything found on the premises or persons which is suspected to be evidence of the commission of an offence.

The penalty on conviction on indictment is imprisonment up to two years or a fine not exceeding £200. On summary conviction the penalty is imprisonment up to three months or a fine not exceeding £50.

The Court may order the documents connected with the offence to be destroyed.

DEBATE IN HOUSE OF COMMONS.

The Attorney-General (Rt. Hon. Sir Thomas Inskip) pointed out that more than 130 years ago an Act was passed by which it was made an offence to endeavour to seduce any person serving in the King's Forces from his duty or allegiance. That Act was not a dead letter and prosecutions had taken place under it so recently as within the last three years. But the existing law was not adequate to deal with the activities of people who took good steps to keep well in the background while they pushed forward other people who were going to distribute the leaflets and propaganda. Continuing, the Attorney-General made quotations from two publications which, he said, invited members of the Forces to foment and take part in mutiny, rebellion, and, indeed, a number of offences which were abhorrent to anybody, whatever view he might take of war and its necessities.

It was an insult that literature should be produced in large quantities which suggested that these were the authentic organs of opinion in the Army or the Navy, expressing in

legitimate language the grievances of those who were bound by a duty or allegiance to the Crown. It was estimated that in each of the last two years something like 50,000 copies of these subversive pamphlets had been produced and attempted to be distributed for circulation among members of the Forces. The House should understand that the Incitement to Mutiny Act was not repealed by this Bill. If ever any persons should emerge who were really the responsible authors of this sort of literature an appropriate method of dealing with them was provided by that Act. The Bill, however, would provide for an easier, swifter and more suitable remedy and punishment for the comparatively humble persons who were caught distributing the literature.

The search warrant.

Dealing with the search warrant, the Attorney-General said he shared to the full the desire to protect the peace and privacy of an Englishman's home, but it became a mere question as to whether or not the public right had to take a higher place even than private immunity or private privilege. Was it really to be said that, upon satisfactory information being brought to the attention of the magistrate, there should not be power to seize and destroy this literature instead of waiting until it was broadcast among those for whom it had been prepared? He had no doubt that many existing search warrant sections in Acts of Parliament could be abused: but in fact they had not been. The law and public opinion had been careful to keep the use of their power within proper limits.

Mr. J. J. Lawson (Labour, *Chester-le-Street*) moved an Amendment for the rejection of the Bill. He said that Ministers were deliberately making an attack upon long-established and jealously-guarded principles affecting the liberty of the people. He had always had a contempt for a person who would try to get a soldier subject to military conditions into trouble when the person advising him would not be present to shoulder any of the blame. Under the Bill, however, it was a crime to have possession of any leaflet or book which might be thought by a magistrate to have the effect of seducing a soldier from his duty and to encourage him to disobey orders. This was a tremendous and dangerous extension of the law.

Making new crimes.

There was hardly a Member of the House of Commons who did not run the risk of breaking the law under the Bill by possessing books and pamphlets which might easily be interpreted by the magistrates as incitement to disaffection. The

Bill not only gave effect to the old law but it made new crimes. Proceeding, Mr. Lawson called attention to a provision of the Bill which said :—

"Where a prosecution under this Act is being carried on by the Director of Public Prosecutions a court of summary jurisdiction shall not deal with the case summarily without the consent of the Director."

It would appear that the Attorney-General recognised the public protest about the attempt to take away the right of trial by jury on this serious matter. Under the Mutiny Act and other Statutes it had always been necessary in any prosecution to proceed by way of indictment. The Attorney-General had said that it would be possible so to amend the Bill as to give the accused the right to a jury if he wished to be so tried.

The Attorney-General observed that it would be done by substituting four months' imprisonment for three months. The position would then be that the accused person would have the right to elect to go for trial before a jury.

Mr. Lawson said that most people would rather have a jury. He rather thought they were having the Bill because people had been tried by jury and the Attorney-General had been disappointed with some of the cases.

Danger to freedom.

Mr. Isaac Foot (Liberal, *Bodmin*) described the Bill as one which was full of danger to freedom. He wondered what evidence there was that a single soldier had been influenced in his allegiance or that a single sailor had done more than deride these wonderful papers. He was always for the individual against the Executive, except when the Executive needed to protect the public interest and the evidence for the protection of the public interest must be very strong. The Bill was imposing an impossible strain on magistrates in asking them to deal with the motive—with the thought behind the act. He was against a Bill which was going to put a punishment upon opinion.

The Solicitor-General (Sir D. Somervell) said it was common ground that the offence of attempting to seduce a member of the King's Forces was loathsome and contemptible. One of the things the Bill did was to provide that this offence could be dealt with summarily, and obviously, in many cases, that might be a great advantage to the person accused. The Bill also made it an offence to possess the "instruments of this offence," and the reason for that was that prevention of crime was better than having to wait until it was actually committed. The words "without lawful excuse," which it was necessary to show for an offence to be committed, were very wide and

quite obviously would prevent the libraries and Members of the House being in the slightest danger of coming within the provisions of the Bill.

After further debate the Amendment for the rejection of the Bill was negatived by 277 votes against 63. The Bill was afterwards read a second time and committed to a Standing Committee.

PETROLEUM (PRODUCTION) ACT.

(Rights in petroleum and natural gas vested in the Crown ; Search for oil in Great Britain to be conducted under licence ; Need for orderly development.)

On 12th July, the Royal Assent was given to the Petroleum (Production) Act, embodying provisions forecast by the President of the Board of Trade in a statement made in Parliament on 22nd March.*

The Act vests in the Crown the property in petroleum and natural gas in Great Britain.

It confers on the State the exclusive right of searching and boring for oil, though licences for the purpose in force under the Petroleum (Production) Act, 1918, hold good.

Coal or bituminous shales, or other stratified deposits from which oil can be extracted by destructive distillation, are exempted from the operation of the Act.

The Board of Trade is given power to grant licences to search for and get petroleum. Consideration will be required by way of payment of a royalty or otherwise.

A licensee, having obtained an authorisation from the Board of Trade, will be at liberty to supply natural gas to any premises.

DEBATE IN HOUSE OF COMMONS.

On 19th June, in the House of Commons, on the Order for the Second Reading of the Bill,

The President of the Board of Trade (Rt. Hon. W. Runciman) said that the discovery of petroleum in Great Britain was of increasing importance for industrial purposes. If they were to continue, as they were at the present time, almost entirely dependent upon foreign sources for their supplies, they would not only be hampering their own economic development, but would be placing themselves in a position in regard to national defence such as they occupied from 1914 to 1918, when the liquid fuel necessary for the Fleet and other purposes was brought in tankers along routes which were dangerous. If they could during times of peace do anything to develop their

* *Vide* JOURNAL, Vol. XV., No. 2, p. 325.

own reserves—whether coal, oil, or any other natural product—it was the bounden duty of the House of Commons to grant the necessary facilities, while at the same time safeguarding all existing rights.

Discussing the provisions of the Bill, Mr. Runciman stated that the only new departure was the transfer of the royalty rights to the Crown: otherwise there was precedent for everything suggested in the Measure. The House would, no doubt, be interested, as it ought to be, in the preservation of the country's amenities. It was very easy to destroy the appearance of a countryside by an industry, and the Government would do everything they possibly could to mitigate what might be necessary or to prevent what might be unnecessary. For the first time in the history of legislation of this kind the Railway and Canal Commission was directed to "have regard . . to the effect on the amenities of the locality of the proposed use and occupation of the land."

Compensation for disturbance.

If anyone was subject to disturbance it was only right that he should be compensated, and the Government had taken the view that, in making a departure of this kind, they ought to err rather on the side of generosity than on the side of meanness. They had, therefore, provided that compensation should be paid, giving an additional allowance of not less than 10 per cent. on account of the compulsory acquisition of the facilities asked for. In the United States of America uncontrolled development had led to the most amazing anomalies. There had been not only disfigurement of the countryside, but the most awful confusion of private rights. There being no provisions such as those embodied in this Bill, a bore-hole had been sunk in an area the size of the House of Commons and immediately alongside a rival had sunk another bore-hole, until hundreds were grouped round one centre.

This was one of the regions in which they in Great Britain had been least active. If now they could induce some responsible oil concerns, who had the necessary resources and were prepared to venture large sums of capital in the exploration of oil, to embark on those explorations they would be taking the only step possible to ascertain what wealth there was below the surface. It was quite possible that the only oil which could be produced would come from such great depths as to make it commercially impossible, but let them see that in making that attempt they would not allow any interests other than those of the public to be considered.

Labour Party's agreement.

Mr. G. H. Hall (Labour, *Aberdare*) stated that the Labour Party were in entire agreement with the principle of the Bill, which changed the law concerning the value of a commodity in the interior of the earth. The Labour Party were pleased that the Prime Minister and his few National Labour colleagues in the Cabinet were to have just a small piece of Socialism in their time. An industrial nation, such as they were, possessed, so far as was known at the present time, little or no oil resources within their own shores, and the British Empire only produced about 2 per cent. of the world's output. The only effort to discover oil in Great Britain was as a result of State money which was voted in 1918-19 and £570,000 out of £1,000,000 was spent.

Some oil was discovered and that suggested that there might be oil still in the earth. No one suggested that the efforts that had been made had exhausted the possibilities of finding oil. The Bill would protect the interests of the State and if oil was discovered it would decide the ownership. It was a revolutionary departure from the common law under which a landowner owned everything beneath his land. In the opinion of the Labour Party the Bill would enable a new industry to develop in an ordinary way without the waste caused by the interest of the landowner being first considered.

Objections to the proposal.

The Marquess of Hartington (Unionist, *Derbyshire, W.*), in moving an Amendment for the rejection of the Bill, based his opposition to it on three main grounds. The first was that it was wrong and bad in principle, in that it was a return to the old vicious system of Royal monopolies against which Parliament fought for 200 years before it was finally successful.

Secondly, it must tend to make the ownership of land less attractive, must tend to diminish the sense of security in ownership of land, and thus diminish the flow of capital into the land, which was essential if the agricultural policy of the Government was to succeed. The third objection was that as an oil policy it was definitely wrong, was obstructive rather than constructive, was absolutely unnecessary, and was going to have the effect much more of delaying and impeding the search for oil than of promoting it.

The Secretary for Mines (Mr. E. Brown) remarked that it was true that in the heart of the Bill the assumption by the Crown of the mineral right in petroleum was nationalisation, but nationalisation was not Socialism. The Government were applying this nationalisation not for Socialism, but to provide the only practical basis on which private enterprise could operate. It was the conclusion of the Government that there was no alternative to this particular proposition if private endeavour in the search for, winning, and use of oil were to have a fair opportunity of operating in Great Britain.

On a division the Amendment to reject the Bill was negatived by 251 votes against 29. The Measure was then read a second time and was subsequently passed through its other stages.

UNEMPLOYMENT ACT.

(Cuts in benefit rates restored ; Extension of benefit period ; Reduction of age of entry into insurance ; Training courses for the workless ; State responsibility for all able-bodied unemployed.)

On 28th June, the Royal Assent was given to the Unemployment Act. A full summary of the provisions of the Measure was published in the JOURNAL, Vol. XV., No. 2, pp. 326-330.

During the Committee stage in the House of Commons, the Chancellor of the Exchequer made a concession whereby the debt owing to the Exchequer by the Unemployment Insurance Fund is to be repayable by instalments of £5,000,000 annually, instead of £5,500,000. Subject to the assent of the National Debt Commissioners the rate of interest will be reduced from $3\frac{1}{2}$ per cent. to $3\frac{1}{8}$ per cent.

DEBATE IN HOUSE OF COMMONS.

On 14th May in the House of Commons, on the Order for the Third Reading of the Bill,

The Minister of Labour (Rt. Hon. Sir Henry Betterton)* described the Bill as one of the greatest contributions to social progress that had been seen in their time. Summarising the main results of the Government's proposals, Sir Henry said that the cuts in the rates of standard insurance benefit had been restored to the full and the rates were now higher, having regard to the cost of living, than they had ever been in insurance history. They had extended from 26 weeks to a possible 52 weeks the period during which a man might draw benefit without inquiry as to means and of right. It was estimated that something like 650,000 persons would benefit by this provision in the course of a year at a cost to the Insurance Fund of about £7,500,000.

* When the Act came into operation Sir Henry Betterton was appointed chairman of the Unemployment Assistance Board. He was succeeded at the Ministry of Labour by Mr. Oliver Stanley, previously Minister of Transport.

They had closed a gap between the age of leaving school and the age of entry into insurance—a measure which was long overdue. For the first time it was made the duty of local education authorities to provide courses of instruction for unemployed boys and girls, the Minister of Labour being given power to compel their attendance. What the junior instruction centres did was to ensure that boys and girls out of work did not wander about the streets in idleness, and that those who attended the centres would have an opportunity of acquiring knowledge which might make them better workers and better citizens.

Solvency of the Fund.

They had secured what every Government in the past had declared to be a matter of paramount importance, namely, the solvency of the Insurance Fund. No one could be oblivious of the great burden which the existing rates of contribution imposed on both industry and the contributors. He had no doubt that the Statutory Committee, should they find themselves in the position of having to deal with a surplus, would consider the possibility of a reduction in the rates of contributions. They had provided machinery whereby the insurance of agricultural workers and other classes of workers outside the scheme might be considered by the Statutory Committee. Where they had a great social system of insurance affecting no fewer than 12,000,000 persons engaged in a great variety of occupations, the scheme should be susceptible of being adjusted to the changing needs of industry.

Turning to other proposals, Sir Henry said the Government had recognised that the responsibility for unemployed industrial workers outside insurance was a national one. Having accepted that responsibility, central administration and central direction of policy inevitably followed. The former would be placed in the hands of a Board : the latter would rest with the Minister of Labour and Parliament. One of the functions of the Board was the promotion of the welfare of the persons who came under it. It would be the Board's object to ensure that, so far as possible, those who needed opportunities to keep themselves fit for employment, or to maintain their employability, should have them. It was not the intention of the Government, or the Board, to take over the various voluntary occupational centres which were doing valuable work.

State action could never and should never entirely exclude the possibility of voluntary effort. In the provision of training facilities, the Board would, no doubt, proceed experimentally, and their policy would be subject to the approval of the Ministry of Labour.

Labour Party's attitude.

Mr. J. J. Lawson (**Labour**, *Chester-le-Street*), in moving an Amendment for the rejection of the Bill, remarked that the greatest constructive proposal the Government could make in it was to divide the unemployed into two sections. By that division the greater number of the unemployed, more than 1,000,000—men in the main from the great industries and not the unemployables—would in future be counted as inferior citizens.

In the case of the Statutory Committee, the Government had handed over to a small body of persons functions and powers which Parliament ought never to have parted with to any outside body. To the members of the Unemployment Assistance Board they were handing over the well-being, the livelihood and practically the whole personal life of 1,000,000 people. With their dependents those concerned would number, perhaps, not less than 5,000,000. The Bill perpetuated the Means Test and gave the Board complete power to operate it. There had been want as the result of the operation of the Means Test during the past two years even if it had not always been observable. The operation of the Bill would give permanence to poverty.

Sir Percy Harris (**Liberal**, *Bethnal Green, S.E.*) said that the step forward in the training of young persons between 16 and 18 was a good one. But the Liberal Party took great exception to introducing compulsory training for able-bodied men and grown women as a condition of receiving benefit to which under the insurance scheme they were entitled as a right. Instead of having an Assistance Board the Government should have set up an Employment Board.

After further debate, the Amendment for the rejection of the Bill was negatived by 421 votes against 67, and the Measure was read a third time.

Northern Ireland.

The First Session of the Fourth Parliament which adjourned on 28th June, 1934, reassembled on 2nd October and adjourned on 18th October to 14th November.

CANADA.

Dominion.

The following summary is in continuation of that given in the last issue of the JOURNAL (*Vol. XV., No. 3*) *and deals with further proceedings of the Fifth Session of the Seventeenth Parliament which opened on 25th January,* 1934, *and was prorogued on 3rd July.*

LEAGUE OF NATIONS.

(Question of withdrawal.)

On 17th April, 1934, in the Senate, Senator McRae rose in accordance with the following Notice :—

"That this House is of opinion that Canada should withdraw from membership in the League of Nations, and that no further money should be voted to the League."

DEBATE IN THE SENATE.

Senator the Hon. A. D. McRae (*B.C.*) said that as a sovereign State Canada was a Member of the League the same as any other country. They assumed their responsibilities direct and not through their association with Great Britain and the Empire. There were those in England who advocated that Britain should not only withdraw from the League, but keep out of the next European war. What would those Canadians who thought that they should not debate the League do about their participation in the next war? Leave it to Downing Street to decide for them? That policy had been exploded over a century ago. Britain's foreign policy did not offer much encouragement. There were several outstanding instances of Britain's failure to make use of the League. Many thought that Canada must fight if Britain was at war. If that was so, should they not have something to say about the treaties or coalitions which obligated them to fight? Before Canada entered into any war, other than for home defence, the approval of the people must be obtained. The policy of drift might place Canada at the mercy of accidents beyond her control. For that reason Canada should withdraw from the League now.

Their contribution to the League in the 15 years they had maintained their membership was somewhat over $2\frac{1}{2}$ million dollars. Their dues were one-third of those paid by Great

Britain. So far the League had not succeeded in getting a single nation to allow international peace to take precedence over national interests. Without an army to enforce the League's command they should witness Japan. The League had failed to condemn the high-handed action and appeared to give the most careful consideration to the interests of its powerful Members. The League had failed to be helpful in the economic crisis. The road was open and tested the sincerity of the nations that said they wanted world peace: he referred to the total discontinuance by all nations of further manufacture and sale of armaments.

Senator the Hon. R. Dandurand (*Que.*) refused to write the word "failure" because of difficulties and reverses. The League aimed at universality, but was handicapped at the outset by the egotism of the United States and the lack of co-operation of the great Powers. Germany was bent upon re-arming, and the situation contained a menace which could not be warded off unless the advice of Sir Edward Grey and Woodrow Wilson were heeded and collective action accepted. British leaders stood by the League which was the only link between the nations which desired peace.

The fate of Europe was in the lap of Great Britain and the United States. The withdrawal of the United States had left Canada uncovered. In Article 16 the sanctions against any aggressor were economic and military. The economic sanctions would be the sole contribution that Canada would be called upon to make in the case of a European war. With respect to military sanctions their Parliament was supreme, under their interpretation of Article 10. Since the foundation of the League Canada was in less danger of being drawn unwittingly into war for purely sentimental reasons, because Great Britain had accepted the obligations of the Covenant.

Canada's role at Geneva.

Referring to the role which Canada had played at Geneva, Senator Dandurand said that Canada was not entangled in any embarrassing situations. They hated war and wanted all international differences settled by arbitration. Canada had been elected to the Council on account of her policy on the question of arbitration. When Mr. Ramsay MacDonald announced to the Assembly of 1929 that Great Britain was adhering to the Optional Clause, the Canadian representative stated that Canada had never faltered in leading the Commonwealth towards its position.

Senator the Hon. E. Michener (*Alta.*) submitted that if they were to agree to give military power to the League, they must to that extent surrender their national authority in order to ensure world peace.

On 1st May,

Senator the Hon. W. A. Griesbach (*Alta.*) stated that they were the first people to move against the implications of Article 10 of the Covenant which envisaged the use of force to punish wrongdoers and protect the weak. Canada was the first to take the move which had torpedoed the organisation. Article 10 had been repudiated; Article 16 was valueless. How then could they become involved in war because of their membership of the League? The meanest nation would not consent to the surrender of those things which would have to be surrendered if a super-State were created. The League could not guarantee the security of any country, but they should continue to support it as long as they could. There would remain, however, the British Commonwealth of Nations, in which they might find not only essential security, but opportunity for all the development necessary to make their country great and prosperous.

Duty to Empire.

On 8th May,

Senator the Hon. F. B. Black (*N.B.*) said that Senator McRae asserted that they should notify Great Britain that they would withdraw from the League and that they would take no part in any European wars in which Great Britain might become involved. That was an attitude with which he could not agree. It led to one conclusion, that Canada must completely separate itself from the Empire. He could not accept the theory that the Empire could be at war and not Canada. Until Great Britain, as Mother of the Empire, decided that she would no longer retain membership, it was their duty to stand by the Empire and not sever their connection with an organisation which at least had done some good.

On 15th May,

Senator the Hon. C. P. Beaubien (*Que.*) said that the Motion had echoed far and wide. It had been published in the Press of Germany. This was the reason why the Prime Minister had thought it wise to state immediately the policy of the Government in respect to the matter.*

On 29th May,

Senator the Hon. J. P. B. Casgrain (*Que.*) declared that everything had been done to bring about disarmament, but it was no nearer. The only nation which had not increased its armament was Britain. Sir John Simon had expressed the view that there was no use in exerting economic pressure on a recalcitrant nation, because it might be considered an unfriendly act and lead to war. They were told that Great

* *Vide* JOURNAL, Vol. XV., No. 2, p. 349.

Britain would respect the political integrity of China, but that she had never signed any treaty agreeing to preserve it. Sir John Simon had also said that Britain stood by the Lytton Report on Manchuria. She stood by that but she stood away from it. At Singapore the British were just completing the biggest graving dock. England was wise, but it was not in accordance with the Treaty. Nor was what Australia had done in accordance with the Treaty.

The Leader of the Senate (Senator the Rt. Hon. A. Meighen) said it would seem to him of disastrous significance that Canada should seek to lead the Empire out of the League. He could be no Party to such action without the fullest consultation with all other members of the Commonwealth. The League was the only institution to which any nation had the right to look for reforms which must have the universal concurrence in order to effect results. They admitted these (*e.g.*, the task of restricting opium traffic) to be more or less subsidiary to the great purpose of the League, but it did not follow that these objectives were not worth achieving.

He did not like the spirit, which seemed too prevalent in Canada, that they were glad to be members of the League because under Article 10, as re-interpreted, they did not actually need to fight. Until the country was ready to take the whole consequences of membership in the League, and its whole part in the enforcement of the Covenant, they had no right to rejoice in membership of the League at all.

Referring to the Chanak incident, Senator Meighen recalled that what he had said was that when Canada had signed a treaty and Parliament had ratified it, she had no right, on the violation of that treaty, to say to Great Britain: "It is for you to enforce it; all we had to do was sign it." The time was coming when there would be universal allegiance to the League as the only possible institution which stood between man and international anarchy.

After further discussion on 31st May the Motion was negatived.

INTERNATIONAL WHEAT AGREEMENT.

On 3rd July, in the House of Commons, on a Motion that the House go into Committee of Supply, Mr. Motherwell raised the question of the International Wheat Agreement.

DEBATE IN HOUSE OF COMMONS.

Hon. W. R. Motherwell (Liberal, *Melville, Sask.*) recalled that in 1931 there was an International Conference in Rome respecting wheat. Russia had again come into the picture, and the world was agog as to what was going to happen with Russia again exporting wheat at prices which some people said constituted dumping. Before the Conference was long under way, the wheat exporting countries were lined up on one side and the importing countries on the other. The Conference adjourned with that line-up.

At the Ottawa Conference the question of British preference in regard to wheat came up. The Prime Minister took the ground that the preference was intended not to raise the price of wheat but rather to give Canada a sheltered market in Great Britain, which objective had not yet been obtained. Out of the World Conference at London was developed an auxiliary Conference comprising some 21 countries interested either in buying or selling wheat. The Prime Minister had returned from that Conference with the laurels of what seemed to be a considerable victory. But in a speech at Winnipeg he said that when business men found their shelves were full of goods for which there were not enough buyers they reduced their inventories, and he suggested that the farmers should do the same with their wheat production policies. That was an awful anti-climax to his earlier dictum that he was going to blast his way into the markets of the world. A wheat agreement including certain quotas that did not include Russia was a very defective agreement. It was true that practically all the important countries signed except Russia, but it was not long before the Argentine showed signs of wanting to get out of it. She had exceeded her quota by some six or seven million bushels and by the end of the present grain year was expected to be something like forty million bushels ahead of her quota. Who had been the first defaulter? Did not Canada default the moment she neglected to have Parliament concur in the Agreement?

The stabilisation Authority in Winnipeg had been very desirous of holding up the price; but the moment they held up the price out of line with their competitor their export sales weakened. That had happened in Canada. Apparently they were not going to get their quota of 200,000,000 bushels filled during the present year. They were evidently being crowded out of Europe. The Government were shutting their eyes to the possibility of other markets. They could have looked for a market in China. It was wrong to try to reduce production when there were millions of people throughout the world going hungry.

The Prime Minister (Rt. Hon. R. B. Bennett) stated that Russia had signed the Agreement. The question of the quota, so far as Russia was concerned, was a matter to be arranged with the exporting countries when Russia knew something of the amount of wheat which would be produced in her country.

The Argentine had not withdrawn from the Agreement. She had suggested that she should increase her quota. The question had been discussed on more than one occasion, and proposals had been made by the United States, and representations by France and Great Britain in respect to the matter, and the representations of Great Britain, being an importing country, had had some effect. So far as Canada was concerned, it assumed responsibility for seeing that no more than a given quantity of wheat left their shores for the purpose of complying with conditions in respect to the quota. Those conditions had been complied with.

The question had been raised of the wisdom of a lessening of production. But just as soon as the devastation caused by the War had been overcome and the communities in question were able to sow and reap a harvest, just as soon was the market, which the United States and Canada had theretofore enjoyed, limited to that extent. They had had negotiations with China and had been offered an opportunity to sell wheat in China on three-year terms, but conditions of government in China were such that they did not think it desirable. The importing countries had urged upon the Argentine the necessity of doing nothing that would impair the value of the International Agreement; and in view of the fact that the United States had had the poorest crop since 1847, and with the stricken areas in some parts of Europe, and the low crop in Western Canada, there was rapidly coming an equilibrium between production and demand.

Hon. C. Stewart (**Liberal**, *Edmonton W., Alta.*) said that the Prime Minister seemed to forget that the one group of countries, Great Britain and the Empire, upon whom they could depend for the absorption of their surplus wheat, they had taken action against by way of tariffs. The result was that even with depleted production they were piling up surpluses every year. In view of the tariff increases against the import of British goods into Canada could anyone blame Mr. Elliot and his propaganda for independence of any of the Empire countries?

OATHS OF ALLEGIANCE AMENDMENT ACT.

This Act, which was assented to on 16th May, brings the Oaths of Allegiance Act into conformity with the Royal Proclamation of 1927 and the practice in Great Britain and the other Dominions.

The Act provides that every person who, either of his own accord, or in compliance with any lawful requirement, or in obedience to any Act, except the British North America Act and the Naturalisation Act, desires to take an oath of allegiance, shall have it administered to him in the following form: "I, A.B., do swear that I will be faithful and bear true allegiance to His Majesty King George the Fifth, his heirs and successors, according to law. So help me God."

The Governor-in-Council is empowered to make regulations respecting oaths of office (*Sect.* 2).

IN THE HOUSE OF COMMONS.

On 19th April,

The Secretary of State (**Hon. C. H. Cahan**), introducing the Bill, stated that on 12th March, 1927, the Parliament of the United Kingdom, in order to carry into effect the Resolution of the Imperial Conference of 1926, had passed the Royal and Parliamentary Titles Act. Thereafter a Royal Proclamation was issued providing that His Majesty's style and titles should be:—

George V., by the Grace of God, of Great Britain and Ireland and of the British Dominions beyond the Seas, King, Defender of the Faith, Emperor of India.

Since 1927 that title had been adopted in Canada and throughout the Dominions in all administrative Acts, though it was not the title prescribed in the Oaths of Allegiance Act of Canada. At the same time it appeared expedient that the oath of allegiance should conform with that adopted in the United Kingdom in 1868 and which was prescribed in all the Colonies and had been adopted in Australia and South Africa. There was a slightly different form of oath to be taken by Members of the House of Commons and the Senate, and they did not propose to amend the British North America Act. They had also excepted the form of oath in their Naturalisation Act which was similar to that of the United Kingdom, and was prescribed in the Naturalisation Acts of South Africa and Australia. There was a provision that the Governor-in-Council might prescribe oaths of office which had not been expressly provided for by Parliament, when new offices were created.

The Bill was read a third time and passed on 3rd May.

ADMIRALTY ACT.

This Act, which was assented to on 28th June, continues the Exchequer Court as an Admiralty Court and confers jurisdiction upon it which is uniform with the existing Admiralty jurisdiction of the High Court in England with some variations in matters of local interest.

IN THE SENATE.

On 21st February,

The Leader of the Senate (Senator the Rt. Hon. A. Meighen), moving the Second Reading of the Bill, stated that it was another consequence of recent constitutional developments culminating in the Statute of Westminster. Until this phase Canadian Admiralty law had been based on the British Act of 1890, under which such superior courts as might be selected by the Parliament of Canada could become Admiralty Courts with jurisdiction equivalent to the powers then exercised by the Admiralty Division of the High Court of England. Because of the Statute of Westminster Canada might now pass her own Admiralty laws and could bring their Admiralty jurisprudence into consonance with the British law, which was much advanced on the legislation of 1890. This Bill made the Exchequer Court the Admiralty Court of the country, and provided for the appointment of *ad hoc* judges in the various Admiralty districts.

After being submitted to the Committee on Banking and Commerce, the Bill was read a third time and passed on 30th May.

IN THE HOUSE OF COMMONS.

On 4th June,

The Minister of Justice (Hon. H. Guthrie), moving the Second Reading of the Bill, said that the effect of the adoption of the Statute of Westminster had been to make the jurisdiction of the Dominion practically co-extensive with that of the Parliament of the United Kingdom in respect to Admiralty laws and the establishment of Courts of Admiralty throughout the Empire. In the Report of the Special Committee in London in 1929 it was emphasised that so far as possible there should be uniform jurisdiction in all Admiralty Courts throughout the British Commonwealth, subject to such variations as might be required in matters of purely local interest. In the drafting of this Bill it had been sought to make the Admiralty law of Canada conformable to the Admiralty Court legislation of Great Britain as set out in the Act passed by the Parliament of the United Kingdom in 1925.

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

CANADA SHIPPING ACT.

This Act, which was introduced in the Senate and received Royal Assent on 3rd July, is in accordance with the British Commonwealth Merchant Shipping Agreement and provides a shipping code for Canada.

Part I. of the Act deals with recording, registry and licensing, including qualifications for owning British ships (*Sect.* 6); procedure of

Canadian registration of British ships (*Sects.* 9-21); certificates of registry (*Sects.* 22-36); transfers and transmissions (*Sects.* 37-43); mortgages (*Sects.* 44-61); ships' names (*Sects.* 62-63); national character and flag (*Sects.* 84-90); measurements and tonnage (*Sects.* 92-105); etc.

Part II. deals with certificates of officers, and Part III. with seamen, including apprenticeship (*Sects.* 158-162); engagement (*Sects.* 163-169); discharge (*Sects.* 181-183); payment of wages (*Sects.* 184-213); provisions, health and accommodation (*Sects.* 224-228); discipline (*Sects.* 243-268); etc.

Part IV. deals with relief and repatriation of distressed seamen and seamen left behind abroad; Part V. with sick mariners and marine hospitals; Part VI. with pilotage, and Part VII. with safety, including inspections (*Sects.* 372-394); overloading of passenger ships (*Sects.* 400-401); precautions (*Sects.* 402-405); radio equipment (*Sects.* 406-421); loadlines and loading (*Sects.* 422-443); etc.

The Act also contains provisions in regard to wrecks, salvage and investigation into shipping casualties (Part VIII.); Lighthouses, buoys and beacons (Part IX.); Harbours and harbour masters (Part X.); Port wardens (Part XI.); Navigation, collisions and limitation of liability (Part XII.); Coasting trade (Part XIII.); Delivery of goods (Part XIV.); Legal proceedings, including jurisdiction (*Sect.* 684); damage occasioned by foreign ships (*Sect.* 685); offences committed at sea or abroad (*Sect.* 686), (Part XV.). Part XVI. is supplemental.

Schedules I. to III. contain a number of Draft Conventions; Schedule IV. contains the International Convention for Safety of Life at Sea (1929); and Schedule V. the International Load Line Convention (1930).

IN THE SENATE.

On 7th March,

The Leader of the Senate (Senator the Rt. Hon. A. Meighen), introducing the Bill, referred to a similar Bill introduced in the previous Session, and stated that the present Bill, instead of presuming to cast duties upon parties beyond the pale of the legislation of Canada, as the previous one had done, was made permissive in that regard. There was a suspensory clause which kept them under the existing British Acts until it was possible for this new Act to become effective as a result of steps taken on the part of other Dominions to impose duties which they could not impose. The intention was that the Act should be called into effect when enough had been done to give real legislative sanction to the operation of maritime law, as applied to their own shipping, in sufficient parts of the world.

On 8th March the Bill was read the second time and referred to the Standing Committee on Banking and Commerce. On 30th May Senator the Hon. W. A. Griesbach (*Alta.*) moved concurrence in the Amendments made by the Committee, and on 31st May the Motion was agreed to, and the Bill read a third time and passed.

IN THE HOUSE OF COMMONS.

On 8th June,

The Minister of Marine (Hon. A. Duranleau), moving the Second Reading of the Bill, stated that when Confederation was formed Canadian shipping was governed almost entirely by the merchant shipping laws of the United Kingdom. The English laws contained provisions giving authority to the Legislature of any British Possession to enact legislation repealing or modifying any provision of the British law relating to ships registered in Canada, and to regulate the coasting laws of those Possessions. But it was provided that these enactments should not come into operation until confirmed by Her Majesty, and that all British ships should receive the same treatment. Shortly after Confederation Canada commenced to enact shipping legislation of her own under the authority of the British North America Act. The Conference on shipping laws met in London in 1929, and its recommendations were to the effect that the limiting provisions of the Imperial Statutes should be wiped out. This recommendation was given effect to in the Statute of Westminster in 1931. Thus to-day, for the first time, Canada was entirely free to enact any legislation with regard to her shipping matters, and when necessary to give her legislation an extra-territorial effect without any limitation by Imperial Statutes.

While the British merchant shipping Acts were in effect in all the Dominions the result was a very great measure of uniformity. The different parts of the Empire thought it would be very wise to maintain that uniformity as long as possible. In 1931 they came to an agreement, known as the British Commonwealth Merchant Shipping Agreement, which laid down the main lines along which legislation should be enacted in the different Dominions.

On 19th June, after the Bill had been discussed in Committee, it was read a third time and passed, with Amendments which were concurred in by the Senate on 29th June.

DEFENCE OF SEA-BORNE TRADE.

(Canada's obligations; Empire co-operation for naval defence; Sea routes and naval bases; etc.)

On 6th June, in the Senate, the following notice standing in the name of Senator Griesbach, was considered, *i.e.* :—

"That he will call the attention of the Government to the question of the defence of the sea-borne trade of Canada, and will inquire of the Government what steps it proposes to take to provide adequately for the defence of the sea-borne trade of Canada."

DEBATE IN THE SENATE.

Senator the Hon. W. A. Griesbach (*Alta.*) said that they had now become the fifth trading nation of the world, forming part of an Empire virtually composed of islands. Britain, Australia and New Zealand were islands. Canada, except for her land-borne trade with the United States, was also an island. Nearly all the trade of South Africa, and practically the whole of India's trade was carried by water. Consequently the trade routes were a dominating factor in inter-Empire trade, and the trade of every part of the Empire with the rest of the world, and their security was a dominant factor in the lives of the component parts of the Empire.

The security which their trade had enjoyed in the past had long been guaranteed by the armed strength of Great Britain. If Great Britain were to suffer a reverse in the first three months of a war, the whole Empire would be at the mercy of the conqueror; any threat against Great Britain was a threat against Canada. Empire Conferences had dealt with this question, and it had been agreed that Great Britain should assume the major portion of defence, although the Dominions would have to provide for local defence. Local defence could not win a war, and they had failed even in that. The personnel of their Navy was between 800 and 1,000 all ranks; the defences of their two fortified harbours were just about sufficient to justify a bombardment by an enemy. They possessed two modern and two obsolete destroyers. The task of their naval force in the Atlantic was to defend three foci of trade, leading into the St. Lawrence, Halifax and St. John; the smallest enemy cruiser could sink all their ships in half an hour.

Changed situation: Canada's national status.

Many would say that they could always rely on the British Navy, but in the last five years the situation had changed. Under the Statute of Westminster they had taken on a new national status and were making claims to independence. It was assumed that because their exports were necessary to Great Britain, the British Navy would be moved to protect their sea routes, but there was not a thing they produced that was not exported by other countries. As a matter of fact, the British Navy was no longer able to defend their trade routes. By the Treaties of Washington and London the Navy had been reduced from 70 to 50 cruisers. It had since been allowed to deteriorate, until 40 per cent. of its cruiser strength was approaching obsolescence, while the oldest ship in the

Japanese Navy had not been in commission eight years. To keep the British Mercantile Marine supplied with oil fuel might necessitate the Navy devoting itself to that task alone. So they were being forced to the place where they must decide whether they were going to separate entirely from the Empire, or seek some form of co-operation in defence.

After the Statute of Westminster they had no more right to command the services of the British Navy than those of any other Government. They had got round the difficulty in this way: in the Bill they had passed* provision was made that they put their diplomatic and consular services and their Navy at the disposal of other parts of the Empire, and they by similar legislation put their respective Navies at Canada's disposal. This would be known as a fifty-fifty proposition, regardless of the fact that they had no consular service and their Navy amounted to practically nothing. The cost of Naval defence relative to total trade was: Great Britain, 3·04 per cent.; Australia, 1·06 per cent.; New Zealand, ·77 per cent.; South America, ·043 per cent.; Canada, ·15 per cent. If they separated themselves wholly from the Empire, they would have to maintain a consular service and both land and sea defences, and would have to spend on defence alone $80,000 a year.

Standardised Empire Fleet.

They should substantially increase their naval strength. He was not suggesting that they should contribute a dollar, a man or a ship to the British Navy, but they should assume the obligations that went with their increased national status. They should have complete standardisation with other parts of the Empire so that in the end they would have a standardised Empire Fleet, and they should increase their Navy to a point where it could afford some real defence to their sea-borne trade and could co-operate with the Navies of the other Dominions.

Senator the Hon. R. Dandurand (*Que.*) pointed out that the nations of the world spent for their naval defence what they deemed necessary for their security. The hon. Gentleman would have them stand on their own feet and face the world. To what level would he have them build, and against whom? Would he suggest that they should compete with their friends to the south? He was certain he would dismiss the United States from the scene. Since Scapa Flow they had no enemy to fear on the Atlantic. Why, then, should they take the money of the people for the purpose of building up a defence against an imaginary enemy or an eventual opponent? Canada was at peace with the Orient, and he could not imagine

* *Vide* p. 848.

any event which would draw Canada into a dispute with Japan or China. Japan had now reached the point of saying to the world: "We will mind our own affairs in the Orient, and we will turn our back on the West." Professor Zimmerman had said that Canada was a producer, while Australia was a consumer of security. Canada needed no help, while Australia needed the help of the British Navy. He refused to concur in any suggestion that because of imaginary enemies on the Atlantic or on the Pacific they should now start to build up a navy.

Senator the Hon. C. C. Ballantyne (*Que.*) was not in favour of spending now one dollar more than they were spending on naval defence. He was not one of those who were troubled with autonomy fever. Under certain conditions they were allowed to sign treaties to-day but he did not see how that fact gave them any new status.

He regretted that the Naval College had been closed, and that the cruiser *Aurora*, presented to them by the Imperial authorities, had been tied up. But they need have no uneasiness about their sea-borne trade. Just as long as they remained part of the Empire the British Fleet would look after the sea lanes. But he thought it was only right that when in a financial position to do so Canada should look after her seaboard, so that if ever again they had submarines in their waters they would have ships and guns to combat them and not be placed in the humiliating position in which he, as Minister of Naval Forces, had found himself when he had to go to their neighbours in the south and say: "For God's sake, won't you send up a cruiser to protect Canada's coast?" Let them build sufficient ships and equip their naval bases at Halifax and Esquimalt so that they might at least be in a position to protect their own shores, leaving to the Mother Country the patrolling of their sea routes.

AVIATION.

(Commercial air routes; Co-operation with Great Britain.)

On 7th June, in the Senate, Senator Macdonald rose in accordance with the following Notice:—

That he will call the attention of the Senate to the very unsatisfactory position of aviation in Canada, and will inquire what steps the Government is taking to improve the situation.

IN THE SENATE.

Senator the Hon. J. A. Macdonald (*N.S.*) believed that present conditions pointed to their great need for developing aerial transportation and aviation in general. Aside from passing laws and providing penalties, the Government had given commercial companies no assistance in 1933. They had given cash subsidies to flying clubs amounting to $13,350 and issued to them nine aeroplanes from surplus stocks. The Department did not grant a similar subsidy to encourage the young pilot to take his training with a commercial company. How could they expect to establish a reserve of young commercial pilots when the Government was giving no direct assistance to commercial companies? Commercial aviation was the backbone of the industry, and flying clubs should not be allowed to compete with commercial enterprises.

Summarising activities in other countries, Senator Macdonald stated that Australia had in operation certain definite air routes, and during the past summer had imported a large multi-engined air-liner from Great Britain. This year three new air services had been opened up. All the progress in other parts of the world had been made possible by Government support.

A few years ago the Dominion Government had laid plans for an air-mail service, and certain routes had been put into service. These routes formed a foundation for what was hoped would eventually be a trans-Canada air service. Then, suddenly, as an economic measure, air-mail in Canada was practically swept away, with the effect that the tremendous loss of revenue forced all commercial operators to cut down and brought about the unemployment of many men skilled in different branches of aircraft operation. To-day they had left only an air-mail service to Aklavik, two short international links, Winnipeg to Pembina and Montreal to Albany, a few air-mail services to certain mining districts, and winter operations along the shores of the St. Lawrence. Aeroplanes had played a most important part in the development of gold mining, but practically all the flying done in Canada was in the remote areas of its new north. Rumour had it that a trans-Canada mail and passenger service would materialise in the near future and that this service would be operated by Imperial Airways of England. It might be advisable to carry on such a service under one company, but it should be a Canadian organisation. Let the Government and the heads of industry launch a progressive programme for the development of commercial aviation in a businesslike way and not as a public ownership project or an adjunct of the Department of National Defence.

DEBATE IN HOUSE OF COMMONS.

Co-operation with Great Britain.

On 3rd July, in the House of Commons, in Committee of Supply, on an item relating to the Royal Canadian Air Force,

Mr. J. S. Woodsworth (**Labour,*** *Winnipeg N.C., Man.*) recalled that on 22nd May he had asked the Prime Minister if any undertaking had been given to the British Government with regard to an Empire defence policy, and particularly to aviation, and he had replied in the negative. A few days ago, with regard to the breaking up of the Disarmament Conference, Lord Londonderry had said :—

"His Majesty's Government, therefore, have decided they can no longer delay the steps that are necessary to provide adequately for the air defence of these shores."

He had gone on to say that there was the closest possible relationship between the Air Force and the sister services in the Dominion, that exchanges of junior officers operated with Canada and Australia, and that both maintained liaison officers in London who had full access to all information at the Air Ministry which might be of assistance to their respective Governments. In view of the recent decision of the Secretary of State for Air to increase the Air Force of Great Britain, had any commitments been arrived at between the Dominion and the Motherland with regard to air defence?

The Prime Minister (**Rt. Hon. R. B. Bennett**) replied that no commitments had been made but the statement by Lord Londonderry was accurate. The great facilities and experience of the British Air Force had been made available for Canadians, and their officers had been constantly in communication with the British Air Force. They were engaged in looking very carefully into the question of the transport of mails in which the British and Canadian Governments had a very close and allied interest. The movement of mails from the northern part of Great Britain and Ireland to Newfoundland, and from Newfoundland across the northern half of their continent and thence to China and Japan was a matter that had been engaging the attention of the officials of the Air Force for many months. But the question to which the hon. Gentleman was directing attention was not one that had been the subject of discussion further than what had been carried on in the past few years since they had been afforded the opportunity of securing training and an exchange of officers in the Navy, Army and Air Force.

* The group of Labour and Agrarian Members who have co-operated in the House of Commons, organised in 1932 the Co-operative Commonwealth Federation ("C.C.F.") and Mr. Woodsworth was subsequently appointed Leader of the Party.

BANK OF CANADA ACT.

The Bill for this Act, which was assented to on 3rd July, has been summarised in a previous issue of the JOURNAL.* On 9th March it was referred by the House of Commons to the Select Standing Committee on Banking and Commerce, which made, among others, the following Amendments :—

Under Clause 5 (providing that the Management shall consist of a Board composed of a Governor, Deputy-Governor and seven Directors) the Deputy-Minister of Finance, or his nominee, becomes an additional member of the Board of Directors, but without the right to vote. He also becomes a member of the Executive Committee under the same conditions (*Clause* 13). The shares of the Bank are to be $50 each, instead of $100 (*Clause* 17).

DEBATE IN HOUSE OF COMMONS.

On 21st June, in Committee,

Hon. I. A. Mackenzie (Liberal, *Vancouver C., B.C.*) moved an Amendment to Clause 17 to the effect that

"Share certificates shall be held by the Minister, and payment for the same shall be made out of the Consolidated Revenue Fund."

The sentiment of the people, he submitted, was in favour of absolute public ownership of the greatest monopoly in the Dominion, their national credit and currency. Under this Bill they were transferring $14,000,000 of gold from the private chartered banks to another private or quasi-private corporation.

Mr. G. G. Coote (United Farmers', *Macleod, Alta.*) was convinced that this institution should be under private ownership.

The Prime Minister (Rt. Hon. R. B. Bennett) said that there were three reasons why the Government was not prepared to accept the Amendment. First, the experience of the world indicated that such a proposal would be bad. Second, it was essential that the bank should be free from political control. Third, all profits of the bank except $225,000 accrued to the country, and to all intents and purposes the bank was a publicly owned bank. The operation of the bank must be subject to the approval of the Government of the day.

Hon. E. Lapointe (Liberal, *Quebec E., Que.*) said that the shareholders could not be more than 2,000 who, instead of the Government, were going to control the economic life of the country.

The Amendment was negatived by 53 to 27 votes.

* *Vide* JOURNAL, Vol. XV., No. 2, p. 361.

Mr. M. Raymond (Liberal, *Beauharnois, Que.*) moved an Amendment to Clause 6* to the effect the Governor and Deputy Governor must be Canadian Nationals.

The Prime Minister said that there was no Canadian among the bankers of Canada at present qualified to be appointed Governor.

The Amendment was negatived by 79 to 37 votes.

On 22nd June,

Hon. J. L. Ralston (Liberal, *Shelburne-Yarmouth, N.S.*) moved an Amendment replacing the provisional directors by four directors elected by the shareholders and three appointed by the Governor-in-Council.

The Prime Minister declared that the bank could not control the mechanism used by the Government for the purposes of its policy under any circumstances whatever.

Rt. Hon. W. L. Mackenzie King (Leader of the Opposition) thought that in the absence of any directors appointed by the Government there might on occasions be no means of bringing about the necessary harmony between the Government and the bank with respect to a course of procedure that might vitally affect some great national policy. The Prime Minister believed that a common trade policy for all parts of the Empire would be in the best interests of its people. A world trade policy, not an Empire trade policy, represented the point of view of hon. Gentlemen on their side of the House. Was it not altogether probable that the Governor of the Central Bank would find it possible to further that Imperial trade policy by the opportunities which would be afforded him in dealing, for instance, with matters of exchange ? Look at the picture as it was beginning to disclose itself. They had the Bank of England, which stood at the centre. Then there were the central banking institutions in Australia, New Zealand and South Africa. At the head of each of these banks was a gentleman associated with the Bank of England. If in Canada they had another gentleman trained by the Bank of England, what would be more natural than that these banks within the Empire, all trained from the London point of view, all imbued with the idea that a great intra-Empire trade was the thing to be fostered, should do their utmost further to develop trade in that way to the exclusion of every other ?

The Amendment was negatived by 60 to 35 votes.

* Clause 6 provided that the Governor and Deputy-Governor must be British subjects and not members of the Federal or any Provincial Legislature, or in the public service, or directors, officers, employees or shareholders of any other bank or financial institution.

On 25th June,

Mr. Coote thought that if the bank was to have a chance they should not impose upon it the necessity of redeeming its notes in gold.

The Prime Minister said that the condition prevailing in Great Britain and the United States would prevail in Canada. If they were going to have any form of stability in international exchange there must be some common yardstick of measurement, and the only one was the gold standard.

On 27th June, on the Motion for the Third Reading of the Bill,

Mr. Mackenzie King pointed out that for years the Government of England had been trying more and more to free itself from the control of the banks and the financial interests as represented by the Bank of England. The whole trend of discussion on financial matters in Great Britain was to bring about a larger measure of State control of the Banking system and credit. In Canada they were deliberately seeking to part with what measure of control they now had.

On 28th June, after further discussion, the Motion for the Third Reading was agreed to by 97 to 56 votes. Several Amendments were made by the Senate which were concurred in by the House of Commons on 30th June.

BANK ACT.

This Act, which provides for the continuation of bank charters for a period of 10 years and brings the Act into conformity with the Bank of Canada Act, was referred to the Select Standing Committee on Banking and Commerce on 1st March.* On 1st June and subsequent dates it was considered in Committee, and, after several Amendments had been made, it was read a third time and passed on 11th June. Among the Amendments made in the Senate and concurred in by the House of Commons is the following addition to Sub-section 3 of Section 75 (relating to loans to a director or to a firm in which he is interested):—

"but this Sub-section shall not apply to the consideration of loans or advances to corporations controlled by the bank, the shares of which, except for qualifying shares, are owned by the bank."

The Act was assented to on 25th June.

DOMINION NOTES AMENDMENT ACT.

This Act, which was assented to on 28th June, makes certain alterations in the note issue pending the establishment of the Bank of Canada.

The Dominion Notes Act is amended by providing that the Minister

* *Vide* JOURNAL, Vol. XV., No. 2, p. 366.

of Finance shall always hold as security for the redemption of Dominion notes up to $120,000,000, issued and outstanding at any one time, an amount equal to not less than 25 per cent. of the amount of such notes in gold. Gold must be held against any amount in excess of $120,000,000. As additional security the Minister may hold silver to an amount to be purchased from time to time under the provisions of the International Agreement dated at London 22nd July, 1933, respecting the sale and purchase of silver, and the Supplementary Agreement, signed by the delegate of Canada, relating to the amount of silver which Canada is to purchase or otherwise arrange for withdrawing from the market, viz., 1,671,802 fine ounces of newly-mined Canadian silver in each of the years 1934, 1935, 1936 and 1937 (*Sect.* 1).

The Dominion Notes Act shall be repealed on a date to be fixed by proclamation, *i.e.*, on the establishment of the Bank of Canada (*Sect.* 2).

IN THE HOUSE OF COMMONS.

On 19th June,

The Prime Minister (Rt. Hon. R. B. Bennett), moving the Second Reading of the Bill, explained that in view of the pending establishment of the Bank of Canada, which would take over the note issue, it was necessary to introduce a Bill which would repeal the present Act and provide for a strictly limited interim elasticity in the note issue. The most outstanding change was to authorise the issue of $120,000,000 of notes, instead of $50,000,000 as now authorised. The legislation was in accordance with the recommendations of the World Economic Conference; in fact, they were providing a margin of reserve in excess of that deemed sufficient by the Conference. The total issue under the Amendment would be $223,981,952. The present gold holdings at $20·67 per ounce would give them 31 per cent. coverage in gold. But if they valued the present gold holdings at the present market rate of $35 per ounce, the revalued gold would be 52½ per cent. of the entire issue provided for by this legislation. The Act as amended was only to operate until the Bank of Canada was established, when the Dominion note issue would be taken over by the new bank under legal requirements as to gold reserve less stringent than those which the present Amendment proposed.

After consideration in Committee on 25th June, the Bill was read a third time and passed on 26th June.

CANADIAN FARM LOAN AMENDMENT ACT.

The purpose of this Act, which was assented to on 3rd July, is to amend the Canadian Farm Loan Act, 1926, so as to facilitate and increase the extension of credit to farmers.

Lands held by the Farm Loan Board as agent of the Crown are not subject to taxation by local authorities, and the Canadian Farm Loan Act is amended so as to give the Board power to pay the equivalent of such taxes (*Sect.* 2). The Board is also empowered to take additional security for loans on first mortgage; to make such composition, extension of time or scheme of arrangement with any borrower on his loan as it deems advisable; to make advances to borrowers for seed, grain, fodder, fertiliser or harvest expenses (*Sect.* 3). Section 8 increases the maximum amount of Farm Loan bonds, which the Minister of Finance may hold at any time, from $15,000,000 to $40,000,000, and empowers the Governor-in-Council to authorise the guarantee of the principal and interest of Farm Loan bonds to the amount of $30,000.

Part II. provides that the Board may, in any case where it lends on the security of a first mortgage, make a further loan for a period of not more than six years, repayable on such terms as the Board may determine, on the security of a second mortgage and of a charge on livestock and other personal property. The aggregate of loans made to any one borrower shall not exceed two-thirds of the value of the land and buildings and shall not exceed at any one time the value of $7,500, nor one-half the amount advanced on the security of the first mortgage. Loans shall be used only to (A) enable the debtor to pay existing liabilities; (B) purchase livestock, equipment, etc., for the proper operation of the farm mortgaged; (C) erect farm buildings or make improvements tending to increase the productive value of the land. The interest on loans under this Section shall not exceed the current rate charged in respect of first mortgage loans by more than 1 per cent. (*Sect.* 9). Section 10 provides for loans to the mortgagee on the security of the assignment of the first mortgage in any Province in which the Board is empowered to make loans. Whenever a proposal for a composition, extension or scheme of arrangement made under the Farmers' Creditors Arrangement Act has been duly approved, the mortgagee shall be eligible for a loan which shall be disbursed to the farmer for such purpose in connection with the proper operation of the farm lands covered by the first mortgage and in such instalments as may be agreed to by the Board.

IN THE HOUSE OF COMMONS.

On 4th June,

The Prime Minister (Rt. Hon. R. B. Bennett), moving the Resolution for the Amendment of the Bill, explained that the Bill was complementary to that dealing with the adjustment of farm indebtedness*, and that it contemplated the sale by the Board of debentures to enable the business of the Board to be carried on, so as to meet the inability of those who paid off their long term mortgages to secure reasonably cheap money. It also contemplated that additional advances to those already provided for under the Farm Loan Act might be made, to enable a scheme of composition or arrangement to be carried into effect; and, lastly, that additional advances might be secured in Provinces where there were chattel mortgages by a charge upon personal property, in order that the farmer who had entered into a scheme with his creditors might have some small additional capital with which to commence the struggle back to prosperity. The Dominion had advanced $8,000,000, and the loans had been made under appraisements controlled by the Provincial authorities under regulations enacted by the Federal Board.

* *Vide* p. 861.

The Bill was read a third time and passed on 19th June.

FARMERS' CREDITORS ARRANGEMENT ACT.

This Act, which was assented to on 3rd July, is one of the measures for the assistance of farmers suffering from the depressed state of agriculture.

The Act provides inexpensive machinery whereby farmers who are unable to meet their liabilities may propose to their creditors a composition, extension of time or scheme of arrangement, and reduces the cost of such procedure (*Sects.* 6-11). It also provides that where the debtor and creditors, after having considered such a proposal, have been unable to reach an agreement, a Board of Review, established by the Governor-in-Council, may formulate a proposal based upon the present and prospective capability of the debtor and the productive value of his farm; and this proposal, after being considered by the debtor and the creditors, may be confirmed by the Board, when it becomes binding (*Sect.* 12). It is also provided that whenever a rate of interest on a farm mortgage exceeds 7 per cent., the mortgagor may tender the principal and interest together with three months' further interest in lieu of notice, and thereafter no interest shall be payable in respect of the mortgage at a rate in excess of 5 per cent. (*Sect.* 17).

PUBLIC WORKS CONSTRUCTION ACT.

This Act, which was assented to on 3rd July, provides for the construction and improvement of certain public works throughout the Dominion, for the purpose of relieving unemployment.

The Preamble states that it is in the national interest that the Dominion should undertake the construction of certain works for the general advancement of the country and to accelerate recovery to more normal conditions; and that the construction of the works mentioned in the Schedule will tend to increase employment and reduce expenditure for relief purposes.

Section 2 empowers the Governor-in-Council to make contracts to execute and complete the works mentioned in the Schedule (*Sect.* 2). He may also acquire the lands necessary for the purposes of the Act (*Sect.* 3). The moneys necessary are to be paid out of the Consolidated Revenue Fund (*Sect.* 4).

IN THE HOUSE OF COMMONS.

On 26th June,

The Minister of Public Works (Hon. H. A. Stewart), moving the Second Reading of the Bill, explained that it was introduced in answer to a general demand for the inauguration of a programme of public works throughout the Dominion. The Bill had the threefold purpose of providing employment over a considerable period for those engaged in all lines of trade connected with construction business; of providing useful public services in the way of buildings and other structures; and of stimulating others to do likewise in connection with the building trades. There was attached to the Bill a Schedule which set out in detail the works proposed, with a general item calculated to enable the Departments to put every public building in the Dominion in first-class repair. There was a similar vote for improvement to wharves and other structures in the harbours.

WORK OF THE SENATE.

(Initiation of Bills; Representation of the Government; Right of Ministers to appear in either House.)

On 1st March, in the Senate, Senator Murphy rose in accordance with the following Notice:—

"That he will call the attention of the Government to the work of the Senate and to the efforts made by the Senate to secure the initiation in this House of Government Measures, and will inquire if it is the intention of the Government to introduce in the Senate at an early date any of the legislation indicated in the Speech from the Throne."

DEBATE IN THE SENATE.

Senator the Hon. C. Murphy (*Ont.*), outlining the proposals made from time to time in regard to the work of the Senate, stated that during the Session of 1923, on a Motion of Senator Dandurand, it was ordered:—

"That a Message be sent to the House of Commons requesting that House to unite in the appointment of a Joint Committee to be composed of an equal number of Members, not exceeding five of each House, to consider the following matters:—

"(1) The forms of Bills and the best means of affording the information and assistance in the consideration thereof at all stages of legislation in both Houses of Parliament.

"(2) The better distribution of the work of legislation between the two Houses."

Clause 2 of the Joint Committee's Report read as follows:

"Your Committee further recommend that the distribution of all private Bills, exclusive of Divorce Bills, be regulated by the Speakers of both Houses jointly, with the understanding that they will see as far as practicable that private Bills, exclusive of Divorce Bills, be introduced one-half in each House."

Among the most frequently suggested remedies for increasing the business of the Senate was that of allowing Cabinet Ministers to introduce and explain their Bills in the Senate. As far back as 1874 it had been proposed that the example of the House of Lords might be followed, where one-third of the Cabinet Ministers had seats. Critics who made merry over what the Senate had cost always took care not to mention what the Senate had saved the country. It had saved the country by its action in amending or rejecting Bills at least $103,650,000.

On 8th March,

Senator the Hon. R. Dandurand (*Que.*) said that it had been the standing complaint of the Senate that for a considerable period in the early part of every Session no legislation came to them from the other House, but in the few weeks before Prorogation they were overwhelmed with work. There was a very simple cure: the initiation at the beginning of the Session of more Measures in that House. It had not been done because they had seldom more than two Ministers with portfolios in the Senate, and usually only one. The Senate was considered to be a revising body; the initiation of Bills in that Chamber would make the House of Commons the revising body. Arguments had also been advanced against the abandonment by the Senate of the position of a court of appeal in regard to legislation from the Commons. Private legislation, however, might well be divided equally between the two Chambers.

The Leader of the Senate (Senator the Rt. Hon. A. Meighen) thought it little less than a travesty that the Senate, ready to serve the people, should be compelled to wait more or less idly perhaps for months, while discussions were proceeding in the other Chamber, and that a plethora of legislation should be thrown at them when they had no opportunity to do what they ought to do in reviewing it. The first suggestion was that there should be a larger volume of legislation introduced in the Senate. But the volume of Governmental legislation initiated in the Senate could not be greater unless an entirely new plan was adopted with respect to the representation of the Administration in that House. The Leader of the Government in the Senate had to master all the legislation of all the Departments of the Government. But he feared that the prerequisite of more Cabinet Ministers with seats in the Upper

House was one they were not likely to attain, and therefore there was a distinct limit to the volume of Governmental legislation which could be initiated in the Senate. By the Rules of the Senate divorce laws must be taken up in that Chamber first. He saw no objection to placing all private Bills in the same category. He failed to see any objection to Ministers from the Commons being permitted to address the Senate in support of measures emanating from their respective Departments and, conversely, to Ministers from the Senate being permitted to enter the other Chamber. If such right were extended to Ministers it could be extended to sponsors of private Bills in either House.

On 14th March,

Senator the Hon. L. McMeans (*Man.*) complained of the situation of public Bills that originated in the Senate. Such a Bill was referred to a Committee, which, after giving the subject careful consideration, returned the Bill to the Senate. But although it had been passed by a House in which were one ex-Prime Minister, fourteen ex-Cabinet Ministers and two ex-Prime Ministers of Provinces, the Senator who sponsored it had to hunt up some private Member of the House of Commons who would undertake to introduce it in the other Chamber, and any one of the 245 Members could talk it out.

Senator the Hon. Sir A. Aylesworth (*Ont.*) asked whether supposing a Member had the right to go from one Chamber to the other to present his Bill, he would be willing to go to the Chamber of which he was not a Member ? Before they could ask for the introduction of more Measures in that House they must have more Ministers with Portfolios as Members. The predecessor of the present Prime Minister had taken the position, when forming his Cabinet, that all his Ministers with Portfolio were to be in the House of Commons. He thought it impracticable to hope that any greater amount of legislation would be introduced first in the Senate.

On 20th March,

Senator the Hon. W. A. Buchanan (*Alta.*) thought the Senate could render a very great service through the carrying on of inquiries in existing Committees, or in Special Committees appointed to deal with particular problems. Nearly all the Congressional inquiries at Washington were conducted by the Senate. The Provincial Governments should be allowed to nominate a certain proportion of their membership.

On 17th April,

The Leader of the Senate moved an Amendment to Rule 114 which read as follows :—

" Any person seeking to obtain a private Bill shall deposit with the Clerk of the Senate, eight days before the meeting of Parliament, if it is intended that the Bill shall originate in the Senate, a copy of such Bill in the English or French language, etc. . ."

The omission, he explained, of the words " eight days before the meeting of Parliament " as proposed by the Amendment would have the effect of permitting the introduction of a private Bill in the Senate at any time. The latter portion of Standing Order No. 93, which would be struck out if the Motion in the House of Commons was accepted, had the effect of enabling the introduction of legislation into that House upon payment of a penalty. Furthermore, the tax of $200 imposed by the succeeding part of the same Rule for the introduction of a Bill in the other Chamber was to be increased to $500, while the tax in the Senate remained the same.

At the conclusion of the discussion the Amendment to Rule 114 was agreed to.

DOMINION FRANCHISE ACT.

This Act, which was assented to on 3rd July, provides for the franchise of electors, and simplifies the procedure in connection with Elections. Changes in the franchise include the removal of the language qualification and the disfranchisement of Doukhobors.

Section 3 of the Act deals with definitions and rules relating to residence, which provide, *inter alia*, that no person shall, because of time spent in an unemployment relief camp or similar institution, lose his residence qualification. Every man or woman is entitled to be registered as an elector if he or she (A) is of the full age of 21 years ; and (B) is a British subject by birth or naturalisation ; and (C) has been ordinarily resident in Canada for at least 12 months, and in the electoral district where he or she seeks registration for three months of that period immediately preceding the date of application to be registered. Among those disqualified from voting are certain electoral officers, judges, Esquimaux, Indians ordinarily resident on a reservation who did not serve in the War, persons undergoing punishment, persons suffering from mental disease, inmates of institutions maintained by any Government or municipality for the housing and maintenance of the poor, Doukhobors in British Columbia, who are disqualified by the law of the Province from voting at a Provincial election, etc. (*Sect.* 4).

The Act also deals with the powers and duties of the Franchise Commissioner, registration of electors, preparation of lists in urban and rural polling divisions, annual revision of lists, offences and penalties.

IN THE HOUSE OF COMMONS.

On 13th June, on the Motion for the introduction of the Bill,

The Minister of Justice (Hon. H. Guthrie) stated that the Act as it stood had proved dilatory and expensive, and it had been thought proper to introduce new legislation for the purpose of having a basic electoral list which would at all times be available either in case of a Dissolution or of a necessity of filling vacancies. Under the present Act it required about 60 days after a Dissolution before the machinery enabled them to have a General Election. In the United Kingdom they had a much more expeditious method.

They had decided to strike out the Clause which provided that those who were not familiar with either the French or English language should be disfranchised. They had had a very unhappy experience with the Doukhobor communities in British Columbia when they attempted to take the census in 1931, and a serious question arose as to whether or not the Doukhobors in that Province should be entitled to the franchise. In British Columbia, by the Provincial law, which they recognised in their Dominion Election Act, certain races were disfranchised. Japanese who lived in that Province and had received naturalisation certificates were not permitted to vote; neither were Chinese, nor Hindus, who were British subjects by birth.

HOSPITALS SWEEPSTAKES BILL.

On 22nd February, in the Senate, Senator the Hon. G. H. Barnard (*B.C.*) moved the Second Reading of a Bill providing that the Attorney-General of any Province might authorise sweepstakes for charity within the Province. The Bill was passed by the Senate on 12th April by 35 to 20 votes. On 22nd May, the Second Reading of the Bill was moved in the House of Commons by Mr. J. A. Fraser (Conservative, *Caribou, B.C.*), when an Amendment by Mr. A. M. Carmichael (Progressive, *Kindersley, Sask.*) "that the Bill be read this day six months" was agreed to by 105 to 57 votes.

DEBATE IN HOUSE OF COMMONS.

The Prime Minister (Rt. Hon. R. B. Bennett) referred to the fact that it was found essential in 1823 to pass a Statute by which lotteries were made illegal in Great Britain. He could not throw the prestige of the State into legalising these lotteries. To argue that stock and mining exchanges constituted gambling might be correct to some extent, but to ask the State to establish a lottery offered one more incentive to the growing tendency not to realise the obligation that rested upon one and all to make some contribution, by real work, to their own fortunes and to the State. If they should not establish a national lottery, whether for hospitals or any other

purpose, could they justify their establishment in a single Province?

Rt. Hon. W. L. Mackenzie King (Leader of the Opposition) stated that the hospitals themselves did not wish to have the Measure passed. Much of the distress of the times had come about through excessive speculation during periods of prosperity, and far too many people had got into the habit of relying upon chance rather than on prudent action and reason. This Measure attempted to effect under the guise of what was laudable something which was otherwise indefensible.

Provinces.

Quebec.

FEDERAL BANKRUPTCY LAW.

(Farmers and creditors.)

On 19th April, 1934, in the Legislative Assembly,

Mr. H. Béique (Conservative, *Chambly*) moved the following Resolution:—

"Whereas the law respecting bankruptcy, adopted by the Federal Government, allows those who can take advantage of it to secure delays, to make compromises or agreements with their creditors and even the advantage of obtaining liberation of their debts;

"Whereas, in good faith and to meet certain demands, that law was amended so that it deprives the farmers of this Province of the privilege of availing themselves of those advantages;

"This House respectfully recommends that the Government of this Province take, without delay, the necessary steps and approach the Federal authorities, so that the farmers of this Province may once more benefit by the privilege of obtaining a prorogation of delay as to the payment of their debts and thus secure the privilege of making agreements or compromises with their creditors, and specially that they may benefit by the advantages of obtaining a liberation of their debts."

DEBATE IN LEGISLATIVE ASSEMBLY.

The Minister of Roads and Mines (Hon. J. E. Perrault) said that the Act had proved harmful to the credit of the farmers and moved the following Amendment:—

"That this House invites the Federal Government to inquire if conditions have changed since the Federal Law was amended in such a manner as not to permit farmers to take advantage of the law respecting bankruptcy."

The Prime Minister (Hon. L. A. Taschereau) said that the House in 1931 had unanimously voted a Motion to the effect that the Act was bad for the farmers, and invited the Federal Government to change it. This had been done. Was the House now to reverse itself?

At the conclusion of the discussion the Amendment was adopted by 48 to 8 votes.

AGRICULTURAL CREDITS.

(Motion for Provincial farm loan.)

On 28th February, in the Legislative Assembly,

Mr. L. Barré (Conservative, *Rouville*) moved the following Resolution :—

"That whereas the money supplied by the Canadian Farm Loan costs 6½ per cent. annually;

"Whereas the Government of this Province can secure money at a lower rate for the establishment of a system similar to that established in Ontario in 1922, under the name of Ontario Saving Office.

"This House expresses the opinion that the Government should take the necessary steps to institute, starting this year, a Provincial Farm Loan supplied entirely or in part through a system similar to the one above-mentioned; and that the grant of 1½ per cent. presently granted as a reduction of the rate demanded by the Canadian Farm Loan should be applied to the reduction of the rate of interest charged on money thus obtained by the Government."

DEBATE IN LEGISLATIVE ASSEMBLY.

On 21st March,

Mr. M. B. Fisher (Conservative, *Huntingdon*) declared that the Farm Loan Board, organised by Quebec to meet the needs of the Federal Rural Credits Act, was not functioning. It was a hybrid organisation, named by the Province to administer Federal money, and the Provincial Government also furnished 1½ per cent. of the interest charged to the Quebec farmer. The Board required the farmer to have realty of four times the value of the loan, and even then applications were often refused. Chartered banks were not available to the farmers, and the investing public had lost faith in farm mortgages. If they would have the farmer increase his production of crops in order to supply an ever increasing demand the Government must immediately institute a definite farm credit system.

Mr. C. A. Paquet (Liberal, *Montmagny*) advised the Government to adopt the Mussolini plan. Under this, a farmer wanting money applied to a commission of experts; his farm was examined; its present and potential value established; the farmer rated as to his ability, and the money loaned on condition that he permitted the visit of experts and followed their advice. If not, he was ejected from his farm.

On 22nd March,

Mr. P. Sauvé (Conservative, *Deux-Montagnes*) said that the Federal system did not work out in Quebec; it might apply to the Western Provinces, but in Quebec the value of building was often greater than that of the land, and the interest rate was too high. He believed in the system envisaged by the Ontario Agricultural Loan Board, which authorised the appointment of a Commission of three members empowered to issue bonds guaranteed by the Province, and from the money realised to lend cash to farmers on good security. The "back to the land" movement should be encouraged as one of the best means of cutting down unemployment, but it was no use encouraging the colonists to start life again as farmers if the farmers already established could not obtain the Governmental help to enable them to carry on.

He moved the following Amendment :—

"Whereas it is urgent for the farmers of our Province that they be able to obtain, easily and cheaply, the funds they may require to assure the stability, the progress and prosperity of the agricultural industry;

"Whereas the farm loan instituted by the Ottawa Government does not offer our farmers, even with the contribution of the Provincial Government, the facilities and advantages which they require;

"This House respectfully invites the Provincial Government immediately to take the necessary steps to establish a farm loan under the control of an independent commission, offering every guarantee of impartiality and competence, to secure the necessary funds, the power to issue bonds guaranteed by the Province, in order to be able to make loans to farmers who offer sufficient security, at a rate of interest not exceeding that which the Commission will pay on its own bonds."

On 5th April,

Mr. E. Fortin (Liberal, *Beauce*) moved the following sub-Amendment :—

"This House, while it is ready to contribute to a system of Federal Farm Loan, on the best conditions for the farmers, invites the Government to study the best means to help the Caisses Populaires and facilitate their operation in the Province."

At the conclusion of the debate the sub-Amendment was adopted by 48 to 12 votes.

COLLECTIVE LABOUR AGREEMENTS EXTENSION ACT.

This Act, which was assented to on 20th April, provides for collective labour agreements and the co-operation of employers and employees.

The Act provides that the Lieutenant-Governor-in-Council may order that a collective labour agreement, made between one or more associations of employees and employers or associations of employers, shall be binding on all employees and employers in the same industry, provided that they carry on their activities within the territorial jurisdiction determined in the agreement. Whenever an Order is made, the only provisions of the collective agreement which become obligatory are those respecting rates of wages and duration of work (*Sect.* 2). Any association of employees or employers, a party to a collective labour agreement, may request the Lieutenant-Governor-in-Council to pass an Order-in-Council under the preceding Section (*Sect.* 3).

The parties to a collective agreement made obligatory must form a joint committee to assure the carrying out of the agreement. The Committee shall (A) verify the rates of wages and duration of labour; (B) exercise all rights of action in favour of each employee without having to prove an assignment or claim from the person concerned. The Committee may create a Board of Examiners to determine the qualifications of workmen and apprentices who benefit from the collective agreement (*Sect.* 7). The Lieutenant-Governor-in-Council may refuse to apply the Act to any industry liable to suffer, through its enforcement, serious injury from the competition of foreign countries or of other Provinces (*Sect.* 12). Nothing in the Act shall be deemed as compelling an employer or employee to become or not to become a member of an association of his industry or trade (*Sect.* 13).

IN THE LEGISLATIVE ASSEMBLY.

On 8th February,

The Minister of Labour (Hon. C. J. Arcand), on the Motion for the Second Reading of the Bill, explained that one of the evils of the economic crisis was the bitter competition between employers as to wages. The buying power of the masses had to be restored, and the people could not be left to pauperism without an effort to save them. Therein was the origin of this law.

A minimum wage law would mean a false direction to their social policy and the end of the liberty of employers and workmen. What was wanted was to develop the sense of social responsibility amongst employers and workmen, and this could only be done through their organisations coming together. It was for this reason that the Government had chosen the present Bill.

Several Amendments relating to the Joint Committee and the Board of Examiners were made in Committee, and the Bill received its Third Reading on 27th March.

RELEASED PRISONERS FARM ACT.

This Act, which was assented to on 20th April, provides for the establishment of farms for receiving persons leaving prison, etc.

The Act authorises the Lieutenant-Governor-in-Council to organise one or more farms to receive, on leaving a penitentiary, prison, reformatory school, insane asylum or any other place of detention and, with their consent, the persons who come under the conditions required by the regulations (*Sect.* 2). In order to procure the land for the establishment of farms the Lieutenant-Governor-in-Council is authorised to acquire, by agreement or expropriation, the necessary immovable properties (*Sect.* 3). He may make regulations to determine the persons who may be admitted to a farm established under the Act (*Sect.* 8).

LOTTERIES ACT.

This Act, which was assented to on 20th April, provides for the organisation of lotteries for educational and public charitable purposes.

The Act empowers the Lieutenant-Governor-in-Council to organise a lottery and to determine the duration, drawings and conditions thereof (*Sect.* 1). The proceeds, after deducting prizes and expenses, must be employed exclusively for educational or public charitable purposes carried on in the Province and designated by the Lieutenant-Governor-in-Council (*Sect.* 2). The power given to the Lieutenant-Governor-in-Council by Section 1 shall be exercised only if a lottery of a nature contemplated by the Act is not prohibited by a Statute of the Parliament of Canada, nor shall such power be exercised if the Parliament of Canada authorises the Canadian Government to organise a general lottery in the whole of Canada for similar purposes (*Sect.* 6).

DEBATE IN LEGISLATIVE ASSEMBLY.

On 15th March, in Committee, on the Bill,

The Provincial Secretary (Hon. A. David) said that there were few voluntary taxes, but no tax that could be more voluntary than one paid to the Province for encouraging education and charitable work and imposed through inviting people to buy lottery tickets. Referring to Europe and the French lotteries, he stated that Italy and Germany had similar schemes under way. Britain did not want to accept the principle, yet there was no country in the world where more lottery tickets were sold. Canada had a Criminal Code which forbade lotteries, but the Bill provided that there could only be a lottery if the Federal laws were amended so as to make it legal. If they gave 60 per cent. of the total receipts out in prizes and kept the remaining 40 per cent. to cover expenses and to distribute to educational and charitable institutions, an amount from $1,500,000 to $2,500,000 could be held for distribution. To aid their refuges, sanatoria and hospitals they had only a Public Charities Fund, for which they relied only on luxury taxes. But within the past three years, due to the depression, the people had had to deprive themselves of many amusements.

Mr. M. L. Duplessis (Leader of the Opposition) said they were prepared to give the Bill fair consideration, although there were different opinions of the subject in Europe. He did not like the idea of a Statute which would run contrary to the Federal law, but would prefer the matter to be dealt with by form of an Address to Ottawa, and promised his support in that connection.

The Prime Minister (Hon. L. A. Taschereau) stated that the matter had been discussed at the latest inter-Provincial Conference, and while the idea had not been accepted, the suggestion had been made that they should go ahead in Quebec. The Federal law was too severe, and the Minister of Justice (Hon. H. Guthrie) had admitted the fact and had promised a Bill. Money was drained from the Province to help hospitals in Ireland and elsewhere.

On 16th March the Bill was read a third time and passed, and on 23rd March the following Resolution, moved by the Prime Minister, was adopted :—

"That this House invites the Federal Government to amend the Criminal Code of Canada so as to allow this Province to organise a lottery for educational and charitable purposes."

British Columbia.

BANK OF CANADA.

(Proposed Resolution by Standing Committee.)

On 20th March, 1934, in the Legislative Assembly,

Dr. W. H. Sutherland (Liberal, *Columbia*, *Revelstoke***)** presented the First Report of the Select Standing Committee on Public Accounts dealing with the legislation recently introduced in the Dominion Parliament in reference to the establishment of the Bank of Canada. The Committee recommended the adoption by the House of the following Resolution :—

(1) Whereas the money value of the interchange of services and commodities in the domestic trade of the people of the Dominion of Canada has fallen from more than $46,000,000,000 in 1929 to less than $30,000,000,000 in 1933 ; and

(2) Whereas the said decline in Canadian domestic trade has been attended by a disastrous increase in Canadian unemployment ; and

(3) Whereas the Canadian domestic and internal trade, wages and prices persist in remaining in an unhealthy condition ; and

(4) Whereas under the Canadian Constitution the Parliament of the Dominion of Canada enjoys exclusive jurisdiction in the matter of the creation, issue and circulation of the money and credit purchasing power of the people of this and all other Provinces of the Dominion ; and

(5) Whereas the taxation now levied by the National and Provincial Governments and municipal authorities is imposing a burden of taxation that in many instances is destroying and confiscating the taxpayers' wealth ; and

(6) Whereas operations of private enterprise have been curtailed through lack of consuming purchasing power ; and

(7) Whereas measures adopted with respect to unemployment have been entirely inadequate ; and

(8) Whereas the payment of allowances without service rendered is creating a condition detrimental to individual welfare and prejudicial to the public interest; and

(9) Whereas it is obvious that salutary collective power should be used to meet the situation, with which individual effort is unable to cope; and

(10) Whereas it is the opinion of this House that Bill No. 19, being an Act to incorporate the Bank of Canada, and now under consideration by the Canadian Parliament, wherein it is proposed to grant to a privately owned corporation, among others, the following powers:—

(A) To control and regulate Canadian credit and currency; (B) Control the external value of the national monetary unit; (C) Manage in part the general level of Canadian production, trade, prices and employment; (D) Manage in part the economic and financial welfare of the people,

is not in the best interests of the people of this Province and financial welfare of the Dominion as a whole.

Therefore be it resolved that this House is of the opinion that a national banking system should be established for the purpose of making national, Provincial and municipal credit available to sustain the circulation of an adequate volume of purchasing power medium of exchange, and that national, Provincial and municipal credit should be used to relieve the existing burden of taxation and unemployment and to assist in re-establishing and maintaining the prosperity of the Canadian people.

And be it further resolved that this House go on record as favouring a definite scheme of effective co-operation between national, Provincial and municipal governing authorities and the proposed national banking system for the purpose of using public credit as the purchasing power medium of exchange necessary to defray the expense of maintaining a broad programme of constructive, useful, wage-earning public enterprise and, as a means of defraying the expense of maintaining the good government of this nation, its Provinces and all local communities and social services that are essential to maintain the education, health, peace, contentment and liberty of all Canadian citizens with the minimum of expense to the taxpayers throughout the land.

AUSTRALIA.

Commonwealth.

The following summary is in continuation of that given in the last number of the JOURNAL (*Vol. XV., No. 3*), *and deals with further proceedings of the last Session of the Thirteenth Parliament which re-assembled on 28th June, 1934, and ended on 2nd August.*

GENERAL ELECTION; COMPOSITION OF THE CABINET. (*Note.*)

Parliament was dissolved on 7th August, 1934, and a General Election for the House of Representatives took place on 15th September. The position of Parties as a result of the Election and at the time of Dissolution is as follows:—

	(*New Parliament.*)	(*At Dissolution.*)
United Australia Party	32	38
United Country Party	15	16
Federal Labour Party	18	14
State Labour Party*	9	5
Independent	0	2
	74	75†

The composition of the Cabinet‡ is as follows:—

Prime Minister and Treasurer	Rt. Hon. J. A. Lyons, M.P.
Minister for External Affairs and Minister controlling Territories	Senator the Rt. Hon. Sir George Pearce, K.C.V.O.
Attorney-General and Minister for Industry	Hon. R. G. Menzies, K.C., M.P.
Minister for Defence	Hon. R. A. Parkhill, M.P.
Vice-President of Executive Council and Minister for Health and Repatriation	Rt. Hon. W. M. Hughes, K.C., M.P.
Postmaster-General and Minister controlling Development	Senator the Hon. A. J. McLachlan.
Minister for Commerce ...	Hon. F. H. Stewart, M.P.
Minister for Trade and Customs	Hon. T. W. White, M.P.
Minister for the Interior ...	Hon. E. J. Harrison, M.P.
Assistant Minister	Hon. R. G. Casey, D.S.O., M.C., M.P.
Assistant Minister	Hon. Sir H. Gullett, K.C.M.G., M.P.
Assistant Minister	Hon. Josiah Francis, M.P.
Assistant Minister	Sen. the Hon. T. C. Brennan, K.C.
Assistant Minister	Hon. C. W. Marr, D.S.O., M.C., V.D., M.P.§

* Labour Party of New South Wales (Lang Group).

† The number of seats has been reduced to 74 by the elimination of one constituency—Angas (S. Australia).

‡ *Vide* p. 897 for subsequent alterations due to the formation of a Coalition with the United Country Party.

§ Mr. Marr is remaining as Assistant Minister for the duration of the Visit of H.R.H. the Duke of Gloucester.

NAVAL CONSTRUCTION.

(Budget proposals; Disarmament Conference; Empire Naval Defence; Naval Construction in Australia.)

There was no general debate on the Budget proposals,* but considerable discussion took place in Committee during the consideration of the proposed vote of £508,500 for Naval Construction.

DEBATE IN HOUSE OF REPRESENTATIVES.

On 31st July, 1934,

Rt. Hon. J. H. Scullin (Leader of the Opposition), moving that the proposed vote of £508,500 for Naval Construction be omitted, said that the Government intended to purchase a new cruiser from Great Britain at a cost of £2,280,000, and the item set down for naval construction was about one-fifth of that amount. On the eve of the General Election they were asked to agree to this expenditure. A moribund Parliament had no right to commit the next Parliament to an expenditure extending over five years.

Cruisers or aircraft.

Had they so completely lost faith in the Disarmament Conference that they should increase expenditure to the extent proposed in the general estimates relating to defence? It was questionable whether the building of a new cruiser to replace one that had technically become obsolete was the most adequate means of defending Australia. In certain well-informed quarters there was the definite opinion that raids on its vulnerable points constituted the only danger to Australia in time of war, and that shore batteries and aircraft to prevent approach would adequately safeguard Australia without the assistance of cruisers. The money expended on a cruiser would purchase many aeroplanes. They should concentrate upon purely defensive, non-aggressive equipment that would not be provocative, but would emphasise Australia's desire to live at peace with the rest of the world.

Australian-built cruisers.

With thousands of Australians unemployed, the placing of this contract overseas was monstrous. The exchange on this purchase would amount to £450,000. That would go a long way towards wiping out the difference between the cost in Australia and overseas. The labour cost in the construction of a cruiser of this type was estimated at about £750,000, and the cost of local material at £250,000. Expended

* *Vide* JOURNAL, Vol. XV., No. 3, p. 640.

in Australia, that £1,000,000 would employ directly and indirectly 1,000 men for more than three years. If this work was necessary, it should be done in Australia. To enable the new Parliament which was shortly to be elected to review the whole position in the light of all the facts, he moved that the item be omitted.

The Disarmament Conference.

The Attorney-General (Rt. Hon. J. G. Latham)* said they had to recognise that nations must be prepared to defend themselves, and that the Disarmament Conference, at present at all events, could not be looked to for an immediate alleviation of the position. He had not abandoned hope that good results would follow the Disarmament Conference, but he must admit that it had disappointed their expectations.

Empire Naval Defence.

It was agreed by those who had the technical knowledge and training necessary to express reliable opinions that warships were a necessary means to afford protection against raids, not only upon coastal towns, but also upon commerce. The opinion of the high authorities in Great Britain was that all three arms of defence were necessary, and that it was unsafe to rely solely upon any one of them.

The highest degree of naval architectural ability was necessary to design and construct a modern warship, and it was not to be had in Australia. In any case it would take four years to construct such a vessel in Australia, if the necessary experts were brought from overseas. The cruiser *Brisbane* became over age in 1932, and if they decided to retain her, and not obtain a new cruiser, Great Britain would be required, under the terms of the existing naval treaty, to scrap a better vessel. By undertaking the obligation to purchase and maintain a vessel such as was now proposed, they should be keeping the Empire's naval force at full strength in cruisers permitted under the existing agreement. He might add that some further naval assistance from Australia to the fleet of the Empire was long overdue if they were to do their fair share.

Country Party view.

Mr. J. H. Prowse (United Country Party, *Forrest*) regretted that it was necessary to spend a penny on defence,but that did not alter the fact that they were forced to do this. Necessity drove them to incur such expenditure as was essential adequately to defend Australia. The Government was fully justified in buying this vessel overseas, seeing that it could be obtained for little more than half what it would cost to build

* *Vide* Note on p. 873.

one in Australia. Their public debt was big enough as it was, and they could not afford to pay more for defence than was necessary.

Build in Australia.

Hon. J. Beasley (Leader of the State Labour Party) said the points he raised were: First, that they were not justified in spending such a large sum of money upon a vessel that may not be the form of defence most needed; and, secondly, that if the Government was determined to proceed with the work it should be done in Australia. This was an opportunity to give a fillip to a very deserving industry, for which help was badly needed.

The Assistant Minister for Defence (Hon. J. Francis)* said that if the cruiser could be constructed in Australia it would cost over £3,000,000 compared with £1,800,000 in Great Britain. The Government agreed that it was necessary to do everything possible to encourage the building of ships in Australia. It had already placed an order for the construction of a sloop at Cockatoo Island dockyard at a cost of £250,000, and this year the building of a second sloop at a similar cost would be commenced. The Government had also under consideration the construction of a patrol vessel for duty in the northern waters of Australia.

After further debate, the Amendment was defeated, and the proposed Vote agreed to.

DEFENCE EQUIPMENT ACT.

(Defence proposals; New cruiser; Imperial defence; Washington Treaty; Air defence; etc.)

The Bill for this Act was introduced and passed through all stages in both Houses on 1st August. It received assent on 4th August.

The Act provides for the appropriation of a sum of £4,160,000 from Consolidated Revenue for naval construction and other capital expenditure for defence purposes.

DEBATE IN THE SENATE.

On 1st August,

The Minister for Defence and Leader of the Senate (Senator the Rt. Hon. Sir George Pearce),† in moving the Second Reading of the Bill, said that owing to the financial stress through which Australia had passed, their defences had fallen below a reasonable margin of safety. With the revival of their finances, and in view of the condition of world affairs to-day, it became the duty of Parliament to make more adequate provision for the protection of Australia.

* *Vide* Note on p. 897.
† *Vide* Note on p. 873.

Defence programme.

When he had outlined the Government's defence programme in September* last, he had emphasised the necessity for a long-term policy, and urged that the defence of Australia should be treated as a non-Party question. The expenditure must necessarily be spread over three or four years before the most vital parts in Australia were placed in something like a reasonable state of defence. It would be waste of money if they were to spend a large sum on this year's programme, and then, because of a change of Government, the programme were abandoned next year.

New cruiser.

The developmental programme had been planned for three years at an estimated cost of £6,200,000, of which £5,000,000 was to be applied to capital expenditure, and £1,200,000 for an increase of maintenance expenditure consequent upon the capital expenditure referred to. The appropriation of £4,160,000 in the Bill was towards that capital expenditure. The maintenance expenditure for 1934-35 was included in the estimates for ordinary services. Of the total amount of £4,160,000, the sum of £2,250,000 was to be applied to naval construction. Practically the whole of that sum was required for the purchase of a new cruiser and a second sloop. One sloop was already under construction at Cockatoo Island Dockyard (Sydney), the money for it having been provided during the last financial year.

Empire naval defence.

In pursuance of the Government's policy to maintain the Royal Australian Navy at an effective strength, and as a fair contribution to Empire naval defence, in April of this year the Government decided to replace H.M.A.S. *Brisbane*, a cruiser of 5,120 tons which became over age in 1932, by a new ship of the *Leander* type, to be named H.M.A.S. *Sydney*. Cruisers of this class were of 7,250 tons. The approximate

* In a speech, delivered at Sydney on 25th September, 1933, Sir George Pearce outlined the Government's Defence proposals, and said:—

Australia should aim to provide:—

(A) A squadron of four effective cruisers in full commission, with requisite aircraft.

(B) A destroyer leader and four destroyers in commission.

(C) Sloops and surveying vessels for essential peace time services and for use as minesweepers in war time.

(D) The necessary bases, equipment, fuel, stores and trained personnel to maintain the efficiency and ability of the Squadron.

(E) Military and Air Forces, guns and local naval craft for the adequate defence of naval bases and vital commercial ports.

cost of building the vessel in Great Britain would be £1,800,000, with about £450,000 added for exchange.

The types of cruisers and the ships were not selected haphazard. In this matter the Commonwealth Government was in direct consultation with the Committee of Imperial Defence, and that Committee was in consultation with the Admiralty. Every ship on the Australian station was there as a result of such advice. The rôle which such a squadron would play if war should eventuate had already been predetermined in the naval strategy of the Empire.

The Washington Treaty.

In the Treaty that had resulted from the Washington Disarmament Conference, the fleets of the Empire were regarded as one, and the quota of ships allotted to the British Empire included the Australian squadron. H.M.A.S. *Brisbane* became over age in 1932, and from that year was regarded as obsolete; the British Empire was not entitled to replace it in 1932, but was entitled to do so in 1935. If the Commonwealth Government had wished to build a new cruiser in Australia to replace H.M.A.S. *Brisbane* in 1935, steps to that end should have been taken in 1931 at the latest. That had not been done because the necessary money had not been available, but to-day they were able to provide the money with which to replace the *Brisbane* with one of the most modern cruisers in existence.

Army expenditure.

The capital expenditure on the Army for this year would be: Coast defences, £141,500, anti-aircraft defence, £28,000; mechanisation, £3,000; gun ammunition, £42,126; technical stores, £9,020; a total of £223,646. That was the amount to be provided from the trust fund, but additional sums were included in the ordinary estimates.

Air Force.

As to the Air Force, for replacement they were providing in the ordinary estimates for 18 *Hawker Demons*. They had also made provision for the purchase of 24 seaplanes of the *Seagull Mark V* type. In addition, they were in this Bill providing for the extension of the Air Force. By the use of the reserve fund they proposed to put into operation the remainder of the first portion of the plan which Air-Marshal Salmond gave to Australia some years ago. They were providing for the following capital expenditure: Technical equipment, £162,400, and Buildings, etc., £88,600—a total of £251,000.

Munitions supply.

Another factor in their defence, was the development of the manufacture of munitions in Australia. They had no armament firms whatsoever in Australia. Their munition factories were owned by the people. In this Bill, and also in the estimates, provision was made for considerable extension of these works.

Navy and Army personnel.

Sir George added that before the War, 75 per cent. of the personnel of the Australian Navy were officers and men of the British Navy. To-day, 98 per cent. were Australians. Their system of defence was based entirely on the belief that the citizens of Australia should be trained to defend themselves and their homes. Their permanent Army consisted of a small number of men whose sole duty was the training of officers and rank and file in their military duties. If war came, their army would consist of citizen forces, officered by citizens trained by this small cadre of permanent officers. The position of the Navy was different; it must be prepared to act on short notice. They must have a naval reserve of Australian citizens capable of manning any vessel which was in reserve.

Opposition views.

Senator the Hon. John Barnes (Leader of the Opposition in the Senate) said that the only feature of the Bill to which he objected was the proposal to purchase a cruiser. What was the urgent need for acquiring a battleship? Even if Australia did require this vessel urgently, Australian workmen would be game enough to try and build a bigger and better battleship than it would be possible for England to send them. But there was no urgent need for this battleship.

Britain's position.

Certainly the protection of trade routes was very vital to Great Britain. But was that aspect of the matter of such importance to Australia? Would it matter to Australia if the trade routes of the world were not open? They would not be starved. The Minister had said that the new cruiser was to be a unit in the system of Empire defence. If that was so, it was immaterial whether the vessel belonged to Australia or to Great Britain. Australia did not place the order for the cruiser to be built. Great Britain must have been constructing it to replace another cruiser.

The Mother Country was involved in the European imbroglio. In protecting itself, it had entered into agreements with other countries for the limitation of armaments by the restriction of naval building. Now, apparently, something had gone wrong. Great Britain had reached the danger limit, and had decided to sell to Australia a cruiser of the *Leander* type so that it might be able to build a new one without exceeding its treaty obligations. He admitted that Great Britain had done more than any other country to secure the peace of the world, and he was glad that it had done so.

He opposed strongly any proposal that such a large sum of money as £3,000,000 should be sent out of Australia to build a ship that could be built at the Cockatoo Island Dockyard. The Government had expended a lot of money in developing and equipping that establishment, and they had the opinion of experts that their workmen were competent to build ships. It was time that Australian workmen were given the opportunity to show what they could accomplish in this field of industry, and it was for this Parliament to provide that opportunity.

Air defence.

He was firmly convinced that the day would never come when it would be possible for an aggressor to invade Australia successfully. He agreed entirely with the view that the future of Australia's defence was in the air. It would be wise to build in Australia all the naval vessels they required, but his view was that small ships such as the one now under construction at Cockatoo Island Dockyard were sufficient to police their waters. With an efficient air force he doubted that any battleship could come within 300 miles of the Australian coast without being sunk.

AUSTRALIAN EASTERN MISSION.

(International relations; Trade Commissioners; Diplomatic representation in Japan.)

On 6th July, in the House of Representatives, the Minister for External Affairs submitted the report of the Australian Mission to the Far East.

IN THE HOUSE OF REPRESENTATIVES.

The Minister for External Affairs (Rt. Hon. J. G. Latham)* said that the Mission was a novel enterprise, certainly without precedent in the case of a British Dominion, and almost without precedent in any other country. It was concerned with international relations generally. He visited these countries as the Australian Minister for Foreign Affairs. The Mission visited the Dutch East Indies, Singapore, Saigon, Hong-Kong, Shanghai, Nanking, Tientsin, Peipang, and Canton. They also visited Japan and the Philippine Islands.

* *Vide* Note on p. 873.

Appointment of Trade Commissioners.

He hoped that before long representatives of Australia would be appointed to those countries. He did not suggest diplomatic representation in the East. The desirability of appointing trade commissioners in Eastern countries was almost beyond question. In Japan, there was a direct request for the appointment of an official trade representative to Japan.

Diplomatic representation.

On the subject of diplomatic representation, he had had a frank conversation with Mr. Hirota, the Japanese Minister for Foreign Affairs, to whom he had represented, first, that very few diplomatic matters arose between Australian and foreign countries. Secondly, he had told Mr. Hirota that when any diplomatic matters arose, they always had the ready and willing service of the British diplomatic officers, and in many cases their representations would have more weight than Australia's. He had said further, that the institution of diplomatic relations with Japan would raise a very big problem for Australia. If they sent a Minister or Ambassador to Japan, they should have to reconsider the nature of their representation in London, and whether they should send representatives to other capital cities. He had also added that it was the intention of the Commonwealth Government to send a Trade Commissioner to Japan. Mr. Hirota had agreed that there was no need for diplomatic representation by either country in the other.

TRADE WITH FOREIGN COUNTRIES.

On 5th July, in the Senate.

The Vice-President of the Executive Council (Senator the Hon. A. J. McLachlan),* in reply to a question, said that concrete proposals for trade agreements were being discussed with Belgium, Italy and France. Preliminary discussions had taken place with regard to Japan, Germany, United States of America, Spain, Norway, Poland, the Netherlands, Czechoslovakia, Greece and China.

TRADE WITH ITALY.

(Negotiations for Treaty.)

On 27th July, in the House of Representatives on a motion for adjournment, referred to the negotiations with Italy regarding a commercial treaty.

* *Vide* Note on p. 873.

IN THE HOUSE OF REPRESENTATIVES.

The Minister for Trade and Customs (Hon. T. W. White) said that in view of misunderstandings regarding negotiations for a trade treaty with Italy, he wished to make a statement setting out the position.

In considering the threatened restrictions of Italian imports of Australian wool, it was incorrect to say that there had been any discrimination on the part of the Commonwealth against Italy. Italian products were subject to the same tariff treatment as the products of every other country outside the British Commonwealth. The Australian Commonwealth were under obligations through the Anglo-Italian Treaty of 1883, to accord Italy " most-favoured-nation " treatment in tariff matters, and these obligations had been faithfully observed.

The intention of the Italian Government to restrict the importations of Australian wool was evidently an enforcement of an Italian law passed in April. That law subjected imports of oil seeds, scrap and ingot copper, coffee and wool to a system of licensing, and provided that, in the issue of licences to individual Italian importers, regard was to be paid to the trade turnover with the countries whence the goods came.

Ottawa undertakings.

The course of negotiations had been very difficult, because many of the Italian requests were of such a nature that the Commonwealth Government were not free to grant them without infringing treaty obligations to the United Kingdom under the Ottawa Agreement. Consultations with the United Kingdom had taken place, and were continuing, but as these must be conducted by cable, and in turn involved further consultations with trade interests, the speedy conclusion of treaties was not practicable. Pending the outcome of the negotiations with the United Kingdom, the Commonwealth was not in a position to meet the major Italian requests without deliberately defying its contractual treaty obligations to the United Kingdom.

Position of South Africa.

Mr. White added that it was not clear whether the Italian Government proposed to apply the restrictions to Australian wool only, but it was understood that the restrictions would apply also to South Africa. If, however, it was the intention of the Italian Government to apply the restriction only to Australian wool, then such action could only be interpreted as discrimination against the commerce of the Commonwealth, and a breach of the terms of the Anglo-Italian Treaty of 1883.

TRADE WITH GREAT BRITAIN.

(Restriction of imports; Ottawa Agreement; British Agricultural policy; Britain's foreign treaties; Preference to Great Britain; etc.)

On 5th July in the Senate on a Motion for adjournment a discussion took place on:

" The marketing of Australian products in overseas markets, particularly in regard to trade relations with Great Britain."

DEBATE IN THE SENATE.

Senator R. C. D. Elliott (*Vic.*) said there was a great uncertainty in regard to the marketing policy of the Government and the prospect of future markets in overseas countries, particularly the United Kingdom. That uncertainty had been increased by the recent visit to Australia of the High Commissioner (Mr. Bruce). Mr. Bruce had emphasised the importance to Australia of the British market. They had been disappointed when he had advocated a policy of reduction of production and restriction of exports. Later he had advocated a standstill policy for two years. No country or individual could stand still.

The British market; Ottawa Agreement.

The solution of the problem was not to be found in reduced production, but in expanding markets. World markets were not going to be restored to them on the old international basis. The British market presented the greatest field for the development of their industries. The farmers of the Mother Country produced only 40 per cent. of the requirements of the home market. Foreign countries contributed 39 per cent., and the Colonies and Dominions only 21 per cent.

They should regard the Ottawa Agreement as a foundation upon which to seek the development of intra-Empire trade. But they must approach it with a determination to honour the spirit as well as the letter of that document.

British agricultural policy.

They had been told that it was necessary to develop agriculture in England. They had no objection to that. Under the best circumstances, Great Britain could not produce more than 50 per cent. of its foodstuffs. That fact had been overlooked by persons who were diffident about boldly approaching this problem.

Britain's foreign treaties.

Countries which had commercial treaties with Great Britain were Norway, Sweden, Denmark, Argentina, Germany, and Finland. In the first quarter of this year, Britain had gained an additional trade of £1,212,000 with these countries, compared with the first quarter of 1933, and they had increased their trade with Britain by £3,230,000. Other foreign countries, realising the advantages of concluding trade agreements with Britain were now negotiating for similar pacts.

The Government's attitude.

Senator the Hon. Sir Harry Lawson (Assistant Minister)* said that Australia had pioneered the policy of preference to British products. It could not be alleged against this or preceding Governments that they had not adhered to the policy of promoting trade within the Empire. They had not advocated Empire free trade, and the present Government did not stand for that policy, but it did believe in trade reciprocity and trade preference, consistent with the protection and conservation of Australian interests.

He wished to remove misunderstandings regarding the policy of the Government. Mr. Bruce had not come to Australia to advocate any policy. The policy of Australia was determined by the Government. The High Commissioner did not advocate a reduction of production or a restriction of exports; but he did advise this country of certain developments taking place overseas which might ultimately have an adverse effect on the expansion of some of their industries, and he had given the Government the benefit of his advice and had provided data and information to enable the Government to frame its course of action.

Obstacles to trade development.

Through the proper channels Australia had been pressing for a larger share of the British market. However, notwithstanding the Ottawa Agreement, Great Britain had concluded treaties with a number of foreign countries. Those were an obstacle to the free development of Australia's trade with Great Britain, and prevented them from obtaining a larger share of the British market.

At the time of the Ottawa Conference, it had been made clear by the United Kingdom Delegation that the protection of the domestic producer was a definite part of the British Government's policy. At the same time, subject to the limitations imposed by preferences to the Dominions, Great Britain retained freedom of action in regard to future relationships with foreign countries. At the time the United Kingdom was negotiating with Denmark and Argentina, the Commonwealth Government had expressed concern lest treaties with those countries should react to the disadvantage of Australia. The British Government had a perfect right to conclude those treaties, and in doing so had not infringed the provisions of the Ottawa Agreement.

* *Vide* Note on p. 873.

The charge was that the proposal to obtain a footing in foreign markets was opposed to the spirit of Empire. The answer to that was that Great Britain, which was vitally concerned with Empire unity and development, had not found it inconsistent with the Empire spirit to conclude trade treaties with foreign countries.

Preference to Great Britain.

It had been said that Australia's tariff policy was prejudicial to more favourable marketing conditions in the United Kingdom. For many years Australia's tariff policy had included preference to the United Kingdom over a wide range of commodities, and they had received in return preference on only a few items. The Government was endeavouring in every possible way to increase production and find a profitable outlet for the products of their export industries. They had to face the position as it was, and, if markets were not available, they could not secure them. The Government desired to exploit every possible market open to Australia's producers, and to increase the activity of Governmental marketing agencies.

Labour Opposition's view; the Ottawa Agreement.

Senator the Hon. J. Barnes (Leader of the Opposition in the Senate) said that for over twenty years Australia had granted tariff preferences to the United Kingdom, the value of which was estimated at from £7,000,000 to £8,000,000 per annum. Preferences had been given to Great Britain, without bargaining, in order to build up inter-Empire trade, and as a result Australia became Britain's second best customer.

Under the Ottawa Agreement, Great Britain had secured conditions which enabled British goods to enter Australia, and to compete on equal terms with local products. Australia was to receive certain benefits from Great Britain with respect to the importation of Australian produce, but while the benefits to Great Britain had materialised, Australia had not received a corresponding advantage. The Commonwealth Government had made concessions to Great Britain to the detriment of Australia's secondary industries.

It was but natural to think that as Great Britain could produce only about 40 per cent. of its own food requirements, and as the Ottawa Agreement was supposed to provide facilities for the development of intra-Empire trade, they should enjoy a greater share of the British market for primary products. The Dominions were entitled to some portion of the £39,000,000 worth of primary products which was imported from foreign countries into Great Britain. Australia had no apology to offer with regard to its preferential trade relations with Great Britain. All the facts showed that for many years they had granted a very important concession to the Mother Country. They now felt that they were entitled to a larger share of the British market.

PRIMAGE DUTY.

(Remissions on British goods.)

On 25th July, in the House of Representatives, the Minister for Trade and Customs made a statement on the Government's policy regarding Primage Duty.

IN THE HOUSE OF REPRESENTATIVES.

The Minister for Trade and Customs (Hon. T. W. White) said it had been the Government's endeavour to reduce the incidence of primage duty at the earliest moment consistent with the financial position of the country. In its Budget last year the Government had been able to make primage concessions amounting in all to £585,000, and again this year it was in the happy position of being able to grant further concessions approximating £400,000.

Implementing the Ottawa Agreement.

In apportioning the relief, primary consideration had been given to the undertaking entered into at Ottawa to reduce or remove primage in respect of United Kingdom goods as soon as the state of Australia's finances permitted, and further preferential treatment by way of primage relief had been given to the United Kingdom under 79 items of the Tariff. A reduction from 10 per cent. to 5 per cent. had been made on various goods, including cotton and linen piece goods, admissible at the British preferential rate under 70 items of the customs tariff, the value of the United Kingdom trade under these items for the year 1932-33 being approximately £5,740,000. The value of this primage concession to Britain's approximates £287,000, of which £250,000 was in respect of cotton and linen piece goods. Other goods of United Kingdom origin, mainly medicines and medicinal preparations, had been exempted from primage duty, which relieved British goods of a further £12,000 in primage charges. In respect of the reductions covering raw materials, British goods approximating in value £250,000 would be subject to a primage reduction of 5 per cent.

Total Primage remissions.

Since the Government took office, reductions of primage duty had been made, the cumulative effect of which, based on the imports of the financial year just ended, had eased the burden of primage taxation by approximately £1,050,000.

CUSTOMS TARIFF (NEW ZEALAND PREFERENCE) ACT, 1934.

This Act was assented to on 30th June. It provides the machinery to enable the Commonwealth Government to comply with certain provisions in Article 9 of the Trade Agreement with New Zealand concluded in 1933*.

Article 9 provides that where the rate of duty on particular goods entering Australia is higher than the rate of duty on similar Australian goods entering New Zealand, the New Zealand Government may request the Commonwealth Government to admit like New Zealand goods into Australia at the rate of duty payable on the like Australian goods entering New Zealand. Failing compliance within three months, the New Zealand Government may impose on the particular Australian goods a duty not greater than that imposed in Australia on the same goods from New Zealand.

In the absence of the necessary machinery, it had not been practicable to meet applications from New Zealand under Article 9 in the time prescribed. The general provision in this Act will enable any future requests from New Zealand to be met within the prescribed three months.

TRADE WITH INDIA.

On 29th June, in the House of Representatives,

Hon. H. Gregory (United Australia Party, *Swan, W. Aust.*) asked whether, in view of the possibility of a very big trade in the export of fruit and vegetables from Western Australia to India, the Government would take early action to arrange reciprocal agreement with the Indian Government ?

The Minister for Commerce (Hon. F. H. Stewart),† in reply, said that the Government was now examining the position with a view to arranging a trade agreement with India.

RAW COTTON BOUNTY ACT.

(Bounties and tariff protection.)

The Bill for this Act provides for the payment of a bounty on the production of raw cotton, was introduced in the House of Representatives on 13th July, and finally passed by both Houses on 2nd August.

* *Vide* JOURNAL, Vol. XV., No. 1, p. 109.

† *Vide* Note on p. 897.

The provisions were outlined by the Minister in the Second Reading Speech.

DEBATE IN HOUSE OF REPRESENTATIVES.

On 13th July.

The Minister for Trade and Customs (Hon. T. W. White), in moving the Second Reading, said the Bill provided for (1) the repeal of the Cotton Industries Bounty Act, 1930-32*, which provided for a bounty on the total production of seed cotton until the end of the 1936 cotton season; (2) the provision, instead, of a bounty on raw cotton to the extent of each year's annual requirements of Australian users of raw cotton, plus 20 per cent.; (3) the payment of bounty on the approved quantity of raw cotton on a sliding scale basis according to weekly fluctuations in the world's price of raw cotton as sold on the Liverpool market, subject to rate of bounty not exceeding a certain maximum amount per lb.

Tariff Board inquiry.

The Tariff Board had made a prolonged investigation into the whole industry. It had found that the industry had reached an unbalanced state in the following respects: First, the area planted to seed cotton in Queensland was capable of producing twice as much raw cotton as would be required for the manufacture of yarns which had, so far, been protected in Australia. Secondly, the productive capacity of the cotton yarn mills on the economic working basis of two shifts a day was about three times as much as the extent of the present protected market for cotton yarns.

Need for increased protection.

The Board was of opinion that the time had arrived when the scope of protection should be increased with the double object of creating a larger market within Australia for the growers' product, and enabling the existing cotton-spinning plants to operate at full capacity. At the same time the Board was opposed to a continuance of the present high duties on cotton yarns, *n.e.i.*, which on a typical yarn, viz., No. 16, were 5d. per lb., plus 30 per cent. British preferential Tariff, or 8d. per lb., plus 55 per cent. general Tariff.

Tariff Board's recommendations.

The Board had recommended that Australian raw cotton should be supplied to spinners at the Australian equivalent of the world's parity. In order to give growers a reasonable return, the Board recommended that a sliding scale rate of bounty for raw cotton be provided, based upon Liverpool middling spot raw cotton at 6d. per lb. Whilst the Liverpool price was 6d. per lb., the Board recommended the bounty to be 3¼d. per lb. In order to prevent an unwise and undue increase in production beyond the requirements of local manufacturers, the Board recommended that bounty be payable only on requirements of manufacturers, plus 20 per cent. to provide against reductions of crop from climatic and other causes.

* *Vide* JOURNAL, Vol. XI., No. 3, p. 748.

The Government's decision.

The Tariff Board calculated that the return to the growers would not be more than 3¼d. per lb. with such a bounty. Seeing that the last investigation by the Board of the cost of growing seed cotton had been made late in 1925, and that the price of 4½d. per lb. was then recommended as necessary, and that the savings in production costs since then clearly did not justify such a low return as 3¼d. per lb., the Government had decided to grant higher rates of bounty. The rate when Liverpool price was 6d. was, therefore, 5¼d. per lb. for first year, 4¾d. per lb. for second year, and 4¼d. per lb. for the next three years. The rates would be subject to deductions (now 20 per cent.) made under the Financial Emergency Act.

New duties.

Coincident with the new bounty policy, the present duties on cotton yarns *n.e.i.*, would be reduced equivalent to 4d. per lb. which must be passed on to the users of yarn, and, ultimately, to the consumers of hosiery and other cotton products. The increased scope of protection on cotton yarns proposed by the Tariff Board to enable the spinning mills to operate under economic conditions would necessitate average protective duties being imposed upon yarns now admitted free or at nominal rates of duty.* These rates would increase somewhat the cost of such yarns to the manufacturers of the cotton goods affected, and in some cases those goods would require a consequential increase of existing tariff protection. Nevertheless, the lower costs of knitting trade yarns, *i.e.*, cotton yarns, *n.e.i.*, which would be made possible under the new policy, would substantially more than outweigh the extra cost of the additional yarns which it was proposed to protect for the purpose of enlarging the cotton yarn industry, and hence the Australian market for locally-grown raw cotton.

Hon. F. M. Forde (Deputy-Leader of the Opposition) said the Minister's task had been made more than difficult by the Ottawa Agreement, which prohibited any increase of duties

* Tariff Resolutions to give effect to these alterations on duties were tabled in the House of Representatives on 1st August.

against imports from Britain beyond the rates recommended by the Tariff Board. That supported the remarks of the Labour Party regarding the iniquitous Ottawa Agreement.

Labour's protection policy.

An all-round protectionist policy would have been much more satisfactory than that proposed. In his opinion, the cotton industry would not be developed on natural lines until bounty payments ceased, and it was given reasonable tariff protection. Just as the Scullin Government had abolished the bounty on galvanised iron and substituted a definite duty for the protection of the industry, so it had intended to abolish the bounty on cotton and substitute a definite protectionist duty. It was most unfortunate for the cotton industry that the stabilisation scheme which he had put into operation in 1930, which provided for a diminishing bounty and progressive tariff protection, should have been interfered with by the present Government. His scheme could have operated progressively until the whole of the Australian market had been obtained for the Australian spinners and the Queensland cotton-growers.

Insufficient protection.

Some of the subsidiary Tariff Schedules introduced by the Minister provided protection on a number of items. He was making special reference to the towel manufacturing industry, because it was a large user of Queensland cotton and was in a parlous condition. The new Schedule contained no increase of duties on imports of towels from the United Kingdom, and only a small increase of 10d. per lb. in the general tariff; but the bulk of the imports came from the United Kingdom and not from Japan.

WINE EXPORT BOUNTY ACT, 1934.

The purpose of this Act, which was assented to on 4th August, is to continue the assistance by way of bounty on fortified wine exported from Australia.

It reduces the existing bounty of 1s. 4.8d. a gallon to 1s. 3d. a gallon for the first two years, to be reduced by 1d. per gallon each year thereafter until the rate of bounty has been reduced to 1s. a gallon.

Provision is made for the fixation of minimum prices to be paid for grapes used in the production of wine upon which bounty is paid.

STATUTE LAW REVISION ACT.

This Act, which was assented to on 6th August, is the first of its kind to be passed by the Commonwealth Parliament.

It provides for the repeal of obsolete or unnecessary enactments with a view to the revision of the Statute Law of the Commonwealth.

A consolidated reprint of Commonwealth Acts is in course of preparation, and the amendments outlined in the Act will be given effect to in the consolidation.

States.

New South Wales.

GOLD CLAUSES (CONSTRUCTION) ACT.

This Act, relating to the construction of obligations purporting to require payment in gold or an amount of money legal tender in New South Wales measured thereby, was assented to on 24th August, 1934.

The main provision is as follows :—

" Every provision contained in or made with respect to any obligation to pay or involving the payment of money which purports to give the creditor or obligee a right to require payment in gold or to require the payment of an amount of money in legal tender, to be measured or ascertained by the value in such legal tender of the amount or quantity of gold specified in such provision, shall be construed as and shall be deemed to be a provision relating merely to the method or mode of payment, that is to say, to the currency in which the payment is to be made, and in no case, howsoever expressed, shall be construed as a provision directed to the measure or ascertainment of the amount of legal tender required to discharge the obligation.

" Any such obligation, when it is to be discharged, may be discharged pound for pound in the currency which at the time of payment is legal tender for payment of debts."

The Act applies only to obligations entered into before the commencement of the Act, and to obligations the discharge whereof is governed by the law of New South Wales, or whereunder the place of payment is in New South Wales.

HOUSING OF THE UNEMPLOYED ACT.

This Act, which was assented to on 3rd July, constitutes a Homes for Unemployed Trust, and defines its powers, duties, etc.

The purpose of the Act was explained by the Minister in his speech on the Motion for the Second Reading of the Bill.

DEBATE IN LEGISLATIVE ASSEMBLY.

On 26th June, on the Motion for the Second Reading,

The Deputy Premier and Minister for Transport (Lt.-Col. the Hon. M. F. Bruxner) said the Bill carried into effect the statement made by the Government that it was intended to set up a trust provided with funds to enable it to undertake the housing of unemployed persons. The Trust would consist of the Minister and eight members appointed by the Governor.

It was the intention of the Government to appoint as members of the Trust the President of the Real Estate Institute, the President of the

Institute of Architects, the President of the Master Builders' Association, the Chairman of the Church of England Social Services Committee, the President of the St. Vincent De Paul Society, the President of the Presbyterian Men's League, the Under-Secretary of the Treasury and the Under-Secretary of the Colonial Secretary's Department. These gentlemen were prepared to give their services in a purely honorary capacity.

Powers of the Trust.

The Bill provided that the Trust might erect buildings on land vested in or leased by it, and rent places to house families for whom they would not immediately find land or build a house. It was empowered to sell land; and if a public-spirited person liked to hand over to the Trust land with a building covenant on it, and the Trust could not use it for this specific purpose, it would sell the land and use the money to erect a building on some other site.

A co-ordinating authority.

The Bill also empowered the Trust to help people by loans or actual gifts to erect houses for themselves, and to help persons who had put up some sort of place to make it more habitable.

There was a provision to make money or material available to any recognised organisation doing work of a similar character. The Trust would be an authority under which the activities of all such organisations could be co-ordinated.

£200,000 Appropriation.

A provision to set aside for the Trust an amount of £200,000, would be the subject of an Appropriation Bill to be introduced later. They started with a fairly substantial sum and, according to results, the Government would be able to decide whether the scheme should be expanded or improved.

Opposition views.

Hon. J. M. Baddeley (Deputy-Leader of the Opposition) said that any Bill that would help to put the unemployed in decent accommodation should be welcomed. He did not know whether this Bill would do so. He objected first to a Trust being appointed. The Public Works Department could do the work. It would be better to have a committee comprised of departmental officials, who could get in touch with the local governing authorities who knew the wants of the unemployed.

Interest on advances.

Apparently whoever obtained a grant would have to repay the money with interest, but the Bill did not state what the interest would be, nor upon what basis it would be imposed. That was left to the Trust to decide. If the Government saw prosperity just around the corner, why did it not let the unfortunate people, who were in need of houses or accommodation, have the benefit of the money free of interest?

On 27th June, in Committee, an Amendment moved by Mr. Baddeley to the effect that the Trust should consist of four departmental officials was negatived.

Victoria.

GOVERNOR'S SPEECH.

(Centenary Celebrations: visit of H.R.H. the Duke of Gloucester; Trade; Unemployment relief; Finance.)

The Third Session of the Thirty-first Parliament was opened by the Governor (Lord Huntingfield) on 20th June, 1934. The following are summarised extracts from the Speech:—

VISIT OF H.R.H. THE DUKE OF GLOUCESTER.

This and next year will witness the celebration of the Centenary of the first permanent land settlement in Victoria and the founding of Melbourne. They greatly appreciated the action of H.M. The King in giving his approval of the visit of H.R.H. the Duke of Gloucester on the occasion of these celebrations.

EXPANDING EXPORTS.

Despite low prices ruling overseas, the total value of the principal primary products exported from the State during the first nine months of the current financial year was £21,500,000, compared with £19,200,000 for the corresponding period of 1932-33. The quantity of Victorian canned fruits sold in the United Kingdom during the first five months of the current calendar year was approximately 800,000 cases, thus doubling the highest total in any previous year.

RELIEF OF UNEMPLOYMENT.

Since 1st July, 1933, £1,897,000 had been authorised for expenditure on works for relief of unemployment.

LOANS IN LONDON.

Victorian Government loans raised in London, and amounting to £20,763,000, had been converted to lower rates of interest.

FINANCIAL EMERGENCY LEGISLATION.

It would be necessary to continue the legislation which had been in operation for the past three years, providing for reductions of salaries, pensions, etc. The Government had decided to reduce rates of interest charged on moneys advanced by the State so that the maximum rate would not exceed 4½ per cent.

COMPANY LEGISLATION.

Since the passing of consolidating measures relating to companies in England in 1929, steps had been taken by New Zealand and in certain States of the Commonwealth to introduce legislation on similar lines. It would not be possible in the time available in this Session to place on the Statute Book an Act of such length, but it was proposed to give some immediate measure of protection to the public by bringing in a short Companies Bill, relating to urgent matters.

IMPORT RESTRICTIONS.

(British agricultural policy; Ottawa Agreement.)

In the course of the debate on the Address-in-Reply in the Legislative Council, reference was made to the agricultural policy of Great Britain and the question of quantitative restriction of imports of Dominion products.

DEBATE IN LEGISLATIVE COUNCIL.

On 7th August.

Hon. E. L. Kiernan (*Melbourne North*) said that they must plan to make full use of the economic resources if they were to preserve their Continent as a " white " Australia. The only reasonable system was that of industrial self-government—something on the lines of the corporate state, with experts engaged in devising improvements in mechanism and in controlling the processes of production and distribution.

Import restrictions.

Australia was faced with the position that all countries were controlling their imports and exports. Even Great Britain was doing that. It was only natural that the British Government should seek to safeguard the interests of the British farmer. British manufacturers found markets overseas being closed to their products ; therefore Great Britain's home market must be maintained. The country upon which they had relied mainly for the marketing of their surplus primary products had had to ask the Dominions to restrict their exports. It was impossible for Australia to look to the British market to absorb their surplus agricultural products in future. Markets abroad were about to be more and more definitely closed against them. They must control their import and export quotas and use that as a bargaining factor with other countries.

The Ottawa Agreement.

Hon. W. Angliss (*Southern Province*) said that their primary industry [meat], with which he was closely identified, had had no quota fixed against it by Great Britain, nor, so far as he knew, had any other primary industry in Australia. When the quota in respect of meat was fixed at Ottawa in 1932, the figures for Australia's best exporting year—the twelve months ending 30th June, 1932—had been taken as a basis. In that year Australia exported to Great Britain 4,340,562 sheep and lambs. For the twelve months ending 30th June, 1934, they had exported to Great Britain 5,284,280 sheep and lambs. In spite of their exporting to Great Britain nearly 1,000,000 more sheep and lambs than they had ever exported before, they had received in prices from 50 to 100 per cent. more than they had received in the year ending 30th June, 1932. That meant to show that on account of the preference given to Australia and the restriction on meat imports from foreign countries by Great Britain, they had increased their exports tremendously, while their prices had advanced to a wonderful extent. These facts should be more widely known, because it was generally considered that the Ottawa Agreement had done Australia no good.

Mr. Kiernan: " Is there not an attempt by the British Government to get the Commonwealth Government to accept a quota ? "

Mr. Angliss said : " There has been an endeavour in the last few weeks to get Australia to agree to a quota ; but nothing had been done, because the Commonwealth Government had refused, and the United Kingdom had accepted that refusal."

South Australia.

THE ADDRESS : GENERAL DISCUSSION.

(Governor's Speech ; Labour Party's Amendment ; Unemployment ; Farm Subsidy Scheme; Government's Policy.)

The Second Session of the Twenty-eighth Parliament was opened on 12th July, 1934. The following are summarised extracts of the opening Speech of the Lieutenant-Governor (Sir George Murray) :—

ASSISTANCE TO PRIMARY PRODUCERS.

In addition to rendering assistance in many other ways, the Government during last year had expended £120,000 in securing for primary producers a reduction of 20 per cent. in railway freight rates for their products. Similar action would be taken during the present year.

UNEMPLOYMENT.

During the past twelve months the number of unemployed has fallen from 47,000 to 39,000, and the annual cost to the State from £622,000 to £534,000.

LONDON LOAN CONVERSION.

In consequence of loan conversions in London at reduced rates of interest, the interest payable by the State would be reduced by £220,000 per annum, and a further reduction of £55,000 in exchange. Public loans raised in Australia for Government had also borne reduced rates of interest.

FINANCIAL RESULTS.

The estimated Revenue for 1933-34 was £10,100,000, and estimated Expenditure £11,033,000, giving an estimated deficit of £933,000. In result, however, the deficit was smaller by £89,000.

DEBATE IN HOUSE OF ASSEMBLY.

On 18th July,

Mr. A. W. Lacey (Leader of the Opposition) moved as an Amendment to the Address-in-Reply :—

" That every avenue be explored to provide work, failing which, an immediate increase in sustenance allowance for needy persons, with provision for clothing and bedding for our impoverished people."

He said that the action of the Government in not paying special attention to this problem was to be condemned. Every phase of industry should be inquired into so that they could determine whether, by an alteration of hours, they would bring about the absorption of the unemployed.

Farm Subsidy Scheme.

The Government had encouraged a subsidised farm labour scheme, under which 7s. 6d. a week was contributed by the Government to those who engaged youths, 10s. to those who engaged adult labour, and 12s. 6d. to those who engaged a married couple. The employer had to contribute 2s. 6d. a week towards the youth's wages in addition to the 7s. 6d., 5s. a week in respect of an adult, and 7s. 6d. a week in respect of a married couple. The wage mentioned did not, of course, include board and lodging. The employment of labour at that meagre rate was responsible to some extent for the reduction of the number on rations from 47,000 to 39,000. The basic living wage in South Australia had been determined at £3 3s. a week.

The Premier (Hon. R. L. Butler): "That has never been applied to agriculture."

Mr. Lacey said that was so. He was drawing attention to the comparison between the wages people under this scheme were receiving and the basic living wage. He asked whether the whole of the sacrifices of the depression had to be borne by those compelled to work under these conditions. Just as in Queensland and Western Australia they had established a Board of Industry in one instance and an Economic Council in the other to deal with the problem of unemployment, so the Government of South Australia should do something of a similar nature.

Premier's reply.

The Premier, in reply, said that they now had fewer men employed under the farm subsidy scheme than previously. Therefore, the scheme had nothing to do with the improvement which had taken place in their employment figures. Owing to the precarious season, many farmers had not sufficient means to give employees board and lodging. To-day they had nearly 400 applicants, and it was doubtful whether the Government would be able to find more than 100 positions on farms for the applicants.

Financial assistance.

The Government had agreed to a scheme whereby unemployed men were given financial assistance to engage in poultry raising, with the object of becoming self-supporting and getting as many children as possible out into the country. The Government were also assisting other families who had for some time been engaged in mixed farming in group settlements.

Industrial recovery.

The improvement in employment figures was almost entirely due to the fact that a greater number of persons were being absorbed in the private industries of the State. Probably the only reliable statistics of inter-State employment were those showing the number of trade unionists registered as unemployed. Comparing the second quarter of 1932 with the second quarter of 1934, the figures show that whilst the average reduction of the six States was 9·1 per cent. (from 30·0 to 20·9 per cent.), South Australia had reduced her unemployment by 9·8 per cent. These figures were all the more pleasing when it was realised that the improvement was not in any way due to the excessive expenditure of public money; in fact, South Australia had reduced her gross loan expenditure and deficit by 52·9 per cent. since 1929-30. Such a condition of affairs did not apply to any other State of the Commonwealth, with the possible exception of Victoria.

Commonwealth's rural policy.

The Premier added that he was pleased that the Commonwealth Government had at last embarked on a rural policy which would aim, first of all, at securing to the farmer a payable price for his wheat and, secondly, give some relief by way of debt adjustment. He did not see any alternative to those two proposals, and if they were put into effect

he had not the slightest doubt but that it would be the beginning of the end of their troubles.

After further debate, the Amendment was negatived, and the Address-in-Reply was adopted.

Western Australia.

GOVERNOR'S SPEECH.

(Financial situation; Unemployment; Mining; Wool sales; Wheat yield; Proposed legislation; etc.)

The Third Session of the Fifteenth Parliament was opened on 2nd August, 1934. The following are summarised extracts from the opening Speech of the Lieutenant-Governor (Sir James Mitchell):—

FINANCIAL SITUATION; LONDON LOANS.

The financial situation was still extremely grave and rigid economy was essential. The Revenue for the year ended 30th June, 1934, was £8,481,697, and Expenditure was £9,270,609, leaving a deficit of £788,912.

All the States' London loans carrying a rate of interest of over 5 per cent., with an optional date of redemption, had now been converted to either 4 per cent. or 3¾ per cent.

UNEMPLOYMENT.

The number of unemployed persons receiving sustenance, which stood at 6,265 on 1st July, 1933, has been reduced to 1,192, and the cost to the State from £7,124 to £1,787 per week.

MINING ACTIVITIES.

Increased activity in the mining industry continues to be the outstanding feature of the State's development. The gold yield for 1933 eclipsed that of the previous year by 31,646 fine ozs.

WOOL SALES; WHEAT YIELD.

During the season 159,852 bales of wool were sold for £3,333,529, an average of 15·84 per lb. The wheat yield for last year was 37,533,177 bushels from an area of 2,182,650 acres.

RAILWAYS.

For the financial year 1933-34 the railway returns were £103,597 worse than for the previous year. The smaller tonnage of wheat railed to the seaboard was the principal cause of the falling revenue.

LEGISLATION.

Consideration would be given to measures dealing, *inter alia*, with financial emergency legislation, State lotteries, the Agricultural Bank and the Constitution Act.

COMMONWEALTH GOVERNMENT: NEW COALITION MINISTRY. (*Note.*)

On 7th November, following an agreement between the Prime Minister (Rt. Hon. J. A. Lyons) and the Leader of the United Country Party (Dr. the Rt. Hon. Earle Page) to form a Coalition Government, the Cabinet (*vide* p. 873) was reconstructed as follows:—Dr. the Rt. Hon. Earle Page,* M.P., Minister for Commerce, *vice* Hon. F. H. Stewart, M.P.; Hon. T. Paterson, M.P., Minister for the Interior, *vice* Hon. E. J. Harrison, M.P.; Mr. H. V. Thorby, M.P., and Mr. J. A. J. Hunter, M.P., become Assistant Ministers; and the Hon. Josiah Francis, M.P., relinquishes the position of Assistant Minister.

All the new Ministers are members of the United Country Party.

* It is announced in the Press that Dr. Earle Page will also act as Deputy Prime Minister.

NEW ZEALAND.

The following summary deals with some of the earlier proceedings of the Fourth Session of the Twenty-fourth Parliament, which opened on 28th June, 1934.

THE ADDRESS: GENERAL DISCUSSION.

(Improving economic conditions; Reduction in Budget deficit; Dairy industry and Britain's agricultural policy; League of Nations; Imperial Defence; Foreign shipping subsidies; Nationalisation of banks; Unemployment and borrowing for public works.)

Parliament was opened on 28th June, 1934. The following are summarised extracts from the Speech of the Governor-General (Lord Bledisloe):—

VISIT OF DUKE OF GLOUCESTER.

The Duke of Gloucester would be visiting New Zealand for some five weeks from 15th December, 1934.

NATIVE RACE AND TREATY OF WAITANGI.*

The native race had made the last anniversary of the signing of the Treaty of Waitangi the occasion for celebrating the dedication of the Waitangi Estate to the people of New Zealand. The assembly provided striking evidence that the Treaty of Waitangi had served to unify the various tribes and to cement and perpetuate their loyalty to the British Crown.

TRADE AGREEMENT WITH CANADA; CUSTOMS TARIFF INQUIRY REPORT.

During the recess the Trade Agreement with Canada, executed in 1932, had been extended until 24th May, 1935.

The Report of the Commission appointed to inquire into the Customs Tariff had been received. Legislative amendments of the Tariff, embodying, *inter alia*, the obligations undertaken by the Dominion at the Ottawa Conference, would be prepared for Parliament's consideration during the Session.

ECONOMIC CONDITIONS; DAIRY INDUSTRY.

There had been a gratifying change for the better in the economic position and the future outlook. As a result of the marked recovery in the price of wool and the less spectacular but welcome improvement in that of meat and its by-products, an appreciable section of the farming community was now receiving a more adequate financial return.

The most serious problem awaiting solution was that of the dairy industry, which played a part of ever-increasing importance in the economic life of the Dominion. The export prices of butter and cheese had remained at a low level and, in addition, the welfare of the industry

* The Treaty by which all rights of sovereignty were ceded to H.M. Queen Victoria by the Maori Chiefs, all territorial rights being secured to the chiefs and their tribes.

was threatened by an over-supply of these commodities in the markets of Great Britain. Every aspect of the problem was being fully investigated by a Commission.

DEBT CONVERSION AND INTEREST RATES; RESERVE BANK.

Following upon the successful conversion of the internal public debt, rapid progress was being made with the conversion of the securities of local bodies. The success of the policy of lower interest rates was evident from the fact that market rates of interest had fallen to a level appreciably lower than those fixed as a basis for the conversion operations.

The establishment of the Reserve Bank of New Zealand was in progress,* and it was anticipated that the deliberate management of the monetary system by a national institution, specially constituted for that purpose, could not fail to be of material benefit to the Dominion.

MONETARY SYSTEM.

As a result of the economic crisis, there had been a widespread belief among certain sections of the community that serious defects existed in their monetary system. Accordingly, his Ministers, in their desire to explore every avenue which might aid recovery or prevent a recurrence of serious economic difficulties, had set up a Committee to consider suggested improvements in the existing system. The Report of the Committee would be placed before them at an early date.

PUBLIC ACCOUNTS: REDUCED DEFICIT.

The Public Accounts for the past financial year disclosed a marked improvement in the financial position of the Dominion. When the Budget was presented a deficit of £2,000,000 was contemplated, and the reduction to approximately one-third of this estimated deficit, by reason of unexpected buoyancy in revenue and of economy in public expenditure, was a source of gratification.

UNEMPLOYMENT; MORTGAGORS AND TENANTS RELIEF ACT.

Although unemployment continued to be a difficult problem, the number of persons receiving assistance from the Unemployment Fund was appreciably lower. There were indications of a gradual but definite return to more normal conditions.

To prevent possible hardship in the case of current mortgages, it was deemed advisable to extend the effective period of the Mortgagors and Tenants Relief Act for another two years.

DEFENCE.

With a view to improving the defences of the Dominion, measures had been taken to develop the Air Force, to establish anti-aircraft batteries and to strengthen the coastal defences. The establishment of a chain of landing grounds for aircraft had also been put in hand.

DEBATE IN HOUSE OF REPRESENTATIVES.

Labour Party: non-participation in Debate.

On 4th July,

Mr. P. Fraser (Labour, *Wellington C.*), leave having been obtained, read a statement "on behalf of the Leader of the

* *Vide* JOURNAL, Vol. XV., No. 2, p. 432. The Bank commenced operations on 1st August, 1934.

Opposition, and of the Labour Party as a whole," in the course of which it was declared that the Party did not propose to participate in the debate, further than by the making of the statement. Apart from the personal note, which they appreciated and reciprocated, and the reference to the visit of the Duke of Gloucester, the Address, for which, of course, the Ministry was responsible, was devoid of any hope of that constructive policy which New Zealand so urgently needed.

The Labour Party had repeatedly criticised, condemned and opposed the Government's legislative and administrative policy and actions. The programme, as announced in the Address, indicated no deviation from that policy. Therefore there was no need for a reaffirmation of the Labour Party's attitude. They would reserve further criticism until proposals were before the House.

They were desirous of learning what steps the Government proposed to take in connection with

(1) The return of purchasing power to the mass of the people by restoration of wage, salary and pension cuts and raising relief pay to standard rates.

(2) The restoration of employment in productive and development work.

(3) The guarantee to workers of wages sufficient to secure a standard of living in accord with the Dominion's resources.

(4) The maintenance and development of primary and manufacturing industries on a basis to give a reasonable return to farmer and manufacturer and improved working conditions and hours for employees.

(5) The readjustment of indebtedness to save the equities of those who had built up farms and houses, and the savings of many people.

(6) The reorganisation of the system of public works and the transfer of those on relief work to the construction of roads, railways, bridges, schools, houses, etc.

(7) The extension of the marketing system for surplus products and the making of reciprocal agreements for the exchange of those products for commodities and services which would not interfere with their own manufacturing industries.

(8) The national control of banking credit and currency.

Dissolution asked for.

They affirmed that the democratic development of the Dominion could only be ensured by a Dissolution of the House at the close of the present Session and an appeal to the people

to say whether they approved or disapproved of the Government and its policy during the three years for which it was elected.*

In conclusion, they would once more direct the Government's attention to the appalling fact that thousands of families had been driven below the subsistence level, and they once more appealed to the Government to reverse its disastrous policy, to restore purchasing power to the people generally by the means they had indicated, and to embark on a bold and effective plan of reconstruction. They would continue to strive for economic and social conditions that would guarantee at least adequate food, clothing, shelter and the other necessaries and essential amenities of life to every man, woman and child in the Dominion. They believed that this objective was not only economically, socially and morally sound, but was eminently practicable.

The Minister of Health (Hon. J. A. Young) said it seemed extraordinary that the Opposition should adopt an attitude of this sort. The Labour Party had been going round the country offering all sorts of criticism of the policy and administration of the Government—much of it unfounded—but it would appear that in the proper place to offer criticism they were afraid to do so.

"Restoration of purchasing power"; Fall in unemployment.

The document read by Mr. Fraser stated, amongst other things:—

"We are particularly desirous of learning as soon as possible what steps the Government proposes to take in connection with the return of purchasing power to the mass of the people by the restoration of wage, salary and pension cuts, and the raising of relief pay to standard rates."

As New Zealand was a primary producing country, the earning power of their people was mainly determined by what they realised for their surplus primary products. Their main market was Great Britain, and when that market, and others, failed them and prices fell, that immediately affected the earning and subsequent purchasing power of their people. Under the conditions resulting from the world-wide depression, the policy of the Government had been gradually to adopt drastic measures, the effect of which had been to show results which indicated a gradual trend towards improvement in the economic situation, so far as the unemployment figures and business generally were concerned; but to talk of standard rates of pay on relief works was quite beside the mark. Such

* In the normal course a General Election would have been due in December next, but, by Section 35 of the Finance Act, 1932, the life of the present Parliament was extended by one year.

a thing was never intended and would be a most unsound policy for any Government to adopt. On 9th June, 1934, the total number of men wholly or partly a charge on the Unemployment Fund was 57,234, having dropped from 75,134 at 30th September, 1933. These figures showed that people were getting into productive channels of industry.

Another paragraph in Mr. Fraser's statement read :—

"The maintenance and development of our primary and manufacturing industries on a basis that will give a reasonable return to farmer and manufacturer, and improved working conditions and hours for the employees concerned."

In this document they simply had words, conveying the idea of good intentions, but behind them was nothing practical or constructive.

National control of banking.

Then they came to this

"The national control of banking credit and currency."

In the establishment of a central bank the State had taken steps which would result in the exercise of greater control over their banking and currency system. In any case, the banking system was under statutory control as regards the issue of credit and currency.

High exchange and land values: effect on imports.

Mr. W. A. Veitch (Independent, *Wanganui*) agreed that there was a slight improvement in economic conditions throughout New Zealand, but was convinced that the restoration would have been greater and more rapid but for their economic error of trying to take a short cut towards prosperity by imposing disabilities upon all sections of the community for the purpose of sustaining land-values which could not be justified by the prices of the products of the land. Every month the high exchange remained in operation they were not only reducing their imports from Britain but were materially reducing Britain's power to purchase their exports. Much of their internal trade related to the distribution of imports, and a great deal of unemployment had resulted from the reduction in imports.

There was a fallacious belief abroad that any business New Zealand did with any country other than Britain was to the detriment of the Mother-country. He believed that primary industries and secondary industries, preferential trade with Great Britain and bi-lateral trade agreements with foreign countries, were all four elements of New Zealand policy which were complementary to each other and could be carried on simultaneously, each and all to the benefit of the others.

Policy of "guaranteed incomes" and "control of banking."

On 5th July,

The Prime Minister (Rt. Hon. G. W. Forbes) said that in speeches delivered during the Recess, the Leader of the Opposition had said that guaranteed prices for products must be supported by guaranteed incomes for the great mass of the citizens, whose purchasing power alone would sustain such a guarantee and raise the living standard. What was the standard income that was to be guaranteed ? It would be very nice indeed to have a guaranteed income until the age of 60 and then a livable pension to follow. You could not have a more attractive programme or a more unsound one. Through all the speeches of the Leader of the Opposition and other members of his Party ran the note : "the control of banking should be transferred from private corporations to the State." The Labour Party was determined, if it got into power, to take over the banks so as to be able to control the savings of the people. The Labour Party would give those savings away in pensions, in the restoration of standard rates of wages and guaranteed prices. Mr. Lang took control of the Savings Bank of New South Wales and the result was that the bank had to close its doors.

The Motion was agreed to on 6th July.

DEBATE IN LEGISLATIVE COUNCIL.

On 4th July,

Hon. W. Perry (*Wellington*), in moving the Address-in-Reply, said the impending visit of the Duke of Gloucester reminded them, if reminder were needed, that the Monarchy was the keystone of the Empire. These visits did much to strengthen those ties which, "light as air, though strong as iron, bind the Colonies to the Motherland."

League of Nations and disarmament.

The Speech referred to the fact that Ministers had been keeping in close touch with the Disarmament Conference, that they were in full accord with the principle of general disarmament, and that they agreed with the principle of the friendly co-operation of all nations through the agency of the League of Nations. He confessed to an uneasy feeling as far as the future of the League was concerned. Germany and Japan had given notice of intention to withdraw from membership. Italy for some years past had been lukewarm in her support of the League. The indications were that the League would crumble. Dare they rely for protection upon the League and its Covenant ? In the light of recent events they could not look forward with other than trepidation to the forthcoming Naval Conference. Disarmament depended on good will. There could be no good will where there was fear. That was the reason there was little good will in the world to-day. Particularly since the Great War, no nation had striven so earnestly or sincerely for peace as Great Britain: she had shown her practical sincerity by cutting her naval, military and air force expenditure to the bone, but other nations had not followed suit. The time had arrived when unilateral disarmament should cease. Only the previous week the annual Conference of the Council of the New Zealand Returned Soldier's Association emphasised its allegiance to the cause of peace, but went on to say that the international situation was such that adequate means should be taken by the Government to provide New Zealand with proper defence forces.

Foreign shipping subsidies.

Mr. Perry then referred to the alarming decline in recent years in the strength of Britain's mercantile marine. For some years past France, Germany, Italy, Japan and the United States had adopted a policy of subsidising their merchant shipping services. Recently, Italy boasted that she had captured the passenger trade between Great Britain and India. Coming nearer home, they found competition in their own waters of subsidised American ships trading between America and New Zealand and between New Zealand and Australia. He had no patience with those people who endeavoured to foment ill-will between the two great branches of the English-speaking race; but he objected to any country, be it the United States or any other, arbitrarily extending its coastal or domestic zones for thousands of miles. When the United States became possessed of the Hawaiian Islands, in 1900, it was immediately announced that the domestic zone of trading of the United States was extended from the mainland to the Hawaiian Islands. This meant that the Union Steamship Company of New Zealand and other British shipping lines were swept off that portion of the sea. Now there were subsidised American shipping lines trading between the United States, Australia and New Zealand, to the detriment of the ships of the Union Steamship Company and other British companies. He was pleased to read recently an announcement by the Government that it had this matter under consideration. The Rt. Hon. J. H. Thomas had also undertaken to represent the matter to his colleagues in the British Cabinet. No doubt some definite and combined action would be taken before long to rectify the position. If concerted action could not be agreed upon by the countries of the Empire within the next few months, action should be taken by their own Government, in conjunction with the Government of Australia, to preserve their own waters for their own ships.

Position of dairy industry.

Hon. F. Waite (*Otago*), who seconded the Motion for the Address-in-Reply, said the New Zealand dairy farmer to-day was in real difficulty and there was no easy way out. Not many of them believed that by means of subsidies, which would have to be huge, any real or permanent good could come. If it cost somewhere about 1s. to produce 1 lb. of butter-fat, and the average pay-out was about 8½d. per lb., how long could they expect the dairy-farmer to carry on? If the exchange went back to par the pay-out for the dairy-farmer would be about 6d. per lb. for butter-fat. The present pay-out left nothing for interest and rent. Nationally, they could not do without the dairy industry. It was difficult to believe that the way back to real prosperity was to limit the production of necessary and valuable food.

They had not much room for complaint if Britain said that she must grant first preference to her home producers. They agreed at the Ottawa Conference that Britain must have her home market preserved for her home producers, with second preference to the Dominions and third preference to foreign producers. They had pursued a similar policy in New Zealand for many years.

Imperial defence.

In times of stress New Zealand had always borne her share in connection with Imperial affairs, but should they not do their share consistently and not only in times of emergency? Sometimes they did not realise that everything they exported must go overseas in ships, and that they had never paid their fair share for the protection of that overseas trade.

Under the Statute of Westminster the Dominions were recognised as autonomous communities within the British Empire, equal in status, in no way subordinate one to another; but since 1931 the several nations of the British Commonwealth seemed to have been drifting apart, and for the sake of the peace and prosperity of the world they, in New Zealand, should do their share to see that this drift was arrested. In Imperial defence they owed a duty to the Empire and a duty to themselves. Any armaments which New Zealand, or the British Empire, devised did not constitute a threat against any other country but must be regarded simply as provision for the protection of their trade.

It was sometimes urged that they should rely on the League of Nations. The League did valuable work and could still do valuable work, but they could not shut their eyes to the present position. When they saw that during the last two years a struggle had been going on between Bolivia and Paraguay they realised how difficult it was to restrain even nations that were members of the League. Of the four great nations whose shores were washed by the Pacific Ocean—the United States, Soviet Russia, Japan and the British Empire—only the British Empire was a member of the League. Instead of relying on outside organisations and the good will of other people, they should rely on their own strength.

Trade outlook.

On 11th July,

Hon. T. Bloodworth (*Auckland*) said the future of New Zealand was very uncertain. In the years that were past they had depended almost entirely upon Great Britain as the market for their products. They seemed to have assumed that she would be able to absorb as much of their goods as they saw fit to send her; now there were definite indications that she was unable to continue to do so. They should realise that whatever change might take place in the political sphere in Great Britain, all the great political Parties there were pledged to a similar policy with respect to agriculture and the importation of foodstuffs. Great Britain could not continue the policy she had adopted for many years, of exporting manufactured goods to the various markets and, at the same time, exporting to these same countries the machines by which the people of those countries could make those goods.

International Labour Office.

He was pleased to note that the Government proposed to continue their support to the League of Nations. There was, however, one branch of the League's activities that had not received that active support from New Zealand it should have received, *viz.*, the International Labour Office. New Zealand had only once been fully represented at the annual Conference of that Office. In some ways the activities of that Office were more important to New Zealand than some of the other activities of the League. It should be obvious that it was to the advantage of New Zealand that the standard of living in the more backward countries should be levelled up, so that they might be able to consume more of their own products.

Loans to finance public works.

On 12th July,

Hon. J. McLeod (*Taranaki*) said that while it must be admitted that the position was improving slowly, very little had yet been done in the direction of putting people back in their own employment, for the good reason that the position of their manufacturers had not improved. Cheap money was not becoming available for the development of their industries, in which there seemed to be very little confidence by the investing public. The Government had a duty to find some means of freeing the frozen capital and setting it in motion. Its circulation would speedily revive industry and commerce and inspire the investor with confidence. Why should it not be possible to give that lead by way of an internal loan for developmental public works?

On 13th July,

The Leader of the Council (Hon. R. Masters), in referring to Mr. McLeod's remarks, said the question arose whether it was a sound policy for the Dominion to borrow money to meet the unemployment position. Australia, they were told, was emerging from her troubles. But to-day Australia had a floating debt of £100,000,000, which had to be met at some stage. They, on the other hand, so far as unemployment was concerned, were trying to meet the position without borrowing money. When discussing this matter with the Secretary of State for Dominion Affairs, he was informed that England had abandoned the policy of endeavouring to meet the unemployment position out of borrowed money.

Success of orthodox methods.

The great measure of progress they were experiencing in New Zealand was a reflection of the wonderful recovery that had taken place in Great Britain. To-day Great Britain was the soundest country in the world, commercially, financially, socially and politically. There was no country where democracy was functioning more successfully. The statesmen of Great Britain had stuck steadily to the task of overcoming their difficulties in an orthodox manner. They heard nothing about costless credits, Douglas credits, community credits or the nationalisation of banks; but in a steady, orthodox, sound, business-like way Great Britain had been overcoming difficulties, and to-day was looked upon by the rest of the world as one of the most successful of nations. They had reason to be proud to form part of that great British Empire.

The Motion was agreed to on 13th July.

CUSTOMS TARIFF.

(Report of Commission; Fulfilment of Ottawa Agreement obligations; Reductions in British preferential tariff rates; Probable effects on secondary industries; Dominions and interpretations of Ottawa Agreement; General tariff as bargaining counter; Proposed trade agreements; Japanese competition.)

On 10th July, a series of Customs Resolutions were passed by the House of Representatives, effecting numerous reductions in, or abolition of, duty on various lines of United Kingdom goods, in accordance with the recommendations of the Tariff Commission.

Some of the principal alterations (in British preferential rates only) were as follows :—

PROTECTIVE DUTIES ABOLISHED :

Certain stock foods, electric cooking and heating appliances, nails, iron and steel pipes and fittings therefor, motor car bodies, radio sets in cabinets.

REDUCTIONS FROM 25 PER CENT. TO 20 PER CENT. :

Soap, hats, caps and millinery, boots and shoes, leather manufactures, glass bottles, stationery, oil engines.

REDUCTIONS FROM 20 PER CENT. TO 15 PER CENT. :

Paints and varnishes, biscuits.

MISCELLANEOUS REDUCTIONS :

Confectionery and chocolate : from 27½ to 20 per cent. Apparel : from 27½ to 25 or 20 per cent., according to kind. Jams, jellies and preserves : from 2d. to 1d. per lb. Cement : from 1s. to 8d. per cwt. Matches, wax and wooden : 1s. to 9d. per gross of boxes.

REDUCTIONS IN REVENUE DUTIES :

From 25 per cent. to 20 per cent. : Carpets, fancy goods, sporting requisites, jewellery, plateware, tobacco pipes, etc. Toilet preparations (from 35 to 25 per cent.) : Pianos and other musical instruments (from 20 to 10 per cent.) Engines for tractors (10 per cent. to free). Cigarettes (33s. 9d. per thousand to 25s. 6d. per thousand).

INCREASES IN PROTECTIVE DUTIES :

Ground or crushed maize : from free to 2s. per cental. Porcelain enamelled cast iron baths : from 20 to 25 per cent. Gas meters : from free to 10 per cent.

INCREASES IN REVENUE DUTIES :

Cigarette papers : from 25 per cent. *ad valorem* to 1¼d. for each 60 cigarette papers. Motor vehicles, chassis and trucks : from 10 to 15 per cent.

Of 449 items under the New Zealand Customs Tariff, 344 were not touched while, in some form or other, the remaining 105 were brought under consideration.

DEBATE IN HOUSE OF REPRESENTATIVES.

On 10th July,

The Minister of Customs (Rt. Hon. J. G. Coates), in introducing the Customs Resolutions, said that the complete overhaul of the Tariff would be one of the main tasks of the Session. The last general revisions took place in 1921 and 1927, so that in the ordinary course another revision could not have been long postponed.

Ottawa Agreement commitments.

Under the Ottawa Agreement, New Zealand, in common with the other Dominions, was committed to hold an inquiry

into the Tariff and, if necessary, to revise it in accordance with certain explicitly stated principles, *viz.*, that protection against United Kingdom products should be afforded only to industries which were " reasonably assured of sound opportunities for success " and, further, that protection should be on a level to enable the United Kingdom producer to compete " on the basis of the relative cost of economical and efficient production." Apart altogether from any Ottawa commitments, these were words that stated precisely the principles which, in their own interests, should govern the consideration of the Tariff.

Reason for delay.

Suggestions that undue delay had ensued in carrying out New Zealand's part of the Ottawa Agreement were absolutely without foundation in fact. The detailed tariff revisions which they undertook to make, and the removal of the surtax from United Kingdom goods, were carried through on the first day on which the British Government agreed that they could make these details known. The delay before the Commission of inquiry was set up was, again, at the explicit request of the British Government, who were anxious that their manufacturers should have every opportunity of presenting their case.

The Commission had discharged their undertaking with infinite care and capacity. Incidentally, they were able to bring down a unanimous report excepting on grain and motor vehicles. The Government's view was that only on the clearest and most substantial ground should there be any departure from the letter of the recommendations of the Commission. Final responsibility for altering the Tariff was not, however, conferred upon the Commission. It was retained by the Government, that was to say by Parliament. New Zealand had not adopted, and they did not propose to adopt, the procedure whereby control of Tariff rates was vested in a Tariff Board.

Tariff and world conditions.

It was impossible to consider the Tariff without having regard to world conditions and the alterations during recent years in the commercial and economic policies of the United Kingdom and other principal trading nations. Every day the probability of restoring the old pre-War world grew more remote. It was, of course, impossible for the Tariff Commission to foretell the future course of events. Instead, they did the useful and honest thing of making perfectly clear that their Report was based on the assumption that international trade would return to substantially its former condition. To the extent that the assumption did not prove to be warranted, they might, and indeed must in some instances, review some specific recommendations.

Tariff policy.

The policy of the Government might be stated as under :—

(I.) Development of local industry :—

(1) To accord protection only to those industries regarded as suitable to New Zealand ;

(2) To grant protection only to the extent necessary to enable local industries to function efficiently ;

(3) To give effect to the Ottawa Agreement so far as it relates to the New Zealand Tariff ;

(4) To give employment to their people ;

(5) To keep down costs of living and costs of production ;

(6) To admit raw materials for primary and secondary industries at as low a rate as possible.

(II.) To use the tariff for the purpose of maintaining and extending markets abroad for their products.

(III.) To encourage intra-Empire trade.

(IV.) To obtain revenue.

Development of local industry.

New Zealand had now reached a stage where regard must be had both to the primary industries and to those secondary industries conducted on an economic basis. Hitherto in New Zealand the method of assisting industries by means of subsidies or embargoes had been adopted to only a very limited extent and there were strong objections to both courses. The only other principal substitute for tariffs was the policy of quotas or quantitative regulation. New Zealand might yet be driven, as the result of action by other countries, to adopt that policy in dealing with its import trade, but in the meantime the method most suitable to New Zealand by which assistance might be given to industries was by means of the tariff.

Owing to the higher costs of production of many articles in New Zealand than in the United Kingdom and most other countries which sent goods to the Dominion, if some protection were not given many industries would be unable, under existing conditions, to operate on a satisfactory basis, even when allowance was made for freight, etc., from abroad.

Considerations governing grant of protection.

The number of persons engaged in the protected industries and the value of production were so large that it was advisable that certain industries should receive protection. Generally speaking, however, only those industries reasonably suited to their conditions should be protected. It did not seem likely that, in the near future, any considerable market would be found outside New Zealand for the products of their secondary industries. Hence the market would be limited by the local demand, and where there was only a small demand for an

article it would not, except in very exceptional cases, be economic to assist the manufacture of such an article by a protective duty.

The number of persons likely to be engaged in any industry was a very important factor in determining whether protection should be granted it, especially at the present time, owing to the existing large number of unemployed. The mere fact that an industry might employ a large number of persons was not, however, in itself, a warrant for the granting of protection at an abnormally high rate. For example, protection had for some years been granted to the motor body-building industry, at a relatively high rate, and yet during the last six years only 10½ per cent. of the bodies for motor cars used in the Dominion had been manufactured locally. Another point of importance in this connection was the cost to the community of the tariff encouragement.

Obligations of protected industries.

It was important that where an industry received protection it should manufacture a full range of the articles to which such protection was accorded and for which there was a considerable demand. The woollen textile manufacturing industry had received protection for many years in respect of all articles containing wool, except certain unions, etc. With the exception of silk mixtures, it had, generally speaking, adopted the policy of manufacturing only all-wool products. After quoting figures showing very considerable imports from the United Kingdom of fabrics made from wool mixed with other materials, Mr. Coates said this meant that, although the industry received protection for these products, they had not met the public demand by manufacturing them. In 1927, with a view to enabling these fabrics to be manufactured, the duty was taken off raw cotton and cotton yarn. If, after the expiry of two years, the manufacture had not been undertaken on a satisfactory basis, the Government considered that the question of withdrawing the protection with respect to these goods should be gone into. The general point was that when protection was granted there was an obligation on local enterprise to take advantage of the opportunity. It must, within a reasonable time, " deliver the goods," and this was the *sine qua non* of the continuance of protection.

Where an industry, notwithstanding that it had received protection, had been unable to operate on a profitable basis, that was *prima facie* a reason why protection should not be continued.

Need for competition.

It was only by competition, either internal or external, that prices would be kept at a proper level, but where there was an efficient local industry it should receive protection from unreasonable competition from combines or trusts operating outside New Zealand. If the local manufacturer were driven out of business the price to the consumer might be considerably raised.

The view of the Government was that protection should be granted to local industries only to the extent necessary to enable them to function economically and efficiently.

Effect of the Ottawa Agreement.

As pointed out by the Tariff Commission, the various Articles of the Ottawa Agreement should receive a generous interpretation, with a view to giving the United Kingdom manufacturer a reasonable opportunity of competing in the New Zealand market and at the same time to enable efficient and economic industries in the Dominion to operate satisfactorily.

Article 9 of the Agreement provided that United Kingdom manufacturers should have an opportunity of putting forward their views in connection with the inquiry. It was evident from the Report of the Commission that this Article had been carried out.

Costs of living and production; Foreign markets.

Owing to the depressed conditions through which they were passing, it was even more essential than formerly to reduce costs of production and costs of living. The Tariff, as proposed, made very considerable reductions in that respect.

Great changes had taken place in international trade during the last few years. The most important, so far as New Zealand was concerned, was the alteration which had taken place in the trade policy of the United Kingdom. New Zealand should make a strong effort to enter into negotiations with other countries, especially the highly industrialised countries, which offered possibilities for the disposal of her primary products. To do this, they should be prepared, subject to the Ottawa Agreement, to reduce foreign tariffs or to adopt quotas or other regulative devices in return for concessions for their products.

An arrangement was made last year with the Government of Belgium, under which concessions on certain of their primary products were made in return for reductions in the New Zealand tariff on certain Belgian goods.

Margin of British preference.

Under Article 10 of the Ottawa Agreement, New Zealand had undertaken to preserve the existing margin of preference on United Kingdom products where the margin did not exceed 20 per cent. *ad valorem* (or its equivalent) and,

where the margin exceeded that figure, not to reduce it below 20 per cent. without the consent of the Government of the United Kingdom.

Where reductions were now proposed in the British Preferential Tariff, the Government did not, generally speaking, intend to reduce the General (*i.e.*, foreign) tariff, so that they might be in a position to pursue negotiations with foreign countries along the lines indicated.

" Most-favoured-nation " arrangements: Japanese goods.

The " most-favoured-nation " arrangements with foreign countries to which New Zealand was a party had recently been subjected to a certain amount of criticism, and it might, in the light of altered trading policies of other countries, be necessary to review the position. With reference to the importation of Japanese goods into New Zealand and the steps being taken in the United Kingdom and elsewhere to deal with this matter, the view of the New Zealand Government was that the problem was one most suitable for negotiation between the two Governments.

An important matter for consideration was Article 12 of the Ottawa Agreement, under which preference granted to products of the United Kingdom were automatically granted to the non-self-governing Colonies, Protectorates, and certain Mandated Territories.

Intra-Empire trade; Benefits from Ottawa Agreement.

It was the settled policy of the Government to pursue every practicable avenue to increase trade between New Zealand and other units of the Empire, especially the United Kingdom. During the last 30 years the Dominion had accorded substantial tariff preference to the goods of Empire countries. For a long period this preference was on a voluntary basis and extended to all units of the Empire. Now, however, the practice was for preference to be arranged by definite trade agreements between the respective units of the Empire. New Zealand extended preferences on a very wide range of goods and, except for certain important revenue items, it might be said that where preference was not granted the goods concerned were of a class not commercially produced within the United Kingdom, or were essential raw materials required by the industries in New Zealand.

The advantages they had received under the Ottawa Agreement were too well known to require recapitulation. The Agreements with Canada and Australia had, on the whole, proved satisfactory. It was the intention of the Government to take advantage of every opportunity of extending the policy of making trade agreements with the other self-governing Dominions.

Revenue from Customs.

The amount received in Customs duty during the last financial year was £6,485,000,—about 38 per cent. of the total taxation revenue of the Dominion. Generally speaking, it had been found necessary to retain revenue duties at their present level. After consideration of the increases and decreases made in the rates of duty, and the probable increase in trade due to the stabilisation of the Tariff and the improved conditions generally, it was estimated that the effect of the modifications would be an increase of revenue of about £90,000.

Surtax and primage.

It was agreed at Ottawa that the primage duty at present imposed should be abolished as soon as revenue conditions permitted; but it was not at present possible to dispense with the revenue thereby received. Surtaxes had been abolished so far as the United Kingdom and non-self-governing Colonies were concerned, in accordance with the Ottawa Agreement. It was proposed, in the meantime, to retain the existing surtaxes for the purpose of negotiating agreements with other countries, as had been done with Belgium.

Wheat and flour.

Since 1927 New Zealand had had a sliding scale of duties on wheat and flour. This was the one item of importance on which the Tariff Commission failed to submit a unanimous recommendation. The majority of the Commission recommended the abolition of the sliding scale of wheat and flour duties and the substitution of flat rates of 1s. 3d. per bushel on wheat and £5 15s. per ton on flour, compared with the present level of 2s. 9d. on wheat and £7 on flour, based on Australian prices of 2s. 11d. and £6 7s. 6d. respectively. The other member of the Commission recommended that the duties be abolished as soon as practicable, by progressive reductions over a period of years. The Government, however, proposed that the sliding scale should be retained in substantially its present form. The removal of the protection given to wheat-growers would menace an industry New Zealand could not afford to have menaced.

Motor vehicles: result of preference.

The Customs taxation derived from motor vehicles was of importance from the viewpoint of revenue, and they were a class of manufacture in which they gave a special degree of British preference. Of the number of motor vehicles imported, the percentage from United Kingdom in 1929 was 15 per cent.; in 1930, 21; in 1931, 65; in 1932, 83; in 1933, 75 per cent. The Tariff Commission's recommendations covered:—

(1) Abolition of the differential duty between the complete vehicle and the chassis. This was intended to encourage the building of motor bodies in New Zealand. It had not succeeded.

(2) Imposition of a flat rate duty of 15 per cent. on all motor vehicles entered under the British Preferential Tariff. This would have the effect of reducing the advantage in duty obtained on vehicles imported "completely knocked down," for assembling in New Zealand.

(3) Increase of duty on motor-cycles, under the British Preferential Tariff, from the present 10 per cent. to 15 per cent.

From these recommendations the Government's decision departed in two respects: firstly, having regard to the desirability of encouraging the assembly of cars in New Zealand, they proposed that completely knocked down cars should be admitted at lower rates; secondly, by maintaining motor cycles at their former low rate.

Varying interpretations of Ottawa Agreement.

Mr. M. J. Savage (Leader of the Opposition) said the Ottawa Agreement appeared to have one basis for Australia and another for New Zealand. One found various instances where the present Australian Tariff was more than double the existing New Zealand Tariff and yet there was a proposal to further reduce the New Zealand Tariff.

He could only see one reason for a tariff—to protect New Zealand industries. The Minister made references to revenue from these sources. That was not the way to get revenue. It should be got from those who had money to pay it. Any form of indirect taxation fell upon the shoulders of those least able to bear it. They could not expand trade, either at home or abroad, until they expanded the buying power of New Zealand citizens.

Attack on secondary industries.

The Tariff proposals were a direct attack upon the secondary industries of the country. Tariff reductions were frequently referred to as a means of reducing the cost of production; that was another way of saying that they had to reduce their standards of living in New Zealand in order to compete successfully abroad. The manufacturer in New Zealand was entitled to protection and to expect that the Government was going to insist on conditions that would make it possible for him to carry out reasonable conditions as well.

Trade agreements.

There was no reason for the imposition of a tariff on things they could not produce in New Zealand; there was every reason why they should be imported free of duty, in exchange for things they sent abroad. That brought them definitely to the point of entering into agreements with other countries—in particular with other countries in the British Commonwealth.* They could not trade in any foreign

* *Vide* JOURNAL, Vol. XV., No. 3, p. 660.

country, or develop their trade with it, except at the expense of Britain, unless they were prepared to raise their buying power.

One part of the Minister's statement dealt with woollens. He (Mr. Savage) had been through the woollen mills of the Dominion and did not think they had anything at all to be ashamed of. They were employing thousands of New Zealanders, who were consuming their primary products, and it was more economic to sell their primary products to somebody in New Zealand than to somebody in Manchester or Eastern countries. He had also been through boot, biscuit and confectionery factories and seen nothing in any of them to be ashamed of. It was better to see New Zealand citizens employed in these places than on relief works. He was not going to say they ought to try to develop the manufacture of everything in New Zealand, but a considerable number of the items covered by the Tariff proposals were being economically produced in New Zealand, and of a quality second to none.

Mr. R. A. Wright (Independent, *Wellington Suburbs*) said he agreed with the Minister that an industry which had obsolete plant and was not producing its goods economically, and which could not compete with other parts of the British Empire, should not be bolstered up; but industries—and particularly young industries—which were being carried on successfully and were doing no injury to the Mother Country should not be exterminated.

Mr. A. Harris (Reform, *Waitemata*) said the Minister had referred to several industries, such as cement, boots, clothing and, to a lesser degree, woollen goods, as peculiar or suitable to New Zealand. It was difficult to determine what industries were peculiar to New Zealand. They had a population of only 1,500,000 and their conditions could not be compared with the Motherland. New Zealand manufactured goods must of necessity be priced on a higher scale.

Margin of British preference.

The policy of the Government was to retain British preference at about 20 per cent., generally speaking. Although they should foster Empire trade, they should not grant preference to too great an extent, because that reacted to the detriment of the consumer in New Zealand. The British manufacturer should not require a preference of 20 per cent. to give him dominance in the New Zealand market.

Mr. D. G. Sullivan (Labour, *Avon*) said the industrial population would read the Minister's statement with keen disappointment. One would have expected a bold policy of industrial development, but the Minister's policy ran in exactly the opposite direction. Not only were protection reductions to be made, but, if there was anything left of the secondary industries after that, it was to be the subject of negotiation with Japan and other Eastern countries, and, he supposed, Germany, as to whether still further tariff reductions were to be made in return for concessions in respect of their primary industries.

High exchange as additional protection.

Mr. C. A. Wilkinson (Independent, *Egmont*) did not agree that the proposed reductions were going to seriously affect the manufacturers of the Dominion, who not only were getting fair protection for their manufactured goods but were receiving the benefit of the high exchange, which was equivalent to a Customs duty of the same amount.

He was disappointed that no reduction had been made in the sliding scale of duty on wheat and flour, notwithstanding that they were responsible for a very large increase in the cost of the people's bread. Flour to-day was receiving a protection of almost 100 per cent.

Effect on revenue; Primary producers and costs.

Mr. W. J. Polson (Independent, *Stratford*) asked what difference in revenue the Tariff would make.

The Minister of Customs replied that it was hard to estimate. The lowering of the Tariff might bring about an increase in imports. If that happened there would be no considerable fall in revenue.

Mr. Polson said the statement mentioned that the modifications actually meant an increase of revenue under the Tariff of £90,000. If that was the case, he was unable to see what shock the secondary industries were getting. The shock would be rather to the primary industries. The primary producers had pinned their faith to the Ottawa Agreement as their one means of escape from disaster. In that Agreement they were told that the rearrangement of the Tariff would be on the basis of the relative cost of efficient and economical production and also that protection by Tariffs would be afforded only to those industries which were reasonably assured of sound opportunities of success. Those connected with primary industries had believed the effect would be to bring about that reduction of costs which was their only hope of salvation. When one realised, however, that the net result of the Resolutions was to be an increase of revenue of some £90,000, it was obvious that not much assistance could be given to the primary industries to recover through reduction in cost brought about by the amended Tariff.

Secondary industries and population.

Rev. C. Carr (Labour, *Timaru*) said the only way to absorb a bigger population was by developing secondary industries which would absorb more of their primary products in the way of foodstuffs for the increasing population and raw materials for their gradually increasing manufactures. They could only have the population by making jobs for them, and they could only make jobs by gradually developing industries, instead of giving them the knock-out blow they received in this document.

Mr. F. Langstone (**Labour**, *Waimarino*) said the favourable consideration granted to Great Britain had not always been of benefit to her. For instance, radio parts from Britain came in free. In 1930 the import value under this head from Great Britain was £21,533. There was a 25 per cent. duty on foreign radio parts, but £141,813 worth of such parts came in. If they were to allow the British manufacturer to insist that he must be taken into consideration in fixing their Tariff and to dictate as to what industries New Zealand might develop, he wondered whether those British manufacturers would agree to New Zealand manufacturers dictating what industries Britain should develop.

The duty charged by Canada on certain articles was from 100 to 139 per cent., while New Zealand's duty on similar articles ranged from 20 to 25 per cent. Australia in some cases imposed an absolutely prohibitive duty and most of her duties were at least 50 per cent. higher than those of New Zealand. Yet Canada and Australia came under the Ottawa Agreement just as New Zealand did.

Japanese competition.

Mr. R. Semple (**Labour**, *Wellington E.*) said the Tariff Commission would have been better engaged if, instead of bringing down proposals to strangle industry, it had submitted proposals to restrict those imports from Japan which were in open competition with British manufactured goods.

Mr. F. Jones (**Labour**, *Dunedin S.*) asked how did Australia comply with the Ottawa Agreement? In most cases the tariff was increased against the foreigner; but New Zealand was not prepared to do that. She took the sweated goods produced in Japanese homes and the Government was not prepared to divert that trade to Great Britain. New Zealand would not receive any more preferential treatment from Great Britain, who would not give them something she had denied to Australia, who she considered had complied with the terms of the Ottawa Agreement.

Farming as an "uneconomic industry."

Mr. Langstone said they were surfeited with primary production. If there was one industry that was uneconomic to-day it was the farming industry, and yet they had been trying to bolster up the wheat industry and other primary industries by way of exchange and other artificial forms.

The Resolutions were agreed to.

NATIONAL CREDITS AND CURRENCY BILL.

(Standard commodity prices; Purchasing power for consumers; Old-age pension as basis for monetary system; Creation of money.)

This Bill was introduced in the House of Representatives by Mr. H. G. R. Mason and read a first time on 3rd July. The Motion for Second Reading was defeated on 19th July.

The principal provisions of the Bill are as follow :—

'Standard commodity' is defined as meaning 'every sort of New Zealand-produced commodity,' and 'standard price' as meaning 'the average price for that period of seven consecutive years which falls wholly between the year 1914 and the passing of this Act, and for which the average price is highest' (*Clause* 2).

"The Minister of Finance shall in each Session lay before Parliament a report showing :—

"(A) What amount it would be necessary to place to the credit of producers of standard commodities to secure the same return to each producer as would have been secured to him had standard prices been realised during the preceding twelve months :

"(B) What amount it would be necessary to place to the credit of annuitants, pensioners, widows, blind persons, cripples, invalids, and those entitled to family allowances, in order to secure that they may be enabled to enjoy the same standard of living as the average inhabitant of the Dominion :

"(C) Whether the employment consequent upon expenditure of the amounts set forth in the preceding paragraphs will involve sufficient demand for goods and services to end involuntary unemployment and, if not, then at what lower age annuities and pensions should be paid or what higher amount should be paid to secure that involuntary unemployment shall cease :

"(D) Whether any change and what change may be necessary in taxation to secure that the amount of money withdrawn from circulation shall, after the circulation of the foregoing credits, be sufficient to maintain the value of the units of currency as constant.

"(E) What proportion of the time liabilities and what proportion of the demand liabilities of the banks trading in the Dominion it is necessary should be lodged with His Majesty's Treasury to secure that the currency of the Dominion may, by the foregoing credits, be caused to circulate continuously and be available for the sale and purchase of goods and services" (*Clause* 3).

DEBATE IN HOUSE OF REPRESENTATIVES.

On 12th July, on the Motion for Second Reading,

Mr. H. G. R. Mason (Labour, *Auckland Suburbs*) said the Bill went immediately to the chief problem of the present day—that of closing up the gap between production and consumption. There appeared to be no limit to the capacity for production of everything the modern world required, yet, perhaps because of that production under the contradictions of their present system, they had poverty and misery on a scale which perhaps had never existed before. If they asked why the people did not consume what was produced, the answer was that they had not the money. Yet a banker would say there was no monetary problem at all, the banks were full of money. Money under the present system might be available, but it was not available to the people who needed it, to the consumers. The consumers as a class had not been paid sufficient to enable them to purchase their production. The classes of consumers mentioned in the Bill were various, but amongst others they had people such as old-age pensioners. They could take the old-age pension system and expand it into a new basis for their monetary system. If they put money into the pockets of such people as old-age pensioners, they had a purchasing power which would clear the goods away from the shelves, thereby calling for the production of more goods, giving work to workers and circulating money amongst them.

Creation of money.

There was no difficulty about producing money when it was done through a bank. The banks created limitless money during the War. Always under that system a debt was incurred, and on that debt interest was paid, and they had the sort of national debt they had to-day—a debt which was never repaid, and never could be while the present system went on. The Bill said there was no reason why the State should not create money, but the essential point was that the money would be created for consumers. They were suffering from a lack of money. There was no reason why the lack should not be made up. Money in the bank and not moving might as well not be there at all. Money, under the present system, was nothing but a mass of debts, on which interest was accumulating. There was an essential weakness about that system, but the main weakness was that if they could not produce money except under the necessity of paying interest on it, they could not produce money for any purpose other than what were called "reproductive purposes." It did not matter how much in need people might be, or how much there might be of the things they needed—there would be no money for them to buy those things under their modern

system, unless some speculator could see the hope of investing money at a profit.

Inflation and deflation.

Coming to the quantity of money, the Bill established a standard. It said that the quantity should be regulated by the price level. At present it was regulated by the sweet will of the bankers, whose whole instinct was usually deflationary. Whenever there was a war there was first inflation, and afterwards deflation, and then there tended to be stagnation. The quantity of money could best be regulated by the statistician and the account he took of the index of prices. During the War nothing of the sort was done; there was inflation, and the amount of money in circulation was unduly big, causing money to lose value. It was not a matter of resorting to inflation, although that was not worse than deflation. It was a matter of maintaining a constant standard, and the Bill provided that that should be done, and that the quantity of money and the amount of taxation should be so computed and so balanced as to maintain the value of money.

Mr. F. Langstone (Labour, *Waimarino*) said they must find a way of putting money into the pockets of the people who needed it and would spend it. That surely was the only object of having money. Money that was not spent was dead and no good to any one. The Bill would put into the hands of the Government the legal instrument necessary for infusing income into the community.

Mr. R. A. Wright (Independent, *Wellington Suburbs*) said the banks did not create credit. If a bank wished to operate it must have a certain amount of capital. It did not begin with nothing and automatically create money.

Mr. Langstone: "What about the Commonwealth Bank of Australia? It started with no capital at all."

Mr. Wright replied that that was because it was backed by the Government of the country; no private bank could begin business in that way. The New Zealand banks were working under an Act of Parliament and dared not issue money for which they had no securities. The statement that banks created credit merely by writing a few lines in a book was a fable. They knew that in the United States of America some 8,000 banks had closed their doors. This would never happen if a bank could go on creating credit.

Mr. M. J. Savage (Leader of the Opposition) said that it was very clear that in the War period the banks did create credit, as the necessity arose. They raised £55,000,000 in New Zealand alone during the War. They never had that amount of money prior to that, and the banks never had that amount in the way of capital. The main thing they had to discuss was whether or not it was possible for them, as they continued to increase their production, to increase at the same time their buying power. That was the object of the Bill. Why was it not possible for them to do that ?

"Goods and services" as basis of currency.

If money was the only medium whereby goods and services could be exchanged, why should they harness it to some foundation that might have little or no relationship to the requirements of industry and of social services ? The common-sense thing to do was to harness the money system to the goods and services that money was brought into existence for the purpose of exchanging. The bankers giving evidence before the Inter-Party Committee had admitted quite freely that the machinery of banking was used to provide the money for the War. When he asked them if they would not provide the money now for the purposes of construction instead of for destructive purposes, they at once said they would—so long as the service of the debt was guaranteed. If the banks could provide that service so long as they were paid the interest and guaranteed the principal, why could not the State provide the service without paying interest ?

Monetary system: reorganisation or Communism.

Mr. A. M. Samuel (Independent, ***Thames*****)** said the Bill had no chance of going on the Statute Book. The whole House realised that. It was simply another gesture on the part of thinking people to the Government and the country that there was a way out of their difficulties. Until they could bridge the gap between production and distribution—and that could only be effected by a reorganisation of their monetary system—the world would never again enjoy a reasonable amount of comfort. A year or two ago 67 nations assembled under one roof for the purpose of finding a way out of the appalling conditions in which the present financial system had placed the world. No solution was found. Eventually the solution would have to be of an international character, but in the meantime each and every country had to set about solving its own problem. If they were not going to revert to the old system of barter or to risk the destruction of their present system, some reorganisation would have to take place. Otherwise the only two endings were communism and the destruction of the present monetary system, which would mean a levelling-down of everyone and the destruction of all the money in the banks.

Borrowing or creation of money.

Rev. C. Carr (Labour, ***Timaru*****)** said they had either to borrow money to pay interest on borrowed money and to pay back borrowed money, or else to create their own money. The Official Opposition had decided that there was going to be no more borrowing for New Zealand if they had any control. Why could they not create money independently of the banks ? It was just a restoration of the Crown's prerogative, surrendered many years ago to the Bank of England.

Mr. W. Veitch (Independent, ***Wanganui*****)** asked, if they were to issue fresh money, created on the credit of all the people of New Zealand, amounting to £20,000,000, and paid it to the farmers, what would the farmers do with it ? If they paid their debts, their creditors would take it to their banks as soon as they could. What happened then ? Did the bank take it to the Treasury and receive some form of credit for it ? The £20,000,000 compensated the farmer for his production during the year, but assuming conditions were the same the following year, they must then issue another £20,000,000, which would also find its way into the banks. If they were going to expand their currency at the rate of £20,000,000 a year with non-interest-bearing money, the banks would have to close their doors very soon. The situation confronting New Zealand and the world demanded more control of currency, but, he asked, how would this Bill control ?

Expansion not necessarily inflation.

Expansion of currency was not necessarily inflation. There was a "normal line" between deflation and inflation. The normal line which Britain was aiming at was the 1928 level of wholesale prices. On that basis their monetary system was in a condition of severe deflation, so that a properly controlled expansion of the currency, that would raise internal prices to that standard, was desirable ; but if they were to expand the currency each succeeding year by £20,000,000 as compensation to producers alone, and by another £2,000,000 or £3,000,000 for other things, they would soon need a wheel-barrow full of notes to buy a pound of candles. They must with the greatest care avoid, in their endeavours to solve their problem in New Zealand, the heavy expansion of their currency, if it was going to be merged back in the public debt, as President Roosevelt's schemes were undoubtedly doing. Britain, on the other hand, had expanded her currency very considerably, but in a very quiet way. It had been done by making credit cheap and abundant, and by putting the money into industry, thus reducing unemployment and increasing production by British manufacturers. He had the greatest admiration for the method adopted by Great Britain in conjunction with the Bank of England.

On 19th July,

Mr. C. H. Clinkard (United Party, ***Rotorua*****)** after quoting the remarks made by the representatives of France, Austria and Germany at the Monetary and Economic Conference of

1933, said the fact that all those who had tried inflation were averse to giving it a fresh trial should be a guide to them to be exceedingly cautious as to what action they took.

"Stabilisation."

Mr. J. A. Lee (**Labour**, *Grey Lynn*) said the Bill aimed solely—not at deflation or inflation—but at stabilisation—to give them for all time a guaranteed price for their commodities in New Zealand. The situation in Germany, to which Mr. Clinkard had referred, had no parallel at all with the situation in New Zealand. In Germany there was a shrinking in production, a dreadful lack of the necessities of life, and while the volume of goods was a shrinking factor, the amount of money was an expanding factor, and, in consequence, money became of no value whatever. To-day, goods were an expanding factor and purchasing power a contracting factor. The two situations were altogether different.

Labour proposed to use the policy contained in the Bill to advance their secondary industries, for any increase in the purchasing power of the people must inevitably foster secondary industries.

Criticisms answered.

Mr. Mason, replying, said Mr. Veitch had asked whether, when the money to be issued to the farmers reached the banks, the banker took the money to the Treasury. Yes. The Treasury would be like a central bank. The money would be lodged in the Treasury because the Treasury should have the power the banks now had. He did not want to hurt the banks in any way. They would probably lose something in the way of interest, but for such good services as they performed they would be paid.

An expansion of currency would not be inflation if there was a corresponding increase in production, and there was room, at any rate, for an increase of production to somewhere about what it was before the depression. It was not, as had been suggested, a question of issuing £20,000,000, or any number of millions, and not withdrawing them. It was a question of issuing such an amount as would raise prices to the pre-depression figure. How the hon. Member made out that an increase in currency meant an increase in the national debt he did not understand. In any case the increase in currency was not a big matter—a very few million pounds at most, according to past experience.

It was true, as had been pointed out, that the Bill only put everything in the form of a question, but it was intended to imply that, if those on the Labour benches had their way, the things suggested would be done—the money paid to those who lacked it.

The Motion for Second Reading was defeated by 37 votes to 21.

UNION OF SOUTH AFRICA.

The following summary is in continuation of that given in the last issue of the JOURNAL *(Vol. XV., No. 3) and deals with further proceedings of the Second Session of the Seventh Parliament which began on 26th January, 1934, and ended on 4th June.*

NATIONAL DEFENCE.

(Military training; Coastal defence; Assistance to British Navy; Union and defence of Africa; Manufacture of aeroplanes and munitions; Coloured people and transport battalion; etc.)

On 2nd May, in the House of Assembly, in Committee of Supply on the Estimates, Vote 23, "Defence," £1,114,334, the Minister of Defence explained the new Defence Scheme.

DEBATE IN HOUSE OF ASSEMBLY.

On 2nd May,

The Minister of Defence (Hon. O. Pirow) said that during the depression the Defence Vote was cut to an extent which threw its whole machinery out of gear and gave the minimum return on the money expended. With the return of better times the Government had to decide whether they should bring the Defence Force up to date or reduce it to the very modest requirements necessary for purposes of internal security. The latter alternative was possible only if they were convinced that there was no likelihood of a major war in their generation, or, if there were, that South Africa could definitely expect to keep out of it. Even an elementary appreciation of the international position and a glance at their geographical situation would show that no Government with any sense of responsibility could seriously consider reducing their defence provisions to police proportions.

With a white population of under 2,000,000—the non-European population being available only for non-combatant purposes—the extreme limit of their non-combative man power must be placed at between 150,000 and 200,000 men. Public opinion would probably not allow them to go further than the pre-depression expenditure of about £1,000,000 a year. Even this might be considered excessive but for the fact that it afforded, at good rates of pay, permanent employment to 2,150 European officers, men and clerical employees, and provided discipline, moral and physical, to a large proportion of the youth of the country.

Military training and resources.

First, they gave every boy the opportunity to learn to shoot at an age when he would look upon shooting as a game; later they had the opportunity of continuing and improving their shooting in a Defence Rifle Association. Secondly, over a four years' course, they gave each year 20,000 lads, aged between 14 and 17, a reasonably efficient training in drill, field work and the elements of tactics by means of a reorganised cadet movement. Thirdly, over a three years' course, they directed the whole of their Active Citizen Force training to the creation of men capable of handling machine guns and trench mortars with the object of multiplying the firing strength of the Forces. Fourthly, they brought into being coastal defences which could defy anything except a large-scale naval attack. Fifthly, they created a large reserve of good officers and really efficient non-commissioned officers to counteract, as far as possible, the effect of having a large proportion of their National Reserve, at any rate for some years to come, with only cadet training, or no military training at all. Sixthly, in connection with their Artillery and Air Force, they aimed at a standard of efficiency as regards both men and material which would make up for lack of number.

Lastly, they built up, in addition to a highly qualified permanent Headquarters and instructional staff and an adequate Intelligence Department, a general organisation which would enable them, in times of extreme national emergency, to render available for purposes of defence all reserves of raw materials and foodstuffs, all means of transport on land, by sea or in the air, and all engineering and industrial resources of the country.

Aeroplane manufacture in the Union.

After giving further details the Minister of Defence mentioned two technical matters which, he said, in time of war, when British factories would be fully occupied in supplying overseas requirements, might assume serious proportions. The first was the manufacture of aeroplane engines. He hoped it would be possible to induce British manufacturers to start such an industry in South Africa. The matter was, however, one of great complexity and involved the consideration of the manufacture of motor car and motor lorry engines.

He was emphasising that British firms might be able to do this because South Africa was flying with British engines, so far as war machines were concerned. It was obvious that if they wanted to carry on in time of war they must use engines of British design; that was why he was hoping, on grounds of commonsense and otherwise, that they might build them in South Africa. An engine-building industry, dependent

solely on military and civil aviation, would involve an impossible subsidy. Failing some such arrangement, the Defence Department would have to seriously consider the manufacture under licence of aero engines in its own workshops at Roberts Heights.

"This is not a very expensive item," the Minister of Defence added. "We build our aeroplanes there already, we do not just assemble them. We have the raw material available, and I think we may say we definitely manufacture aeroplanes in this country. It would take very little to turn out well-known British engines, such as the Armstrong and Rolls-Royce; but that would, of course, have to be done under licence."

The second matter of technical importance was the manufacture of small arms ammunition, and eventually of rifles and machine-guns, in South Africa. Such an industry would either be run by the Department direct or under strict departmental control. The matter was at present under investigation.

Coastal defence.

For obvious reasons he could not say too much about the proposed reorganisation of their coastal defences. With reference to any proposal for some direct contribution to the British Navy, he pointed out that without adequately fortified harbours and a sufficiently large land force to prevent landings at unfortified points, no warship was even comparatively safe. Without their coastal defences strengthened, as they would be by military aircraft, and the various active citizen forces available to co-operate with them, the African squadron would not be in a very comfortable position. Their annual expenditure on these services, quite apart from the past and future capital outlay, was little short of £200,000 sterling. He mentioned this because he would like their friends of the Navy League to realise that the question had two sides to it.

The Minister of Defence summarised the man power position, as it should exist at the end of five years, by saying that, including their permanent Force, they would have nearly 56,000 reasonably trained and disciplined men and a National Reserve of 100,000 riflemen; and there should be available the necessary military equipment, stores and organisation to train, arm, clothe and feed the whole of their National Reserve in reasonable stages of mobilisation. They should have a staff of highly trained professional soldiers capable of carrying out mobilisation with a minimum of delay and of taking the field and directing whatever measures of offence or defence might be necessary.

The actual increase in the Defence Vote proper, exclusive of civil aviation, was £367,472. In comparing this with the expenditure of 1933-34, however, the increase must be reduced by £170,000, the sum voted on additional estimates for 1933-34 as a contribution to replacement fund. The actual increase was in the vicinity of £197,500.

Responsibilities of defence: Navy and communications.

Brig.-Gen. the Hon. J. J. Byron (South African Party, *East London (North)*, *C.P.*) congratulated the Minister on his statement. The reason the Defence Force had not had public support was that the public had not been made aware of the reasons why it was required; nor had they been made aware as clearly as they should be of the duties and responsibilities of the country regarding its defence. He hoped that in five years' time, if the proposals were carried out, they might be in a more secure position than they were in to-day.

They must remember that while the commitments of the British Navy were even greater to-day than before, the naval strength had been considerably reduced. This meant that they must make every effort to relieve the British Navy, so far as they could, of some of its anxieties. Its main duty would be to maintain the line of communications. They knew what Great Britain's position was in that regard, and they must use every effort to make the bases of the Navy absolutely secure. They could go a long way by means of the development of aircraft.

Coloured people and special battalion; Naval contribution.

He welcomed the Special Service Battalion as one of the most important movements that had taken place in connection with the Defence Force. He hoped the movement would be extended, not for the reason alone that it would relieve unemployment but, in addition, that it tended to convert young men into useful citizens.

Hon. F. H. P. Creswell (Labour, *Belleville*, *C.P.*) said that for the defences of the country and the efficient training of its citizens they would have to face an annual expenditure of about £1,000,000. He hoped the Minister would not experience the necessity of having to make cuts in his Defence Vote later on, but would go on educating the public in the knowledge that if they wished to be secured in their defences, they must spend the requisite amount of money.

Mr. R. W. Bowen (South African Party, *Cape Town (Central)*, *C.P.*) said he felt that so large a section of their community as the coloured people of the Cape had a right to consideration when they suggested that a special service battalion, and all the privileges and benefits which could be gained from service with such a battalion, should be accorded to them. He would also like to stress their plea that some sort of active citizen force unit or training should be given to them. He asked the Minister to consider this opportunity for giving them the training they asked for.

Mr. L. Blackwell (South African Party, *Kensington*, *T.P.*) said South Africa stood in an exposed position. Most of their principal towns, except those on the Reef, were on the sea coast and open to attack from a passing enemy Fleet. He doubted whether the extra expenditure which the House was asked to vote would be adequate to secure the results spoken of. They had abandoned any pretence of running their own naval defence, and they had scrapped the last of that tiny Fleet that bore the flag of South Africa; thereby they had said to Great Britain: "We will provide you with a base and protect that base, but so far as the supply of men and ships is concerned we rely on you entirely."

Mrs. L. A. B. Reitz (South African Party, *Parktown*, *T.P.*) said she was a little perturbed at the possibility of bringing the private manufacture of arms into the country. It would be infinitely better to set up their own national munitions factory which could be controlled. If they had studied the League of Nations' deliberations on these matters they would see only too clearly to what length private manufacturers of munitions would go to sell their goods.

Mr. R. J. du Toit (South African Party, *Maitland*, *C.P.*) said he had wanted to make a special plea with the Minister on the lines Mr. Bowen had done with regard to the formation of a coloured service battalion. If the Minister did not consider it possible to form an ordinary service battalion similar to the present European service battalions, he might be prepared to consider the question of forming a non-combatant battalion to do work something like the work done by the Army Service or Army Ordnance Corps.

Mr. R. H. Henderson (South African Party, *Hospital*, *T.P.*) wished to correct the impression, which should not exist at all, that South Africa contributed towards the British Navy for a period of years, and then withdrew the contribution. The amount was £80,000, and the withdrawal took place on the wishes of the Lords of the Admiralty about 1924 or 1925. He wanted the Minister to settle it once for all in the House that the withdrawal was on a suggestion from the British Government. Rather than consider a reintroduction of the contribution, they should consider getting on to the same lines as other members of the [British] Commonwealth. He was not suggesting putting in battleships right away; but the time would come when Australia, New Zealand and Canada would have their own ships. If Australia had three ships, New Zealand had two, and South Africa had none, it did not seem to be a very happy position.

Coloured transport battalion.

The Minister of Defence, replying to Mr. Bowen, said he would like to point out that under their Defence Act nobody who was not of European descent was covered by the Act. He was not prepared to say that popular opinion was such that they should alter the Act, although he believed an alteration could take place by means of a Resolution of Parliament. He was prepared to consider the suggestion of Mr. du Toit, which he thought was an excellent idea; and although there was nothing on the Estimates this year, during the financial period from now until 31st March they would give due consideration to the possibility of creating something in the nature of a coloured transport battalion.

Land fortifications and naval defence.

Regarding the question of their contribution to the British Navy, the Minister said it seemed to him that they should not lose their sense of proportion in this regard. "The African Squadron which we have here," the Minister continued, "is not here for the purpose of protecting the coast of South Africa—for that purpose we have adequate coastal defence—but their object is to protect the merchant marine . . a matter of greatest importance to South Africa. . ."

"The real position is that the Cape Peninsula and . . the rest of the South African coast is an area of the very greatest possible interest to the Commonwealth as a whole. Circumstances may arise which may make the route *via* the Cape the main highway to India and elsewhere, and then the Commonwealth as a whole will have to rely very largely indeed on our land fortifications. That is the contribution by us, and it is a very substantial one.

"The fact that we do it primarily for our own defence might be the reply given; but the British Fleet was not, in the first place, built to protect South Africa . . [but] to protect British interests and incidentally we have the benefit: but we should not split up the question of Imperial co-operation and say 'see what we do for the Navy and see what they do for us.'"

The mere fact that they had in South Africa an adequate defence scheme, that young men were being trained to defend South Africa, that they had an adequate force to deal with any invasion, apart from the question of internal security, was very important, not only to themselves but to the other British Possessions in Africa.

"There is no obligation on us," the Minister added, "to defend any other portion of British Africa, but, speaking as I know South Africa, I cannot imagine that if any of our neighbouring States were subject to an attack, say, by a large native army, that the population of South Africa would not insist upon doing its best to render assistance. . ."

Withdrawal of naval contribution; Coastal defence: munitions.

"For us to contribute any cash payment to the British Navy," the Minister continued "and to try and have a fleet of our own may be a gesture, but nothing more; it is of no real value." Australia and New Zealand, the Minister added, had entirely different problems to face.

Mr. Henderson said he wanted the Minister to tell the House the condition under which the contribution of £80,000 per year was dropped.

The Minister of Defence, in reply, said: "In 1922 the Union Government agreed with the British Government that the contribution would be withdrawn and that we would undertake certain other obligations . . since then the matter has developed and we have gone further. We have not only carried out our obligations but we have decided to strengthen our coastal fortifications to an even greater extent . . we shall not only within the next few years carry out anything we have undertaken, but we shall actually add to it and very effectively so by the creation of these coastal squadrons [of bombing planes] which will be located at Cape Town and at Durban."

Replying to Mrs. Reitz, the Minister said he agreed that if the munitions factory was to be started by private enterprise, then in the interests of the European and of the native population the industry should function under the strictest possible control. He would not say at that stage whether it would be State-aided, whether it would be run exclusively by the State or merely controlled by them.

The Vote was put and agreed to.

COLONIAL STOCK ACT, 1900, DECLARATION ACT.

(British Government and right of disallowance of legislation: Union and abolition of right; Modification of conditions of Colonial Stock Act; Undertaking by Union to safeguard stockholders; etc.)

This Act ratifies a declaration made by the Union Government contained in the Schedule setting forth the arrangement arrived at with the United Kingdom Government for safeguarding the interests of stockholders, in lieu of a previous declaration made in terms of conditions prescribed under the Colonial Stock Act, 1900.

The Preamble to the Schedule states that whereas in terms of the conditions prescribed by the Treasury in the United Kingdom under the Colonial Stock Act, 1900, the Union Parliament had passed Act

No. 6 of 1913, and the Union Government had placed on record its opinion that "any Union legislation which appears to the Government of the United Kingdom to alter any of the provisions affecting the stock to the injury of the stockholder or to involve a departure from the original contract in regard to the stock would properly be disallowed"; and whereas the Union Government was desirous of abolishing the right of disallowance by repealing Section 65 of the South Africa Act, 1909, and the Government of the United Kingdom had undertaken to modify the Treasury conditions under the Colonial Stock Act, 1900, provided a suitable undertaking was given by the Union Government to safeguard the interests of stockholders; and whereas the United Kingdom Government had accepted the undertaking of the Union Government,

Therefore the Union Government declare as follows:—

"The Union Government undertake that legislation which appears to the United Kingdom Government either to amend Act No. 6 of 1913 of the Union to the injury of stockholders or to involve a departure from the original contract in regard to the stock shall not be submitted for the Royal Assent except after agreement with the United Kingdom Government. Furthermore, if attention is drawn to such legislation already passed by the Union Parliament the Union Government will take the necessary steps to ensure such amendments as may be requested by the United Kingdom Government.

DEBATE IN HOUSE OF ASSEMBLY.

On 25th May,

The Minister of Railways and Harbours (Hon. O. Pirow), in moving the Second Reading, said the passing of this Bill was not much more than a formality. The position in regard to the Colonial Stock Act, 1900, had been fully discussed on previous occasions in connection with the Resolutions of the Imperial Conference and also in connection with the Status legislation. The history of the whole matter was in the Schedule to the Bill. In the Status Bill they had laid down that no legislation of the United Kingdom would be of force in the Union unless the Union passed a similar Act* and now (in the Bill) it was provided that in connection with the securities no force could be taken away from existing provisions to the detriment of the holders of debentures.

This was not only in the interests of Great Britain but in their own interests; for the sake of the financial credit of the Union there ought not to be the least uncertainty as to the terms on which the security was issued. Nothing would do the credit of South Africa more harm than the mere possibility of their being able to interfere with the terms of debentures under which money had been advanced to widows, orphans and minor children. They had, therefore, given the guarantee by correspondence that in this connection no encroachment would be made. The Agreement at the end of the Schedule was entered into because British interests were concerned in the matter.

* *Vide* JOURNAL, Vol. XV., No. 2, p. 449.

Mr. C. W. A. Coulter (South African Party, *Cape Town (Gardens), C.P.*) asked what was the date of the Declaration referred to in Clause 1, what was meant by the word "record" in the Preamble to the Schedule, and on what date was the "record" created?

He found in the Bill, he said, a reversion to the theory that, after all, legal bonds were some good. The Minister was quite correct when he said that it was highly important to reassure oversea investors that their security, notwithstanding constitutional developments, remained in exactly the same position as before. Sixty per cent. of their National Debt was held by investors who had invested their money on the strength of the terms of the contract, and considerable doubt had been thrown upon the situation by various versions which had been given to the public recently as to the attitude of the Government on this head.

The Minister of Railways and Harbours said the undertaking was given certainly 20 or 25 years ago, and but for the passing of the Status Bill it would have stood indefinitely. Now that they were abolishing the right of disallowances they had to put something in its place, and they were putting in its place this contract. The British Government was satisfied with the Agreement and they wanted nothing added or subtracted.

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

SOUTH AFRICAN PROTECTORATES.

(Administration of Bechuanaland and Swaziland; Conditions in Bechuanaland; Question of transfer to the Union: Provisions of the South Africa Act; Attitude of British Government.)

On 25th April, 1934, in the House of Assembly, in Committee of Supply on the Estimates, Vote 4, "Prime Minister and External Affairs," £131,351, Mr. Du Plessis referred to the Protectorates of British Bechuanaland and Swaziland.

DEBATE IN HOUSE OF ASSEMBLY.

Mr. P. J. Du Plessis (Nationalist, *Bechuanaland, C.P.*) said he would like to learn from the Prime Minister what the objects and intentions of the Government were with regard to the Protectorates of British Bechuanaland and Swaziland.

Conditions in Bechuanaland.

Referring particularly to Bechuanaland, the extent of which was no less than 275,000 square miles (a territory as large as the Cape Province or as the whole of France, with a population in 1921 of 152,000 natives and 1,743 Europeans). Mr. Du Plessis pointed out that it swarmed with big game and was a breeding place for vermin. The seat of administration was in Mafeking, and it was strange that it should fall outside the territory. In 1931-32 the Revenue was £106,636, Expenditure £162,495 (the last available figures), and the British Government recently had to contribute a sum of £170,000 to assist in covering the expenditure.* As for conditions, Dr. Drummond Shiels, a former Under-Secretary for the Colonies, said at a recent meeting of the Royal Empire Society that "Bechuanaland was riddled with social disease," while Professor MacMillan of the Witwatersrand University had expressed the view that

it would be a grand betrayal if the Protectorates were handed over to the Union, but that economically they were worse off than if they were to come under the Union . . if the conditions became worse they would have a shattering effect on native experiments further north.

Sir Abe Bailey, referring to this statement, said that Prof. MacMillan evidently did not realise—

"that these Protectorates, besides exporting diseases and locusts, export cattle, tobacco, wheat, wool, maize, mohair and dairy products, all competing with the farmers of the Union. The British Government will soon be faced with the fact that the Union Government will take action under the South Africa Act and present an Address from both Houses of the Union Parliament asking for transfer of the government of these territories, as new measures of administrative and economic development are urgently required."

Speaking from personal knowledge of conditions on the northern boundary of the Union, Mr. Du Plessis said this area, covered with bush so thickly that one could easily lose one's way in it, was simply open, without any wire fence of any kind, and the big game and beasts of prey walked about to their hearts' content. The Malopo River, which provided the best grazing for the farming population, was dry for the greater part of the year; the Government had had great expense in preventing foot-and-mouth disease entering the Union from the territory; and the people, who had to assist in fighting the diseases and pests, had even suffered from hunger. The fact that in the Union they were still saddled with the terrible pest of locusts was to a great extent due to their having no control over the Protectorate, as the locusts hatched out there and came across the border. In the Cape Province alone thousands of pounds were spent on the extermination of vermin.

* *Vide* JOURNAL, Vol. XIV., No. 3, pp. 488-490. The deficit in the Budget for 1933-34 amounted to just over £170,000; but the amount asked for in the Supplementary Estimate was £140,000.—ED.

Another aspect of the matter was trade. The districts in the north of the Union were quite inseparable from the trade with the Protectorate. Traders of Mafeking and Vryburg found that the prohibitions against the importation of products and animals from the Protectorate made it impossible for them to carry on that trade. The Commissioner was doing his best with the small means at his disposal in difficult and terrible circumstances.

Incorporation provided for in the South Africa Act.

The Union had every provision in the South Africa Act, Section 151, and in the annexure which allowed them to take steps to incorporate the Protectorate in the Union. There were people who would say that the natives would then meet their end; but he would point out that by virtue of the annexure to their Constitution there was proper protection for the native, and possibly the protection which the Union would grant him was better than that which anyone else could possibly give.

The Prime Minister (Gen. the Hon. J. B. M. Hertzog) said they were actually given the native territories on the passing of the South Africa Act in 1909. "All that was necessary, as laid down in Section 151, was for the two Houses of Parliament to pass a Resolution to address a petition to His Majesty the King to hand over those territories to us. Then that could have been done by His Majesty in accordance with the provisions of the Schedules annexed to the Constitution.

"For a considerable time thereafter nothing was done in the matter . . and in 1925, after the Nationalist Party came into office, a request was addressed to the British Government drawing its attention to the fact that in the opinion of our Government the time had come to take action under Section 151. . . The Government, however, did not go to the length of coming to Parliament to get an Address to the King. . .

Correspondence with the British Government.

". . it must be clear to everybody that it has become time for us—or rather that the time if it has not yet come, and in my opinion it has, cannot be far off now—that both Houses of Parliament should be asked to send such an Address to His Majesty. . .

" . . A letter was written by the Government in 1925 to the British Government stating that the time was now approaching to obtain cession of these territories. The British Government replied at the time that certain promises had been given from time to time, *inter alia*, to the Parliament of Great Britain, when the Constitution was passed in 1909, that a certain line of procedure would be followed both in regard to the Parliament of Great Britain and in regard to certain native Chiefs, and that those promises would have to be fulfilled before the request for transfer to the Union could be complied with.

"We felt at the time that it would be unreasonable to expect or to demand of the British Government that the transfer should take place unless the promise to the Parliament of Great Britain was fulfilled. Therefore, we were prepared to give the British Government a reasonable time to put everything in order before carrying out what was promised to us in 1909. I may say that the right of the Union of South Africa to get cession of the native territories has never yet been questioned.

"Things went on, and from time to time we brought the matter personally and in other ways to the notice of Ministers in England, but we have never yet managed to get the matter settled. Recently, when . . the Minister of Finance, the Minister of Railways, and the Minister of Justice were in England for the Economic Conference they made personal representations to the Minister concerned about it, and a Memorandum was handed over to him which strongly urged that the time had come for the transfer of these territories to the Union. . .

"I recently received a letter from the English Minister in question which stated that the time was not now convenient for the British Government to grant the request. That is how we stand to-day, and I want further to inform the House that I am on the point of addressing another letter to the English Government insisting that the matter in relation to the granting of the request for the handing over to us of the territories cannot be much longer postponed. As the hon Member for Bechuanaland (Mr. Du Plessis) said this afternoon, the state of affairs of late in the territories has become fairly serious in the sense that more and more pressure is being exercised, and will be exercised, for the taking over of the territories. It will soon become imperative for them to be handed over. . .

Position of natives.

"When we notice that the almost exclusive field of employment for the natives in these territories is the Union, and that they are allowed to have the same footing in the Union as Union natives, and to enjoy all the rights of Union natives, and often push the Union natives out of their fields of employment, then it is clear that it will be and it has become inevitable that the transfer to the Union should be made in order to prevent the feeling, which is already in existence, against the granting of privileges to those natives who to-day have no rights in the Union making itself felt more strongly, a thing that would inevitably result in harm to the natives of those territories.

"I want to point out that Professor MacMillan and other persons who think that they are upholding the interests of the natives in that way, should understand that those territories are treated on the markets of the Union as if they were integral portions of the Union, as if those natives were living in the Union. I want to assure them that the pressure which has already been exercised on the Union Government to allow that to continue no longer is increasing to such an extent that I doubt whether any Government could continue much longer to resist that pressure, unless it could give the assurance that the transfer would take place within a reasonable time. . .

"It is clear that when we are dealing with foot-and-mouth disease, or other stock diseases and pests, there must be a united policy and control in the Union and in the territories, otherwise the Government cannot counteract the dangers to the Union properly and energetically. . . The British Government has never yet given a reply from which it could in the least be inferred that it was unwilling to hand over the territories to us. . . Opportunity [to fulfil the promises] will not make itself unless steps are taken by the British Government to bring it about. . . I hope that if we approach the British Government once more about the matter that they will set about taking the necessary steps. . .

"I think," the Prime Minister concluded, "that at this stage there is nothing to be served by talking further on the matter, because before we do that we shall be called upon to submit the matter formally to the House as laid down in Section 151 of the Act, and to send a respectful Address to the King. I think that as long as we do not do that we cannot formally complain of Great Britain not being prepared to hand over the territories to us. I think there is no reason to expect that the British Government would not be prepared, as soon as circumstances permit, to hand over the territories to us."

The Vote was agreed to.

THE BUDGET.

(South African Mint; Unemployment: Labour Party and Government policy; Income tax concessions; etc.)

A summary of the Budget Statement was given in the last issue of the JOURNAL (*vide* Vol. XV., No. 3, pp. 704-709). The following is a summary of speeches made during the subsequent debate.

DEBATE IN HOUSE OF ASSEMBLY.

On 16th April,

Mr. J. F. T. Naudé (Nationalist, *Pietersburg, T.P.*) raised the question of the Mint in South Africa which, he said, according to Act No. 45 of 1919, was a branch of the Royal Mint in England. Under that Act they had to pay £40,000 annually to the English Government for salaries and other current expenditure in connection with the Mint. Since its establishment, up to last year the revenue of the Mint had amounted to £1,170,000; the total expenditure, including the capital invested in machinery and building, was £662,000, leaving a profit of £508,000. Under the Act, £319,000 had been paid out to the British Government for salaries, etc.

They now had the peculiar position that they had to pay for an institution established in their own country which only minted their own coinage. In the past the argument had been used that it should be a branch of the English Mint because they minted English coinage; but to-day that was no longer the case, and gold coinage was only exported so far as the interests of South Africa required it. Why they should continue to have a branch of the English Mint he could not understand. The officials were appointed by the Deputy-Governor, who again came under the Governor in England, who was appointed by the British Government. Even the books and accounts were controlled from England, and their Auditor-General had no say in connection with the Mint.

Labour Party and unemployment.

Hon. W. B. Madeley (Labour, *Benoni, T.P.*), who moved a comprehensive Amendment advocating the abolition of food taxation, the power of trusts and combines over food and finance, the establishment of a national minimum standard of living, the elimination of unemployment, etc., said this indicated the clashing of the policy of the Labour Party as against that of the Government.

He asked the Minister of Finance and the Prime Minister what had become of the determination expressed by them several times regarding their attitude in the event of the country going off gold? The Minister had on several occasions said, and had been backed up by the Prime Minister, "If I have to accept the position of going off gold I will resign." So far from resigning, they had secured themselves more firmly than ever in the saddle. The Minister of Finance gave them a surplus of £6,000,000, after having returned to the gold mines very generously the little surplus that existed over the estimates of profit; and after liquidating the accumulated deficit in the Treasury the Minister of Finance told them that £4,500,000 Revenue in excess of Expenditure was now to be thrown on

the floor of the House to be divided among the people of the country. That surplus was almost entirely due to the fact that they went off gold.

Proceeding, Mr. Madeley pointed out how the Government proposed to deal with unemployment in a land blessed with every opportunity of providing not only necessities but luxuries for every man, woman and child. There was a surplus of £4,500,000 after the return of over £1,000,000 to the gold mining industry; and that, as the Minister of Finance had told them, the gold mining companies of Witwatersrand had had, owing to the enhanced price of their products—a gross extra return for less than 12 months of £19,000,000. He accepted the statement of the Minister and of the Chamber of Mines that in an ordinary 12 months, owing to additional taxation, the terms were reduced by at least £9,000,000. That left a surplus of profit, because every pound additional was profit, and that meant 100 per cent. advance upon their usual annual profits—in other words, twice as much profit as ever before had been made by gold mining companies owing to fortuitous circumstances and the kindly act of the Government.

Bearing this in mind, and also that 38,000 Europeans demanded their timely attention, these people had apportioned to them for the relief of their destitute condition the sum of £435,000, being less than £500,000 of this net profit to the State and of the net additional profit of £10,000,000 that had been allowed to go to the gold mining companies. In addition, the Government proposed to set aside £500,000 out of Loan Fund. The total amount (£935,000) was intended to provide employment for between 12,000 and 15,000 people. For 12,000 people it worked out at £1 10s. per week for a man to keep himself and his wife and family on.

Income tax concessions.

Mr. G. S. Bouwer (Roos Party, *Boksburg, T.P.*), referring to income tax concessions, pointed out that they had a European population of nearly 2,000,000. Of these, only 73,000 were income tax payers. Of these 73,000, half had incomes of less than £500 per annum. The total income tax paid during 1933 by incomes between £300 and £500 was £159,790, whereas the total normal tax assessed during the year was £4,384,305. The famous 20 per cent. cut, therefore, represented unparalleled generosity to the vested interests, as represented by 35,000 of their more fortunate citizens. Did the country realise that the total concessions under this head, based on the figures of 1933, were only a beggarly £78,000, and that the average concession per taxpayer on incomes up to £500 amounted to little more than £2 per head? The great mass of their population who were too poor to pay income tax got practically no relief at all from the heavy burden of indirect taxation; 35,000 of their middle class people were relieved of £78,000 in income tax; and the balance of over £750,000, figuring under the head of "income tax relief," went to those who, in the majority of cases, did not require any relief at all.

On 17th April,

The Minister of the Interior (Hon. J. H. Hofmeyr), referring to the Government's social policy, spoke of the provisions which were being made for health services, etc., in rural districts.

Housing; Coloured community in industry.

In regard to housing, they were going to expedite slum clearance by introducing a Slums Bill; secondly, they had reduced the rate of interest on housing loans to 2 per cent. in the case of sub-economic houses; thirdly, they had increased their commitment on sub-economic housing to £1,000,000. Given the co-operation of housing authorities, they should be able, within the next few years, to make substantial inroads on the slum problem.

Referring to the changes which had taken place affecting the position of the Cape coloured community, the Minister said it was the Government's desire to assist this community in the process of finding itself and developing as a self-conscious unit, and to obtain such information as would be useful in the shaping of policies having a bearing on that problem. To this end the Government had decided that an investigatory body should be appointed at an early date. They had recently had similar investigations into the position of the poor white and the native. The investigation would deal with the economic position of the coloured community in urban industry, having regard to its relation to the European worker and to the competition of the organised native; and would also have to take account of the effects on its position of industrial legislation.

Contribution to the Navy.

Mr. G. C. van Heerden (South African Party, *Queenstown, C.P.*) said one of the most pleasing features of the Budget was that the Government had utilised their surplus in paying off debt. In that respect they had set an excellent example which might well be followed. He thought it would be a fine gesture if at this time of prosperity the Government would make a substantial contribution to the British Navy. They must admit that but for the protection they got from that Navy all the exports they got in time of trouble would be in jeopardy.

On 23rd April,

The Minister of Finance (Hon. N. C. Havenga), in replying to the debate, referred to the Royal Mint, and said that when it

was first started the policy then laid down—that British sovereigns should be minted there instead of a distinctive South African coin—was undoubtedly, in the circumstances then obtaining, in the best interests of the Union. The British sovereign was accepted everywhere, whereas the South African coin would have been of little use except for internal circulation. The conversion of the Mint to be a South African concern might come about eventually, but consideration of the question would have to wait until currency matters had become more settled. From the financial point of view there would be no difference from what obtained now. The annuity which was paid to the British Government just equalled the cost of minting operations, which would have to be paid in any case. The money did not go out of the country but was used for paying the staff who did the work in South Africa.

At the conclusion of the debate, on the question being put, as fewer than ten Members voted against it, the Speaker declared it affirmed, and the amendment proposed by Mr. Madeley dropped. The original motion was agreed to, and the House went into Committee on the Estimates.

IRRIGATION CAPITAL REMISSIONS.

(State responsibility for irrigation; Considerations for the future.)

On 29th January, in the House of Assembly, the Minister of Lands moved that a Select Committee on Irrigation Matters be appointed, which was agreed to and, later, he introduced a Motion for the remission of the capital amounts and interest in respect of certain specified irrigation schemes. This was ultimately referred to the above Select Committee.

DEBATE IN HOUSE OF ASSEMBLY.

On 29th January,

The Minister of Lands (Col. the Hon. D. Reitz), moving that the House, in pursuance of the provisions of Paragraph (*a*) of Sub-section (1) of Section 12 of the Financial Adjustments Act of 1928,

"approves of the remission of the capital amounts and interest in respect of the irrigation schemes mentioned in the subjoined Schedule."

said experience had taught them that irrigation schemes could no more be expected to show a profitable cash balance than could the construction of a road, bridge, or public building. The people of Holland, who had to build expensive dams to safeguard themselves against the inroads of the sea, did not debit the people immediately living behind the dykes with the entire cost of the work; they debited the whole of the people. In South Africa they had to build dykes and dams to keep out the inroads of the desert and to conserve their water; but they had been debiting the unfortunate irrigators living below these works with the entire cost of construction. These people could not bear that enormous burden. The Government was accordingly faced with two alternatives: either they had to close down on irrigation altogether, or schemes would have to be liberally subsidised by the taxpayer. They had no hesitation in adopting the second alternative. In future all schemes would have to be liberally subsidised by the State.

New policy of State.

This Motion, the Minister of Lands continued, was not so much a write-off as the first instalment of a policy of State subsidy of irrigation work, and he anticipated that the subsidies would range from 50, 75 to 100 per cent. He hoped that no request would be made to refer it to a Select Committee. The bulk of the cases had already been before the Select Committee, and with one exception they had all been dealt with by the Irrigation Commission, of which the Motion was, in the main, the result. All the schemes were board schemes. Local irrigators formed themselves into a board and approached the Government. The indirect value of these schemes to the State was considerable and the indirect benefits were innumerable.

Mr. S. P. Le Roux (Nationalist, *Oudtshoorn, C.P.*), who seconded the Motion, said the Government was giving effect to the announcement made in the House about two or three years ago by the Minister of Irrigation, that in future it would not be primarily inquired whether the irrigators were able to pay interest on the capital amount spent but rather whether the general benefit of such a scheme to the country justified it. There were, he added, special circumstances in connection with the different schemes which made separate legislation necessary.

Mr. C. W. A. Coulter (South African Party, *Cape Town (Gardens), C.P.*) said the Minister proposed by an entirely new principle to write off £1,700,000, subsidising, in addition, an amount of interest which might or might not be £500,000. This was unsound finance, and the House would be wrong to do such a thing on the entirely inadequate information before them. If these proposals were put before them by means of a Bill, thousands of details would be discussed by the House if it were to discharge its duty. If they passed the items now they did not know the actual length to which this scheme would carry them. He proposed that the Resolution be referred for consideration to the Committee appointed that afternoon.

Col. C. F. Stallard (South African Party, *Roodepoort, T.P.*), who endorsed the proposal, said he believed the Minister would get both sympathy and help from every Member of the House if the proper occasion was offered to do so.

The vote they were going to take might be a foretaste of a very much larger vote in respect of other schemes not mentioned in the Schedule; and on these grounds he urged that items of this kind should not be voted through under most unusual powers without the House having very much better information, and without very careful consideration as to where the vote would land the country.

The Minister said he would be prepared to recommend subsidies up to the extent of 100 per cent. of the total cost of future irrigation schemes: that would be making irrigation a national concern, and if the Government was committed to carrying out irrigation on the basis of the State paying the whole cost, it would be difficult to resist the argument that the State should be the owner of the land which was to be irrigated.

On 1st February, on the motion of the Minister of Lands, the Resolution was referred to the Special Committee on Irrigation Matters appointed on 29th January.

UNEMPLOYMENT.

(Government scheme: Soil erosion project; Afforestation settlements; Irrigation; Public works; etc.)

On 9th May, in the House of Assembly, in Committee of Supply on the Estimates, during the debate on Vote 27, "Labour," £543,656, a discussion took place on unemployment.

DEBATE IN HOUSE OF ASSEMBLY.

Mr. H. G. Lawrence (South African Party, *Salt River, C.P.*) said the Minister of Labour and the Government had laid down a policy, long overdue, which would not only stem the drift from the country to the towns but would try to help those people who were compelled to come into the towns in a time of depression to get back to the country districts. He wanted also to thank the Ministers of Mines and Finance for their wise policy in so holding the balance between capital, as represented by the mines, and the people of the country, as to allow the mines to continue their policy of expansion and provide extra employment. By their industrial policy also the Government had stimulated employment, and they had inaugurated the Special Service Battalion to assist the younger men, one of the finest schemes that had ever come from a Government.

They were passing through a transitional period, and probably in a year or 18 months the position, if it improved at the present rate, would be very much better. The wheels of commerce and industry were going round more smoothly, the mining industry and other industries would absorb people, and a large number of the unemployed would get into work. But in the meantime there were families who, if not actually starving, were enduring great hardship.

Wage Act; International Labour Office.

Mr. D. C. Burnside (Labour, *Durban (Umbilo), N.P.*) criticised the Government's "five shillings a day policy," and said there were a great many relief workers who were not getting even that. The Labour Party contended that every man willing to work should be enabled to work, and should receive a recompense sufficient to keep him on the civilised standard of life. He was pleased to hear that the Minister of Labour proposed appointing a Commission to investigate the evasions of the Wage Act and that he proposed to include the question of the economic relationship between the coloured and the Europeans; but he could not see why Asiatics had been excluded. If there was one thing he felt happy about it was that there seemed to be a general desire among the population that the Wage Act should be rigidly enforced.

Mr. P. V. Pocock (South African Party, *Pretoria (Central), T.P.*) drew attention to the way Labour had reacted to the International Labour Office at Geneva and to the steps that had been taken to enforce the Conventions. Since that Office was created some 33 Conventions had been passed at various Conferences. Of these, which were supported by the official representatives of South Africa, the Government had so far accepted only four, those on unemployment and night-work for women (1919); equality of treatment in accidents (1925); minimum wage (1928), and a conditional ratification on transport on vessels. Since 1924 there had been a Labour representative in the Government holding a portfolio. Only two Conventions had been ratified—equality of treatment in accidents and minimum wage; the other was a conditional one. When Labour held the balance of power in the Government, why did they not put into practice some of the principles they were advocating? It was required that all these Conventions should be brought before the Parliaments of the various countries. None of them, with the exception of the three ratified, had been brought before that House.

Responsibility of municipalities.

Mr. W. H. Rood (Nationalist, *Carolina, T.P.*) said it was a wrong idea, which was gradually establishing itself, that the Government must assist everybody. Other bodies must do their duty. The time had come to review the whole matter, and make certain industries realise that if they did not employ their *pro rata* share of white people they would not receive 100 per cent. protection. The time had also come for the Government to teach the municipalities, who in many ways got assistance from the Government through the provincial administrations, that they must contribute their share.

As long as they did nothing in connection with the type of people who did not want to work and did not see that they were eliminated, it was useless to talk about unemployment and its solution.

Mr. M. Alexander (South African Party, *Cape Town (Castle), C.P.*) said the unemployment problem was more acute in other countries than in the Union. One wanted to see more done, but it was futile to deny that the Government were doing a great deal. Comparing the figures year by year up to March and April of this year, they would find that more and more were being employed.

Dr. E. P. Baumann (South African Party, *Rosettenville, T.P.*) said that since the Juvenile Act of 1921 was passed they had had increasing legislation of a social character bearing on unemployment and wages, especially in respect of juveniles; but this was the first time that a proposal had been made by the Minister concerned to call a halt to inquire what were the direct effects of such legislation. The terms of reference laid down for the proposed Commission were admirable; they covered the whole of the ground.

Dr. Baumann said the Minister had announced in March that a Social Bureau would be established. He understood that delay arose from a dispute as to which Department should conduct it. The Bureau was necessary for purposes of research and for advising with regard to the co-ordinating of social measures, and he suggested that the Minister should appoint a small Committee or Commission to inquire into the matter.

On 11th May,

The Minister of Labour (Hon. A. P. J. Fourie) mentioned the schemes for the supply of work on the countryside which he had discussed on previous occasions, and referred specifically to the soil erosion scheme, in connection with which the Soil Erosion Committee had estimated that in the course of the year it would be possible to make provision for farming and for the unemployed for about 3,000 people; the extension of afforestation settlements; and irrigation works, in connection with which they would be able to place, at least, 6,000 people.

Regarding provision the Government was making for unemployment in the rural and urban areas, the Minister of Labour said their Loan Vote expenditure totalled £14,026,000. This included £4,000,000 for the Land Bank, leaving for works something like £10,000,000. From this sum they had made available for work of an employment-giving character £7,611,000. He did not think the Government could for a moment be charged with neglecting the unemployment position.

The Loan Vote for Railways and Harbours was £1,000,000, the bulk of which would be spent on employment for the unskilled, skilled and semi-skilled. Of the Public Works Loan Vote (£1,255,000) the bulk was for employment. They had a Loan Vote, £675,000, for telegraphs and telephones; £194,000 for lands and settlements, to include development work and erection of buildings for land and irrigation settlement; irrigation, £1,167,000; and loans to provincial administrations for capital expenditure, £919,000—an increase over last year of £345,000. Practically all this money would be for work of an employment-giving nature. Next, they had housing loans, £600,000; loans to universities for buildings, £6,500; forestry (including the laying-out of two new settlements), £339,700; development of fishing harbours, £22,000. In his Department there was a Loan Vote of £500,000, to be spent on labour.

There was also provision for Departmental Services: Defence, for the Special Service Battalion, £60,000; agriculture, £135,000; irrigation, £3,000; public works, including alterations and improvements to public buildings and ordinary works, £300,000; for the Labour Department for soil erosion, the bywoners' scheme, and for subsidised labour, £435,000; a total of £7,611,200. Out of the total Loan Vote of £1,255,000 for Public Works, £860,000 would be expended in the nine big cities of the Union.

Regarding the Government payment of 5s. or 6s. a day for relief work, the Minister said he did not think the artisan was getting that. They were not going to perpetuate unemployment, but they were endeavouring to get people away from relief work, and he had asked all local authorities to take their present relief workers on to their permanent regular service on a definite basis of subsidy payment by the Department. If Members would assist they would get them all to come into line.

After further discussion the Vote was put and agreed to.

IRISH FREE STATE.

The following summary is in continuation of that given in the last issue of the JOURNAL (*Vol. XV., No. 3*) *and deals with further proceedings of the Sessions of the Senate and the Dáil which resumed on, respectively, 17th and 31st January, 1934.*

INTERNATIONAL CONVENTIONS.

(Suppression of Counterfeiting Currency; Circulation of Educational Films.)

On 19th July, in the Dáil,

The Parliamentary Secretary to the President of the Executive (Mr. P. J. Little) introduced the following Motion:—

"That the Dáil approves of the International Convention for the Suppression of Counterfeiting Currency and Protocol, signed at Geneva on the 20th day of April, 1929, a copy of which was laid on the Table of the Dáil on the 18th day of July, 1934, and recommends the Executive Council to take the necessary steps to accede to the said International Convention and Protocol."

This was agreed to without a division.

DEBATE IN THE SENATE.

On 19th July, in the Senate, a similar resolution for approval was moved by the Minister for Lands.

Reference to Court of International Justice.

Senator Thomas Johnson asked whether ratification of this Convention would involve any new legislation, as that might raise a question as to whether they should bind themselves to the Convention without knowing its effect upon their legislative prospects. A second matter also arose. Article 19 in this Convention, and also Article 11 of the Convention concerning the circulation of educational films, provided that

"the high contracting parties agree that any disputes which might arise between them relating to the interpretation or application of this Convention shall, if they cannot be settled by direct negotiation, be referred for decision to the Permanent Court of International Justice."

The Signatories to the Convention included amongst others, "His Majesty the King of Great Britain, Ireland and the British Dominions beyond the Seas, Emperor of India: for Great Britain and Northern Ireland" and "for India." None of the other Dominions were so far included in the Convention as originally signed. But Article 19 raised a question as to whether the adhesion of the Free State or any other

British Dominion since the signing of this Convention obliged the British Government to refer any matter which might be in dispute to the Permanent Court of International Justice. There was no reference in this Convention to any reservation regarding disputes *inter se*. Consequently, the Senator assumed that adhesion to this Convention by the Free State Government would make it obligatory upon the British Government to refer any dispute which might arise, respecting this Convention, with the Free State or any British Dominion which might ratify it, to the Permanent Court of International Justice. The Senator thought it would be valuable in other matters by inference to get that matter plainly stated. One would wonder whether other disputes touching other matters not exactly dealing with currency, but dealing with finance, could not be referred to the International Court.

Senator Henry Guinness said he assumed that the Convention was to deal with cases of counterfeiting currency in countries other than the country whose currency was counterfeited. If there was no agreement between the different countries it would not be easy to deal with such an occurrence. A large number of Irish notes might be forged abroad and it was necessary to have a Convention of this sort by which the countries concerned could in a friendly manner deal with such matters.

The Minister for Lands (Senator Joseph Connolly), in reply, read the text of the Convention stating that it had already been definitely accepted by 17 States. Replying to Senator Johnson, he said that Article 19 covered their position in the matter; but even without it they could go to the Permanent Court because of their agreement to the Optional Clause. The Minister would not say, at the moment, how this particular issue would react on other matters. He agreed with Senator Johnson that there seemed to be no reason in the world why other matters, perhaps of more urgent need and infinitely more important to the State as a whole, could not equally go to the Permanent Court.

The Motion was agreed to.

On 19th July, in the Dáil,

The Parliamentary Secretary to the President (Mr. P. J. Little) introduced the following Motion:—

"That the Dáil approves of the International Convention for Facilitating the International Circulation of Films of an Educational Character, signed at Geneva on the 11th day of October, 1933, a copy of which was laid on the Table of the Dáil on the 18th day of July, 1934, and recommends the Executive Council to take the necessary steps to accede to the said International Convention."

This was approved without a division.

NATIONAL FLAG.

On 21st June, in the Dáil,

Mr. E. O'Neill (United Ireland Party, *Cork, W.*) asked the Minister for External Affairs why ships registered at Saorstát ports and engaged in trading outside the Saorstát had to fly the Red Ensign on the high seas and in foreign ports, and if he would take steps to secure international recognition for the Tricolour as the National Flag of the Saorstát?

The President of the Executive and Minister for External Affairs (Mr. E. de Valera), in reply, said: "No objection has been taken by the Government of any country to the flying of the Tricolour on the high seas or in foreign ports by ships registered in Saorstát Eireann. The flag to which the Deputy's question refers has, however, been flown by such ships in accordance with the temporary legal position created by Article 73 of the Constitution. A Bill is in draft, and will be introduced in due course, terminating this position and declaring the Tricolour to be the national colours to be flown by all ships registered in Saorstát Eireann."

CONSTITUTION (AMENDMENT No. 23) BILL.

(Proposed abolition of separate University representation in the Dáil.)

This Bill proposes to amend the Constitution in order to terminate separate representation of Universities in the Dáil. Summaries of the Bill and the Debate in the Dáil on the Motion for the Second Reading were given in previous issues of the JOURNAL.*

DEBATE IN THE SENATE.

On 12th July,

The Minister for Posts and Telegraphs (Mr. Gerald Boland), moving the Second Reading, said that when the time came for revising the constituencies the Government could find no reason why the Universities should get special consideration. In at least one University the candidates were selected by political organisations as ordinary political representatives; there was no question of their being educational representatives.

Senator Sir Edward Coey Bigger contended that abolishing the representation of the Universities in the Dáil was one of the most retrograde proposals which ever came before the

* *Vide* Vol. XV., No. 2. p. 460, and No. 3, pp. 726-727.

House. One of the Universities had enjoyed the privilege of sending representatives to Parliament for over 300 years. It was generally agreed that the University representatives of the Dáil had at all times realised their full responsibilities.

The Minister for Lands (Senator Joseph Connolly) said that nothing in political thought which had emerged from Trinity College (Dublin University), with a couple of exceptions, had cast any credit on the nation as a whole. It had invariably produced the anti-Irish political leader. It stood now, as when it was established, for the Elizabethan idea and the Imperial idea.

Senator Ernest Blythe said that the section of the Constitution which it was now proposed to delete was inserted after the original draft of the Constitution, because the Dáil was impressed by the help they got from the representatives of the Universities, particularly from one of the representatives of Trinity College.

Senator Thomas Johnson argued that a much higher case could be made than for University representation by picking out those who had attained proficiency in special walks of life; but the plea for vocational representation of educationists had been disavowed. The Senator agreed that for five years while he was in the Dáil the University representatives played a valuable part, but in recent times one of them had played one of the most dangerous and destructive parts in the work of the country.

On 18th July,

Senator the Rt. Hon. Andrew Jameson argued that the University seats in the Dáil were one of the subjects dealt with in 1921 when the Treaty was made. He was one of a group representing the Unionists of Ireland who were called into consultation the day after the Treaty was signed, and they were told in Downing Street about the Treaty. Those who represented the Irish point of view—Griffith, Collins and O'Higgins—had held strongly that minorities in the country should have very special means given to them to represent their views and to have some influence in the government of the country. Until the present Government came into power the views of those Ministers were extremely loyally carried out. University representation was given, and the Dáil was constituted on the principles they were told of. But they were now face to face with a different state of affairs. All the promises made by Griffith, Collins and O'Higgins were apparently being swept away.

The Minister for Posts and Telegraphs, replying, said that there was no case for special representation for Universities which could not be made equally well for other organisations, educational, commercial or industrial. The Government would not have introduced this Bill if it had not been compelled by the Constitution to revise the constituencies. It decided to abolish University representation when revising the constituencies.

The Second Reading was defeated by 30 votes to 15.

ECONOMIC SITUATION.

(Conditions in the Free State; Results of the "economic war"; Future of Irish export trade.)

On 10th August, in the Dáil, on the Motion for adjournment, discussion took place on the economic situation.

DEBATE IN THE DÁIL.

Mr. W. T. Cosgrave (Leader of the Opposition) said that they were involved in a tariff war mainly because a group of lawyers in the Free State had issued what, in their belief, was an important legal opinion on the matter. Political issues had been decided upon lawyers' advice.

Exports of cattle had fallen from £12,669,504 in 1931 to £6,054,827 in 1933. So far as the sums of money in dispute were concerned, the British Government was getting all it required for the annual outgoings, although it was not getting the Sinking Fund. "What we have done," said the Deputy, "is we have transferred the item of £5,000,000 which is due on the instalment principle to a £4,000,000 payment that is due on the perpetuity system." The sum had been collected, but if it were not collected in future the loss would be much greater to the Saorstát than to Great Britain. Without a protest from the Government or its supporters a sum of £4,000,000 a year was being surrendered. They were also surrendering the position to which they were entitled in the British market by reason of their membership of the British Commonwealth of Nations.

Continuing, Mr. Cosgrave urged that their position in the British markets was more important than a settlement of the financial problem. A settlement at great financial advantage which did not give them that position might be much more unfavourable to the country as a whole. Statements made by British Ministers suggested that they appreciated the advisability of a settlement, both from the material and economic point of view and for prestige.

The Minister for Industry and Commerce (Mr. S. Lemass), in reply, said that there had been a change in the habits of people in Great Britain. The decline in consumption of beef was one of the most noteworthy features of British market conditions since the War. Moreover, Great Britain had decided to adopt the Sinn Fein policy and was putting it into operation in connection with the cattle industry. Everybody recognised the advisability of making a settlement; but the dispute with Great Britain, which started as a dispute relating to matters of finance, had since got much wider. Many more matters than the question of legal obligation to pay the land annuities were now involved. The Government was resolved not to take part in effecting any pretence of a settlement which would not be a real solution of the problem which had provoked the controversy. They believed it would be possible at some stage to effect a real settlement of all these matters which would ensure that they would never again arise. It would help considerably towards that end if they could succeed in their efforts to reorganise the country's economic life so as to lessen its dependency on export markets for prosperity. In the last five years every country had learned that there was no basis for national prosperity in the maintenance of an export trade. The conditions were not in their hands to regulate. An announcement* would be made that day which would again teach the people that there was no security based on an export market, and that they could build up prosperity only by making the home market the basis of their whole economic organisation. The Government were getting that done.

EXPORT BOUNTIES AND SUBSIDIES.

(Amount provided for current year; Effect on horse-breeding industry; Results of quota system; Relations with British Ministry of Agriculture; etc.)

On 21st June, in the Dáil, the Minister for Finance moved the following Resolution :—

"That a sum not exceeding £1,450,000 be granted to complete the sum necessary to defray the charge which will come in course of payment during the year ending on the 31st day of March, 1935, for Export Bounties, Subsidies, etc."

DEBATE IN THE DÁIL.

On 22nd June,

The Minister for Finance (Mr. S. MacEntee) explained that the total amount to be provided for export bounties and subsidies in the year was £2,250,000.

* The allusion is to the annual meeting of Messrs. Arthur Guinness & Sons, at which the Chairman announced that his firm were to brew for the London market at their new brewery near London.

Mr. W. T. Cosgrave (Leader of the Opposition), in moving that the Estimate be referred back for reconsideration, said that because horses were subject to a tariff the owners of British mares would not now send them to Ireland. The country would lose its first-class place as a breeding country, although no country in the world was so suitable for horse-breeding.

Quota system; Cattle industry.

The Minister for Agriculture (Dr. James Ryan) said that some of the quotas had given no trouble whatever, while others had given great trouble. The only trouble with the quotas for bacon, eggs and potatoes was to fill them. They had succeeded in these cases in getting the market outside the United Kingdom to absorb the surplus which was there after the British quota was imposed. The market for condensed milk had expanded so enormously that the market outside the United Kingdom was now larger than the United Kingdom market.

Cattle were the big difficulty, and a Cattle Bill would be introduced shortly. With 400,000 farmers in the country it was impossible to distribute licences among them, and the only method for the present was to give the licences to the dealers.

Mr. Cosgrave asked whether any communication had been made to the British Government on the subject of the cattle quota. The two countries had common ground on the matter, because Irish cattle were fattened in England for the English market as British beef. The Deputy thought this problem might be negotiated and settled apart from any other question.

The Minister for Agriculture argued that the consumption of beef in England had decreased very much in the last few years. Imports from New Zealand and Australia had increased, but not enough to make up for the reduction in imports from the Argentine. The procedure concerning quotas had been that the British Minister for Agriculture, before imposing a quota, notified the Irish High Commissioner in the ordinary way, and gave ample time for the Government to convey its views to the British Minister. Some of the quotas had been modified in favour of the Saorstát as a result of these representations.

Bounties: result of British tariffs.

Dealing with the bounties, the Minister said that they were not given as a direct result of the British tariffs, in order to negative part of the tariff charge. In some cases the bounty was higher than the British tariffs, and in other cases it was lower. The Government put on these tariffs when, in some instances, world prices were too low for the Irish farmer to compete. Where a surplus existed, it was easy to apply direct protective measures. For instance, the price of wheat and beef could be fixed according to quality. A tariff on fruit had raised the price in the home market and so given the Irish producer a better price than he could get in world competition. But where there was a surplus which must be exported the Minister could see no way to raise prices above world prices except by giving a bounty. The world prices of butter, eggs and potatoes were too low. In some cases the bounty had to be varied very much, practically every four or six weeks.

Continuing, the Minister contended that the country was now consuming two-thirds of its agricultural produce, whereas it had been exporting about 46 per cent. in 1926-27. They were now consuming their own bacon instead of exporting it, and the home consumption of cattle was now estimated at 200,000 a year instead of about 120,000. This, however, was only 25 per cent. of the total output of cattle. The average export of cattle had been about 750,000, but this year, owing to restrictions, it was not likely to exceed 550,000.

The President of the Executive Council (Mr. E. de Valera), referring to statements in the British Press, said that before there could be any real movement to bring about a settlement there must be on the part of the British public some understanding of the position. He thought it would be impossible to create greater confusion of thought than had been done by the British Chancellor of the Exchequer's speech in the House of Commons.

Mr. F. MacDermot (Deputy Leader of the Opposition) urged that in no international dispute could the case of one country be fully and properly represented in the Parliament of the other. He was anxious that the Government should be on the look-out for every possible olive branch, and they would have encouragement from the Opposition in making use of every such opportunity that arose.

On 27th June the Estimate was agreed to, after Deputy Cosgrave's Amendment had been defeated by 40 votes to 18.

CONTROL OF MANUFACTURES BILL.

(Amendment of earlier Act; Control of new enterprises; Safeguards against foreign competition; "Qualified Persons" and "Reserved commodities"; Government's general policy; Ownership of shares.)

This Bill was introduced by the Minister for Industry and Commerce in the Dáil on 12th June. Its main provisions are described in the following summary.

DEBATE IN THE DÁIL.

On 28th June, in moving the Second Reading,

The Minister for Industry and Commerce (Mr. S. Lemass) explained that the Bill was intended to amend and extend the Control of Manufactures Act, 1932. It would apply to the same types of business. It would not interfere with any business at present carrying on business legally. The Bill would apply only to businesses carried on after 1st July, 1934. Individuals and companies holding new manufacturers' licences at the present time would retain their rights.

Qualified persons.

A new provision had been inserted to define a qualified person, as being a person born in Saorstát Eireann or who had been resident in Saorstát Eireann for five years prior to 1st July, 1934. The difference between a qualified person under the Bill and a national as defined in the previous Act was one of residence. A national under the original Act was a person born in Saorstát Eireann or who had been for five years resident in it. Under the new Bill a qualified person must have been resident for the five years preceding 1st July, 1934.

The principal section of the Bill was Section 2, which would repeal Section 2 of the original Act. But the position of existing businesses was in every case safeguarded, with the qualification that each business must have been carried on continuously. For all future businesses the individuals carrying them on must either be qualified persons or must obtain a licence. One defect of the original Act was that it had no power to require the starting of a business within a specified time. Firms might obtain a licence and hold it against some future development. Another chief defect, which made it practically impossible to sustain a prosecution against a company, arose from the amendment to the original Bill, which threw upon the defendants the onus of proving that restrictions did not apply. Part III of the Bill was based entirely upon the Cement Act, substituting the words "restricted commodity" for "cement."

Continuing, the Minister recalled that he had introduced the Bill of 1932 as the barest minimum which any Government, starting on a protective policy in a country like the Saorstát, would have to undertake. As industrial development had been late in coming, there would be a tendency to seek aid from outside in establishing industries. Use of the same language would also facilitate the introduction of British firms into Irish industry. Geographical proximity and close commercial relations also would inevitably attract British manufacturers possessing large capital resources, to establish branch factories despite the erection of tariff walls. The Act of 1932 was framed to meet these conditions. There had since been a fairly substantial development of industry, but also various devices had been adopted which avoided the Act. Thirty-seven licences were issued, and only nine out of some hundreds of applications were refused. Either the other applications were withdrawn or the applicants found some means of establishing their industry without needing a licence. It was consequently found necessary to go beyond the Act of 1932.

Government's general policy.

The new Bill, said the Minister, was not designed to prevent foreign companies establishing industries in the Saorstát, but to secure that they should be authorised by the Department of Industry and Commerce. The Government's general policy had been first to refuse licences where the existing industries were clearly capable of supplying requirements. Where existing concerns were not supplying requirements or were slow in developing, foreign firms were licensed, under conditions. The idea was to prevent development of a monopoly or prejudicing the interests of existing concerns. In other cases, where patents were involved or special technical competence was required, foreign firms were given licences without conditions. For all principal industries the Department was making every effort to secure that they would, as far as possible, be effectively controlled by Saorstát citizens. The Bill would insist that not merely must 51 per cent. of a company's total shares be held by Saorstát citizens, but also two-thirds of the shares which carry voting rights. This provision had become necessary because a practice had developed of securing the 51 per cent. Saorstát capital by issuing preference shares which had no voting rights.

" Reserved commodities."

Part III of the Bill, the Minister explained, was intended to prevent the necessity for such legislation as the Cement Act. Certain industries could not be established without investment of substantial capital, and such investment was difficult to obtain if there was any prospect of a second similar concern being established. Power was therefore being taken to declare the product of any such industry a " reserved commodity." Its manufacture could not be undertaken except under licence in accordance with the Bill. That power could only be exercised, under Section 16, in respect of a commodity which was not being manufactured in the Saorstát when the order was made; and such power could not be used concerning any commodity already being manufactured to any substantial extent. The Bill was to become effective as from 1st July, 1934.

Professor J. M. O'Sullivan (**United Ireland Party**, *Co. Kerry*) said he expected there would soon be another Control of Manufactures Bill. Once the Ministry embarked on a certain policy, it was bound to advance beyond the legislation at any time proposed. There would be more and more interference with industry. The Deputy contended that this Bill would interfere seriously with the rights of nationals by getting foreign companies in and giving them protection. The principal objection was to Part III of the Bill, which left decision to the Executive Council. There was in that undoubtedly the inherent danger of direct or indirect corruption; which it would be exceedingly difficult as years went on, to avoid.

The Second Reading was agreed to.

DEBATE IN THE SENATE.

On 24th August, in moving the Second Reading of the Bill,

The Minister for Industry and Commerce (Mr. S. Lemass) said the only serious criticism of the Bill had been directed to protecting the interests of persons now engaged in producing commodities for which a reserved commodity order might be made in future. Such powers were never intended to apply where goods were being made " to any substantial extent " in the Saorstát, and this phrase had been inserted to secure freedom to reserve any commodity which somebody might be producing in a small way or on an experimental basis. Any form of words which would make that clearer would be considered.

Senator Thomas Johnson regarded Part III as the main part of the Bill. He thought it reasonable that the main lines which were adopted in the Cement Act should be laid by a specific Act. Part II was apparently intended to stop gaps in the 1932 Act. Such amendments had been found necessary from time to time because there were people who sought deliberately, by finding loopholes, to evade legal obligations.

Senator M. Comyn said that lawyers were blamed, but the ingenious client was responsible for all the mischief.

Ownership of shares.

Senator H. Guinness thought the word " evasion " was incorrect. If manufacturers had taken advantage of the terms of the Act, although perhaps contrary to the Government's intention, they had not evaded, but simply complied with the law. He asked was the clause requiring that 51 per cent. of the shares issued must be held by nationals of the

Saorstát to apply to old established businesses? There had been several recent issues of shares—for the beet sugar industry, the Peat Fuel Company, and for flour mills—which had all been exempt from the Act. These amending Acts would make legislation very confusing and complicated, and it would be very desirable to have a codified Act.

Senator Sir John Keane said the Minister had never given a categorical account of what had been achieved by his policy. Concerning evasion of Acts, were not the income tax code and the Companies Acts largely devoted to stopping it? He opposed the whole principle of the Bill, and for that reason he would not try to improve it by pointing out the loopholes which he saw in it.

The Minister for Industry and Commerce, replying, said he knew of no evasion of the earlier Act, but attempts were made to evade its intentions. Only in three cases at most did firms establish themselves in circumstances which the Government would have prevented if they had had the powers. But these few instances had discouraged investors generally, in case new companies might be brought up against intense opposition by highly capitalised outside firms. Industrial development in Ireland was taking place with Saorstát capital; and by far the greater part of the capital invested in industrial concerns was owned by Saorstát residents. The only menace was that local investors would not take the risk of entering industry unless they were given reasonable security against having all their capital lost in an intense trade war with much stronger foreign competitors. Canada was finding the same development in relation to the United States as the Saorstát in relation to Great Britain.

The Second Reading was agreed to.

TOBACCO BILL.

(Tobacco growing for the home market; Licences for growers and curers; State control of grading and prices.)

This Bill was introduced in the Dáil on 28th June by the Minister for Agriculture. Its chief provisions are explained in the following summary.

DEBATE IN THE DÁIL.

On 19th July, in the Dáil,

The Minister for Defence (Mr. F. Aiken), in moving the Second Reading, explained that the Bill was framed to control the production and manufacture of tobacco within the

country from the time the seed was imported until the manufactured tobacco was released from bond for sale. Tobacco was a very important source of revenue, and on that account alone strict regulation would be necessary. The scheme suggested was to grow the maximum quantity each year which could be evenly mixed with imported tobacco so as to give qualities of pipe tobacco which would not depart too suddenly from what smokers were accustomed to. The acreage would be increased gradually from year to year, until eventually they became self-sufficient in their production. At present 10,000,000 lbs. of tobacco were imported annually. If Irish growers were paid at 1s. 3d. per lb. for this quantity it would mean £635,000 a year.

Under the Bill, no person would be allowed to import or produce seed without a permit from the Minister. Conditions might be attached to the permit to see that only suitable varieties were produced in the country. It would be unlawful for any person without a permit to grow or import seed or have it in his possession, or to import plants. This function hitherto belonged to the Revenue Commissioners. The Minister, consulting with the Finance Minister, would make an order each year fixing the maximum total number of acres to be planted with tobacco, and he would fix the maximum and the minimum for each person. Application for a grower's licence must be made before 31st December each year. The licence would entitle a grower to purchase seed, to plant a specified area and cure the grown tobacco in approved premises. The grower's licence would include a curer's licence; but a curer's licence could be given to a person who did not grow tobacco.

Grading and price-fixing.

The tobacco, when received from the grower by the re-handler, would be valued provisionally by an officer appointed by the Minister for Agriculture. After grading, a price would be fixed for each grade, in relation to the price of imported tobacco at the time. The catalogues of the re-handling stations, when prepared, would be sent to the Minister for Industry and Commerce, who would by order allot this tobacco among the manufacturers according to their output during the previous year. Within four months the manufacturer would be compelled to pay the basic price plus the difference between Customs and Excise duty on every pound of tobacco received. Regarding restrictions, manufacturers would be compelled to blend, and to use the tobacco received within 12 months unless the Minister allowed an extension. They would not be permitted to export home-grown tobacco or any mixture containing it. The Bill also had provisions relating to experimental manufacturers. The industry would be exempted from the Trade Boards Act and the Minister for Industry and Commerce would fix fair wages for the workers in re-handling stations.

Concluding, the Minister said the Government intended to procure all the tobacco required within the shortest possible time. It would be impossible to get that tobacco grown and at the same time to safeguard the revenue without many strict regulations. He had no doubt they could develop a tobacco leaf suitable to their own tastes.

Mr. James Dillon (United Ireland Party, *Co. Donegal*) asked was the Bill intended to encourage agriculture or to encourage the Revenue Commissioners? Personally he did not believe they would ever grow all the tobacco that was consumed in the country. The Revenue Commissioners, a highly efficient body of men, would approach the question from quite a different viewpoint to that of the Bill.

The Second Reading was agreed to.

The Bill passed its final stage in the Dáil on 10th August.

NEWFOUNDLAND.

The Second Session of the Twenty-eighth Parliament ended on 2nd December, 1933, on which day Parliament was prorogued by His Excellency the Governor (Admiral Sir D. Murray Anderson). A summary of the concluding proceedings of the Session was given in a previous issue of the JOURNAL *(Vol. XV., No. 1, pp. 196-210).*

As announced in that issue (vide *p. 53*), *on 21st December, 1933, the Royal Assent was given to the Newfoundland Act passed by the United Kingdom Parliament providing for the suspension of Responsible Government in Newfoundland and for the future administration of the Colony by the Governor acting on the advice of a Commission of Government.*

INDIA.

The following summary deals with some of the proceedings of the Eighth Session of the Fourth Legislative Assembly, which opened at Simla on 16th July, 1934, and closed on 31st August, and of the Eighth Session of the Third Council of State, which opened on 8th August and closed on 6th September.

VICEROY'S SPEECH.

(India's foreign relations; The Agreement with Japan; Protection of cotton industry; Civil aviation and broadcasting; Government's labour policy; Projects for benefit of agriculture; Collapse of civil disobedience; Public opinion and terrorism; Anniversary of King-Emperor's Accession; Opinion in England regarding Indian Reforms.)

On 29th August, 1934, the Viceroy (Lord Willingdon) addressed the Members of the Indian Legislature.

In the course of his Speech, Lord Willingdon said that India's relations with her neighbours continued to be uniformly satisfactory. On the frontier between India and China incidents occurred last spring threatening a disturbance of the peace among the partially administered tribes which in that area separated the Province of Burma from the Chinese Province of Yunnan. The international frontier in that area had never been demarcated, and this circumstance, coupled with the fact that there were no maps which had been accepted by both Governments, encouraged certain irresponsible persons to engage in hostile activities against the Burma Military Police, although the latter had scrupulously refrained from penetrating beyond the line claimed by the Chinese Government. That force effectively demonstrated their ability to deal with these marauders, and no operations had been necessary during the last few weeks. Efforts were being made by His Majesty's Representative in China to establish, in agreement with the Chinese Government, certain principles upon which it would be possible to demarcate the international frontier and thus to find a solution for a long-standing disagreement. Events in Chinese Turkestan had caused his Government some anxiety since, as the result of a serious revolt against Chinese authority in Kashgar and the neighbourhood, security of life and property was for some time gravely endangered and some loss of life was caused to peaceful Indian traders in spite of the unremitting efforts of His Majesty's Consul-General to secure their protection. On one occasion His Majesty's Consulate at Kashgar was attacked by Tungan rebels, and it was only the gallant defence offered by the British and Indian personnel which saved the Consulate from more than a few casualties. The Chinese Government had expressed their deep regret for this occurrence, and had also acknowledged the correctness of the Consul-General's attitude of strict neutrality towards the various factions which had from time to time secured control over this area. The latest news was much more reassuring in that the Chinese forces, together with a Pacification Commissioner, had now reached Kashgar and were engaged in re-establishing Chinese authority.

RUSSIAN REFUGEES.

Some embarrassment had also been caused by the influx of refugees from Russia and Chinese Turkestan who were able to enter India *via* Gilgit before they could be intercepted. These persons were for the most part destitute, and were frequently accompanied by women and children, whose re-expulsion across the inhospitable mountains of Central Asia was repugnant to humanitarian principles. It was, however, obvious that the comparative security of conditions in India might encourage this influx to a dangerous extent, and steps were, therefore, being taken to check it at the frontier, and it was also hoped to arrange for the disposal of a number of the refugees already in India by despatching them to other parts of the world.

AFGHANISTAN ; NEPAL ; TIBET.

India's neighbourly relations with Afghanistan had not been threatened by any untoward incidents in recent months, and it was hoped to secure increased trade between the two countries as the result of the recent visit of a Trade Delegation to Kabul in April last. The Report submitted by this Delegation was still under consideration.

The North-West Frontier had remained uniformly peaceful during the last eight months except for the various unimportant disputes between sections of the tribes and a few small encounters between Government forces and hostile individuals.

Cordial relations continued to be maintained with the Kingdom of Nepal. As a fitting culmination of the long-standing friendship with that country, His Majesty the King-Emperor had been pleased to raise the status of the British Envoy to that of Envoy Extraordinary and Minister Plenipotentiary at the Nepalese Court, and also to receive a Minister of corresponding rank from the Kingdom of Nepal at the Court of St. James.

A great figure on the stage of Asia passed away with the death of His Holiness the Dalai Lama of Tibet, the thirteenth of his line, who had always remained on terms of amity with the Government of India, and the Regent appointed in his place pending the reincarnation of the Dalai Lama continued to act in the spirit of the Ruler of Tibet.

INDIAN TRADERS IN FOREIGN COUNTRIES.

Continuing, the Viceroy said he was glad to take the opportunity of acknowledging the keen interest which Members of the Assembly had always taken in the welfare of Indian traders and settlers in foreign countries. There had been more than one case recently in which a foreign country had attempted to enforce what appeared to be unwarranted restrictions upon Indian traders who, by their enterprise and commercial ability contributed largely to the wealth and prosperity of the place concerned. His Government had in every case protested vigorously through His Majesty's Government against such proceedings, and if in more than one case their protests had been successful, that was very largely due to the support they had received from Indian public opinion as represented by that House.

COMMERCIAL RELATIONS WITH JAPAN.

Lord Willingdon next referred to the circumstances leading to the denunciation of the Anglo-Japanese Commercial Convention of 1905 and the passing of the Safeguarding of Industries Act, 1933. Applications for assistance under the Act were received from a number of small Indian industries. These were examined, but eventually Government decided that it would be undesirable to use the Act, since that would have prejudiced the negotiations for a commercial agreement with Japan. The needs of these industries were met where necessary by the imposition of specific duties on the articles concerned. The imposition of these duties were secured by the Indian Tariff Amendment Act, 1934, and in fixing the level of the duties due consideration was given to the necessity of adequately safeguarding the Indian industry concerned, while avoiding as far as possible any increase in the *ad valorem* incidence on goods the competition from which did not constitute a danger to Indian industries.

PROTECTION OF COTTON TEXTILE INDUSTRY.

Dealing with the Act for the protection of the Indian textile industry passed in the Delhi Session, the Viceroy pointed out that for the second time statutory effect had been given to a *rapprochement* between the representatives of an Indian and a British industry. His Government attached the highest importance to the creation of closer ties between the industrialists in India and in the United Kingdom.

In accordance with the undertaking given when the Ottawa Agreement was under consideration, an exhaustive report of the first year's working of the scheme of mutual preference had been prepared, and he understood it was now under consideration by the Committees of both Houses of the Legislature. When the Indian Delegation was at Ottawa certain tentative approaches were made by representatives of other countries within the Commonwealth with a view to the conclusion of further trade agreements. The Irish Free State had followed up their preliminary proposals, and negotiations were initiated in May last, which had not yet been concluded.

With regard to the Agreement made with Japan, after lengthy discussions in Simla, the agreement of views was embodied in a Convention and Protocol, finally signed in London. These were to come into force immediately after the exchange of ratifications and would remain in force until 31st March, 1937. The Agreement, while ensuring the continuance of the long-established trade connections between the two countries, secured a stable market for a substantial portion of the exportable surplus of raw cotton produced in India.

TRADE COMMISSIONERS ; INDIANS OVERSEAS.

In regard to the appointment of Trade Commissioners to promote the export trade of India, Lord Willingdon said that the scheme sanctioned in 1930 provided, in addition to the Indian Trade Commissioner in London, for appointments at Hamburg, Milan, New York, Alexandria, Durban and Mombasa. The office at Hamburg was opened in March, 1931, and an officer for the Milan post was selected. Further progress with the scheme was held in abeyance on the grounds of financial stringency, but the Government had now decided to resume the programme. As a first step, it had been decided to open the office in Italy as soon as possible.

The Report of the Colonisation Inquiry Committee, appointed by the Union of South Africa, was published early in July. The Government of India had been closely studying the reactions of public opinion in India to the Committee's recommendations. They had also ascertained the views on the Report of the Standing Committee of the two Houses of the Indian Legislature, and they hoped shortly to address the Government of the Union of South Africa on this subject.

Referring to the situation which had arisen in Zanzibar as the result of recent legislation, His Excellency said that early that month the Government had deputed an officer to Zanzibar to make investigations, and on receipt of his report they would consider what further action should be taken.

Government's labour policy.

He wished to recall the part the Legislature had played in continuing to participate in the policy he and his Government had set before them in implementing the recommendations of the Royal Commission on Labour. In 1933 the Legislature passed an important Measure which improved the benefits received by workmen under the Workmen's Compensation Act. In the present Session a more important advance had been registered by the new Factories Bill, the most important feature of which was the reduction in the hours of work in factories, which worked throughout the year from 60 to 54. During the current Session they had passed the Indian Dock Labourers Bill, which would give effect in British India to the International Convention concerning the protection against accidents of workers employed in loading and unloading ships. At the Sixth Industries Conference his Government's proposals for the creation of a Central Bureau from which industrialists, particularly those interested in small industries, would be able to obtain information and expert assistance from the Government of India in co-operation with the Governments of the Provinces met with the unanimous support of the delegates. He hoped to see this organisation come into being in the course of the next few months.

Civil aviation; Broadcasting.

In the field of civil aviation there had been important developments. As the ground organisation had become inadequate, it had been decided to inaugurate a programme of development from local funds. Accordingly, they hoped to equip the Rangoon-Karachi and the Karachi-Madras route up to modern standards within the next few years, and they were prepared also to organise on similar lines the Calcutta-Bombay and the Karachi-Lahore lines if these should be opened shortly. The Legislature had just passed the Indian Aircraft Act, which would enable the Civil Aviation Directorate to control and encourage this expanding activity.

In regard to broadcasting, his Government had decided to proceed with the erection of a large transmitting station in Delhi which would broadcast entertainment in Urdu and English. This, they hoped, would prove to be the first step towards the establishment of a system of broadcasting covering the whole of India, under which the Provinces would have the benefit of their own culture in their own literary languages with an added element of English programme matter.

Projects for the benefit of agriculture.

Referring to plans for the benefit of the agriculturist, Lord Willingdon said the Provincial Economic Conference convened by the Government of India last year came to the conclusion that crop planning had been well planned, and had on the whole achieved its aim of helping the ryot to use his land to the best purpose. But the Conference wisely held that machinery should be provided for the systematic study of problems relating to the more important crops, such as wheat and rice, and the Government had accepted its recommendation for the establishment of *ad hoc* Committees. Another problem of even greater practical importance to the agriculturist was the marketing of his produce to the best advantage. There was general agreement in the Conference that an intensive programme to develop market facilities offered the best prospect of immediate results. The matter had been under examination since, and a programme of work had been drawn up which, it was hoped, would shortly be initiated. The range of marketing activities must be wide; it must, for example, include the organisation of an efficient intelligence service in external markets regarding Indian products and the requirements of consumers. An efficient marketing organisation must also ensure the grading, sorting and bulking of the main staple products and the establishment of regulated markets. In India the first task was the undertaking of market surveys for the purpose of ascertaining the data on which future developments could be planned.

Collapse of civil disobedience.

Lord Willingdon reminded hon. Members that a year ago he had claimed that the events of the previous few months had borne out his belief that the march of events would gradually carry the leaders of the civil disobedience movement further and further away from the sterile methods of negation and obstruction. There were signs then that the popular judgment had already condemned it. During the whole of the last twelve months that feeling had grown and spread; and finally in April last the author of the movement advised all Congressmen to suspend civil resistance for Swaraj as distinct from specific grievances. Later, this advice was confirmed by the Working Committee of the Congress, which at the same time adopted the constitutional policy of entering the Legislatures. He was away from India during the concluding stages of these events, but the policy announced by the Government had his full approval. Though the ban on purely Congress organisations was removed, Government could not take the risk of allowing freedom to those more revolutionary organisations which were distinct from Congress, though working at one time more or less in close association with its objects. Still less could they give up the special powers which had been found necessary for dealing with the movement.

The terrorist situation.

Continuing, Lord Willingdon said he could chronicle a further improvement in the terrorist situation in Bengal; but incidents such as the dastardly attack on Sir John Anderson showed that the terrorist organisation, though on the whole greatly weakened, was still strong in some places, and that they were not free from the danger of isolated outrages, whether they took the form of attacks on Government officers or of equally cowardly attacks on persons unconnected with Government, with the object of obtaining funds to keep the movement alive. The most satisfactory feature of the last few months had been that there were distinct signs that a definite stand against terrorism would be welcomed in many quarters where in the past it might have been regarded as anti-national. The Provincial Councils of Bengal and of Assam had passed by large majorities legislation which the Provincial Governments considered necessary for dealing with this evil, and the Central Legislature had also accepted the legislation to supplement the local Acts. He trusted that the appeal recently issued by leaders of all shades of opinion in Bengal and the Conference they were summoning would result in practical steps being taken to create a healthier atmosphere in Bengal and to prevent the youth of the Province from being contaminated with these dangerous ideas.

ANNIVERSARY OF KING-EMPEROR'S ACCESSION.

Next year they would be celebrating the 25th Anniversary of the Accession to the Throne of His Majesty the King-Emperor, and he had received an invitation from His Majesty's Government to send certain official representatives from India to join in the celebrations in London. His Government were now in communication with Local Governments and Rulers of Indian States as to the best and most fitting manner in which this auspicious occasion should be recognised in India. The King-Emperor had been pleased to intimate that it was His Majesty's desire that celebrations should be on a local basis and that his subjects should, wherever practicable, have the opportunity of observing the occasion near their homes. It was His Majesty's express wish also that celebrations should be as simple as possible, and that all undue expenditure should be avoided.

OPINION IN ENGLAND REGARDING REFORMS.

In concluding his Speech, Lord Willingdon referred to the impressions he had brought back as the result of his two months' visit to England.

"During my short stay at home," he said, "I had many opportunities of meeting and having discussions with all sorts and conditions of people, with Members of both Houses of Parliament, with those interested in trade and commerce and business in India, and with many others, both men and women, who for one reason or another were keenly interested in Indian affairs. The general impression I have brought back with me is that the feeling amongst my countrymen in England is full of good-will and sympathy for the natural aspirations of Indians in regard to political advance. A deep sense of the responsibility was moreover evident on all sides in the general anxiety to obtain first-hand information from those of us who have had the most recent experience of the affairs and conditions in this country. I should like to add that I come back with feelings of the keenest appreciation, which I am sure will be shared by every Member of both our Legislative Chambers and by the public outside, of the untiring labours which the Members of the Joint Select Committee have freely and readily given during the past 15 months to secure a proper solution of the great problem of Indian Reform.

"One assurance I can confidently give you. When the New Constitution Bill is passed into Law, you may rely on my efforts to ensure that no time will be lost in carrying into effect as expeditiously as possible the intentions of Parliament as expressed in the Act.

"I have spoken of the responsibility of my countrymen at this present juncture, but we who live and work here and who have position and influence in the public life of this country have a great responsibility too. During the coming months it will be our duty to guide public opinion in the highest interests of all classes of our people. Let us put aside all racial feelings if such still exist, let us believe in each other's sincerity of purpose to continue working towards the fulfilment of our cherished hopes for the welfare and advancement of this country.

"I would ask you to look around the world at the present time, and amid all the troubles, anxieties and possible dangers that we see in many countries and in diverse lands, we can proudly feel that within the territories of the British Empire conditions are both sound and stable, and that we are slowly and steadily recovering from the world depression which has so seriously affected us all."

INDIAN NAVY DISCIPLINE BILL.

(Measure to apply Naval Discipline Act to Indian Navy; Naval policy: progress of Indianisation; Bill opposed on constitutional grounds; Measure referred to Select Committee.)

On 7th August, the Army Secretary moved that the Bill to provide for the application of the Navy Discipline Act to the Indian Navy be referred to a Select Committee. The Bill proposed to apply to the Indian Navy the same broad code of discipline which governs the British Navy, and also the Dominion Navies, with such modifications as might be suitable for Indian conditions. A Motion for reference of the Bill to a Select Committee was made on 27th February in the Delhi Session, but an Amendment was then adopted that the Measure be circulated for the purpose of eliciting opinion thereon by the 31st July, 1934.

DEBATE IN LEGISLATIVE ASSEMBLY.

The Army Secretary (Lt.-Col. A. R. F. Lumby), in moving his Resolution, said that the opinions received, so far as he was able to see, were generally favourable to the Bill. The Naval Discipline Act had been applied to the Navies of the Dominions in exactly the same way as it was proposed to apply it in this Bill, and if that were the only way in which they could get for the Indian Navy the increased prestige and status which its connection with the Royal Navy would give it, then the advantage thus gained would outweigh any administrative inconvenience that might arise from having the Bill in this form.

He feared that the suspicion still lurked in the minds of hon. Members that the main object underlying the Bill was to give the Government power to force upon India a large navy of large and expensive ships which would be available for Imperial purposes. He gathered that the idea underlying this suspicion was that since the Washington Agreement placed certain limitations on the various kinds of men-of-war which they might maintain, His Majesty's Government were anxious to have in the Indian Navy a kind of reserve which they might be able to call upon in time of war. The limitations agreed upon at Washington, however, covered not only the Royal Navy, but also the navies of India and the self-governing Dominions, so that if India decided to build a battleship, it would mean that His Majesty's Navy would have to go short of a battleship to keep within the limitation figures. But even if this were not the case, the Bill gave no power to the Government to increase the naval forces that they had not possessed for years past.

Naval policy regarding ships : progress of Indianisation.

The naval policy of the Government was co-ordinated with the naval policy of His Majesty's Government and did not concern itself with the building of any big ships. It aimed at maintaining a small squadron of small and efficient ships for the local defence of India's coasts, harbours and shipping. The Bill was purely and simply a discipline Bill, and until it became law it was impossible for the Royal Indian Marine to become the Royal Indian Navy.

Referring to Indianisation, he said that though prior to 1927 there was nothing to prevent Indian officers being recruited for the Indian Marine, it was not until that year that the reorganisation scheme then formulated introduced a real plan for the Indianisation of the officer ranks. In the next year the first Indian officer was recruited direct, and there were now three Indian officers serving and eleven cadets under training. The total officer cadre was only 117, and he did not think that was such a bad record for the short space of six years, seeing that it took five years to train an engineering officer. The ratio of two British officers to one Indian which was laid down in the scheme had nothing about it that could not be altered when events justified a change.

The constitutional question.

In regard to the constitutional question which was at the root of the objections which had been raised to the Bill, the position to-day was that under the Indian Marine Service Act of 1894, it was possible for His Majesty's Government to take over the Indian Marine without consulting the Indian Legislature, the Government of India or the Governor-General. Under the Amendments to the Government of India Act which would become operative if this Bill became law the position, as it seemed to him, was distinctly improved from the point of view of India. The relevant section of the Act read as follows :—

> "Any naval forces and vessels which may from time to time be raised by the Governor-General-in-Council shall be employed for the purposes of the Government of India alone, except that if the Governor-General declares that a state of emergency exists which justifies such action, the Governor-General-in-Council may place at the disposal of the Admiralty all or any of such forces and vessels."

He knew that the point of view taken by some hon. Members was that so long as the Indian Legislature, or at any rate a Federal Ministry, had no control over India's naval force there was no great difference between the present position and the position as it would be if the Amendments to the Government of India Act became operative. But he had to go by facts, and even on the other side of the House it was taken for granted that under the new Constitution the subject of defence would be reserved to the Governor-General. Defence covered the Army, the Navy and the Air Force, and it was impossible to split off any one of these. He contended that the officers and men of the Royal Indian Marine deserved well of the country and if the House passed this Bill they would raise not only the prestige but also the efficiency of the service.

Mr. B. Sitaramaraju (*Ganjam cum Vizagapatam : non-Muhammadan*) opposed the Motion. They were on the eve of legislative changes, and was it proper that a Measure of this kind should be pushed through at the fag end of the Legislature, unmindful of the fact that no one could say what relations they would have with the Army and Navy ? Considering the nature of India's impregnable land barriers, they had been maintaining a very large Army for which they were spending an amount entirely out of their ability to pay. What they did require was a bigger Navy and any money they could find for this would be for a desirable object, but as their quota was included in the British Navy they could not have that.

On 8th August,

Mr. Sitaramaraju, continuing, said that for the first time, in 1919, when the salary of the Secretary of State was transferred from the Indian revenues to the British Estimates the first link of controlling India by the British Parliament was forged, and the subsequent legislation, of which this Navy Bill was an important part, and other Measures now contemplated, were to bring in more provisions effectively to control that country and bring it under the subjection of the British democracy more and more.

Lt.-Col. Sir Henry Gidney (*Nominated non-Official*) said the Royal Indian Marine had an official personnel out of all proportion to its strength of 1,011. He suggested that the

Select Committee should be allowed to modify the Bill in such a way that they might create a Navy starting from the bottom, with more ships and more men. An hon. Member had asked why hurry with the Bill. If he were serious in this objection, why did he hurry for the Indianisation of the Army and of the Air Force? If they were really in earnest to Indianise the Navy and to get some control, why did they want to wait till the Report of the Joint Committee was out? Why not make a beginning at once?

Sir Hari Singh Gour (Leader of the Nationalist Party) declared that it was the policy of His Majesty's Government that the Navy in India should be subject to the same control as the Army in India. He quoted the words of the Under-Secretary of State that "the new Indian Navy will be in exactly the same position as the Indian Army is at present."

Legislative Assembly and control of defence.

Hon. Members could now visualise what their predicament would be if they became a consenting party to the creation of an Indian Navy, in which case the position of the Assembly would be exactly parallel to the position in which they stood in relation to the Army in India. They would vote supplies, or if they did not they would be certified, and if the strictly logical outcome of the Government of India Act was followed, the Navy Budget would be not-votable, as was the Army Budget. If the House became a consenting party to the Bill they would be creating an Indian Navy for which they would have no responsibility and over which they would exercise no control. If every member of the Indian Navy was an Indian, he should not feel happy so long as the Legislative Assembly had no control over India's defence, whether the Army or the Navy or the Air Force. In conclusion, he asked every Member on the Opposition benches to cast his vote against this Motion.

Mr. B. V. Jadhav (*Bombay Central Division: non-Muhammadan*) supported the Motion. He quoted the opinion of Justice Din Muhammad, who said, in giving his opinion:—

> "the criticism directed against the Bill, both when it was first introduced in 1928, as well as at the time of its present introduction, appears to me to be based more on sentimental grounds than on sound reason."

The reason given was that the change of name would add prestige to the men and officers. That was sentiment, and he honoured that sentiment. As regards the objection that the future Navy would not be under the control of that House, the three branches of defence ought to work as a whole, and he would be glad when the whole control would be in the hands of the Government of India. But until that time came he did not see that it would conduce to the discipline and well-being of any branch of the service to have divided control.

Capt. Sher Muhammad Khan Gakhar (*Nominated non-Official*) said that if in 1928 they had allowed the passing of this Bill they could now ask the Government to increase the number of commissioned ranks to 50 per cent. or even more. But the Bill was delayed, and they were still in the stage of one Indian to two British officers. But the Bill was then thrown out by a majority of one vote. In the Great War their Indian Army had proved that they were not inferior to any soldiers in the world. Their Air Force, which they had just raised, would, he was sure, prove as worthy as their Army. Then why should they not have their own sailors, who would prove to the world that India had as good sailors as she had soldiers?

Mr. B. Das (*Orissa Division: non-Muhammadan*) maintained that the problem was whether India was to have any control over her Army and Navy, and the Army Secretary made it clear, though he wanted to throw a smoke screen and suggested there might be something hidden behind the Report of the Joint Parliamentary Committee and the new Constitution Bill. He appealed to the Army Secretary to withdraw the Bill. It was admitted there was no urgency. If the Army Secretary and the British Government really wanted to have the sanction of the people of India, let them wait until the new Constitution came into force, let there be a Federal Assembly there. There would not be any officials, but there would be a block of Princes, 125 people. A majority of them would be Indians. They would apply their intellect to the problem, and when that time came if they felt that Britain had been fair to them, they would like to be fair to Britain.

After further discussion the Motion was carried by 53 votes to 34.

REPRESENTATION OF INDIAN CHRISTIANS IN SERVICES AND COMMITTEES.

(Government charged with neglect of interests of Indian Christian community; Claims of community defined; Government's reply; Resolution adopted.)

On 26th July, 1934, in the Legislative Assembly, Dr. F. X. De Souza moved the following Resolution:—

> "That this Assembly recommends to the Governor-General-in-Council that the claims of the Indian Christian community for adequate representation in the Services and for representation on any Committee to be constituted by the Government of India by the decision of which the political future of the community may be affected, should be recognised."

DEBATE IN LEGISLATIVE ASSEMBLY.

Dr. F. X. De Souza (*Nominated non-Official*), in moving the Resolution, said that on principle he should like no special privileges to be conferred on his community or on any community. But the Communal Award issued by His Majesty's Government had introduced the principle of communalism in the general polity, and the Government of India Home Department Resolution of 6th July, 1934, regarding the representation of minorities in the Services had accentuated that principle. The Communal Award gave the Indian Christians insufficient weightage in the Legislatures and in the public life of the country. The Home Department Resolution virtually ignored their claim to a share in the Public Services. In the several Royal Commissions, Conferences and Committees appointed to work out the details of the Reformed Constitution no member of their community had found a place, and though these bodies shaped their destinies they had no voice in their deliberations. Yet the Indian Christians formed the third largest community in India, numbering according to the last Census 6,297,000 souls. Their numbers had risen by 32·5 per cent. during the last decennial period and by 238·1 per cent. during the last half-century. Apart from natural increase, more than 20 per cent. out of the total increase was due to conversion from the depressed classes and still more so from the hill and forest tribes. The following figures of the standard of comparative literacy among the several communities taken from the last Census Report were an amazing indication of the educational and moral uplift which Christianity had brought to the masses :—

Literacy per Mille.

Hindus.		Muslims.		Christians.	
Male.	Female.	Male.	Female.	Male.	Female.
144	21	107	15	352	203

Literacy in English per 10,000.

Hindus.		Muslims.		Christians.	
Male.	Female.	Male.	Female.	Male.	Female.
204	16	164	11	1,174	649

The political significance of this educational advance was obvious.

Alarm among community.

He had on more than one occasion drawn the attention of the Government to the alarm created amongst the Indian Christian community by recent pronouncements by the Nationalist leaders affecting the community's rights—religious and civil. The warning held out by Mr. Gandhi in March, 1931, to their missionaries, denying their right to proselytise—a right which he conceded to Muslims—sent up a storm of protest as being a threat to the liberty of the Indian Christian community to practise and preach their religion. The Bill introduced by Mr. Kelkar, a prominent Nationalist, in the Legislative Assembly in 1928 for the repeal of Act XXVI of 1850, which the community regarded as their Magna Charta as it secured them against forfeiture of civil rights by conversion, was an indication of what might be in store for them if a Swaraj Government were installed. Certain orders recently passed by the Government of Madras discriminated against the religious and charitable foundations of the community in the matter of acquiring Government land, holding that they were alien institutions, under the absurd notion that they vested in a foreign Ruler, the Head of their Church. There was also serious resentment in the Madras Presidency against the refusal by the Minister of Education to grant recognition and adequate Grants-in-Aid to their denominational schools, which their children were bound in conscience to attend.

These were fundamental rights which should be inserted in the Constitution, so as to make it possible to challenge the validity of any future legislation in contravention of these rights in the Supreme or Federal Court.

He could not help thinking that the callous indifference to their community had its origin in history. The East India Company was incorporated for trade and not for Empire, and from the very beginning it showed a nervous dread of any appearance of friendship for Christianity, for fear of offending Indian susceptibilities and endangering its sales. In a recent volume, moreover, Mr. Arthur Mayhew, formerly a Director of Public Instruction in the Central Provinces, pointed out that in 1819 a sepoy of the Bengal Army who was converted and baptised by a Company chaplain was dismissed from the Army in consequence. From that date the Army, as a profession, had been closed to converts to Christianity.

Thanks to their advance in education and training, until recently the Indian Christians occupied a position of advantage in the matter of subordinate appointments. But the Home Department Resolution had rung the death-knell of their hopes for the future. They asked for no special privileges; all they asked for was that the Government before surrendering the reins of power to the Swaraj Government should give adequate recognition of their status as the third largest community, in literacy superior to all other communities, in education and culture second to none in the political and public life of the country.

Mr. B. Sitaramaraju (*Ganjam cum Vizagapatam : non-Muhammadan*) said he had no objection to Dr. De Souza's community getting a legitimate share in the Services; but let it not be said they had not got enough. The greater number of that community were in the Presidency of Madras in which had been introduced the communal rotary system by which the various communities were given their due share in the Services on a population basis. But in regard to promotions the Government had reserved a certain proportion of appointments to be given on merit, and a certain proportion had been reserved for racial and communal considerations. Coming to the Services of the Government of India, the percentage of Indian Christians in the Army was 1·2; Commerce 1·09; Education, Health and Lands 1·12; Finance 2·44; Foreign and Political 2; Home Department 2·94; Industries and Labour 5·18; Legislative Assembly Department 1·96; Military Finance 1·1; Railway Department 2·17; A.G.'s Branch 3·1; Director of Contracts 7; Engineering Branch 7·4; Master-General of Ordnance 8; Q.M.G.'s Branch 1; Royal Air Force 2·08; Director-General of Archaeology and Director-General Indian Medical Service 3, and so on.

Mr. B. Das (*Orissa Division : non-Muhammadan*): " You have omitted the Executive Council here, which has a Member of the community as Leader of the House."

Mr. Sitaramaraju: " I am coming to my Friend the Leader of the House, which would give 16 per cent. in the Government of India, and also to the Member of the Executive Council of the Government of Madras, which would give 33 per cent. to that Government." And if the Indian Christians with so small a population had so large a percentage, he did not see why the Mover wanted special consideration for his community.

On 9th August,

Lt.-Col. Sir Henry Gidney (*Nominated non-Official*) said that approaching the Resolution as a whole-hogger communalist, he would tell the Mover that if he had been truly democratic and had demanded that efficiency should be the *sine qua non* for recruitment, his educated and progressive community would be filling about 15 per cent. of all Government appointments. His demand for representation on any Committee to be constituted by the Government of India by the decision of which the future of his community might be affected referred presumably to the Third Round Table Conference, the Joint Parliamentary Committee and the Lothian, or Franchise, Committee. He thought the Mover would agree that the present religious cleavage that existed in the ranks of his community was largely responsible for the absence of the community from the various Committees and its present economic apprehension. He (the speaker) was a witness of the wide and apparently unbridgeable cleavage exhibited by the two Indian Christian representatives, one a Roman Catholic and the other belonging to the Church of England, at the Second Round Table Conference, and that, in his opinion, was the reason why the community was not represented at the Third Round Table Conference and on the Joint Parliamentary Committee. He would impress on the Mover the urgent necessity of bridging this gulf. As regards the absence of an Indian Christian on the Lothian Committee, he agreed with the Mover in his grievance. To exclude a community of 6½ millions, the third largest in India, from a Committee which had to be familiar with the Indian Christians' needs was wholly improper, especially when much smaller communities were represented. With regard to various Provincial Services where local self-government was practised, the total expenditure of Local Boards and Municipalities was Rs. 50 crores annually, equalling the whole expenditure of the Government of India, after deducting Army expenditure. Yet they would find the Indian Christian, the Anglo-Indian and the European communities conspicuous by their absence from the such Services and Departments. Did they call that democracy? He called it hypocrisy.

Coming to the All-India Services, the 1931 Census showed that a knowledge of English was possessed by about 3 million persons over the age of 15. Of these about 1½ millions were educated up to and beyond the Secondary Standard, and of this total nearly 300,000 were Indian Christians. Mr. Raju had stated that Indian Christians had about 2 per cent. of the All-India appointments. He would ask the Government if a knowledge of English connoted the efficiency they and the Nationalists demanded, what percentage should the Indian Christians obtain? After recounting the schools and hospitals maintained by the community, he appealed to the Government not to turn a deaf ear to the Resolution, which he heartily supported.

Mr. F. E. James (*Madras : European*) supported the Resolution. He declared that when merit was the sole basis of recruitment the Indian Christian community had very little to complain about. But in the present transitory stage communal considerations had been introduced, and that was why the community was a little apprehensive as to its position in the future.

Diwan Bahadur A. Ramaswami Mudaliar (*Madras City : non-Muhammadan*) said that the Indian Christian community could not be charged with any sense of extra-territorial patriotism. Its fortunes were Indian, its future was India's future, and its prosperity was that of the whole of India. When the Government order ignored the community, he thought it only proper that a Hindu like himself should say: "I protest against the Government ignoring that community."

Sir Hari Singh Gour (Leader of the Nationalist Party) maintained that if there was any community which deserved well of that House it was the Indian Christian community. The Mover had pointed out that he was not claiming any share in the Services beyond a share of the $33\frac{1}{3}$ per cent. reserved by the Home Office Resolution for minority communities. Out of that total 25 per cent. had been earmarked for the Muslim community. The remainder had been reserved for the other minorities; but while pointed reference had been made to the Anglo-Indian and Domiciled community no reference was made in the Resolution to the third largest community in the country, and the reversion to undisposed posts had been given to the Muslim community.

Government's attitude.

Mr. C. M. Trivedi (*Government of India: Nominated Official*) said he should have to deal in the first place with that part of the Resolution which related to the recognition of the Indian Christian community for adequate representation in the Services. He included only the All-India Services and the Central Services under the control of the Government of India. The Central Government was not concerned with the Services recruited by the Provincial Governments under their own powers. The Government were still less concerned with the Services under local bodies. The policy of the Government was to prevent a preponderance of any one class or community in the Services, and that policy was adopted in 1923 at the instance of the Assembly. The second point he would like to make was that the Indian Christian community formed only 1·4 per cent. of the population of British India, and that the community was represented in the Services well in excess of its ratio.

In the I.C.S., out of 395 Indians 23, or about 5·8 per cent., were Indian Christians. In the Indian Police out of 155 Indians 5, a little over 3 per cent., belonged to that community. In the clerical establishments of the Central Government the percentage of Indian Christians in 1932 was a little over 2 per cent. in the Departments of the Government of India, 1·8 per cent. in the attached and subordinate offices at Delhi and Simla, and a little over 3 per cent. in the subordinate offices elsewhere. On Class I railways on the 31st December, 1932, 3·3 per cent. of the subordinate staff were Indian Christians, on State Railways in 1931 the community

was represented by 2·82 per cent. on the subordinate staff and 4·3 per cent. of the staff on Rs. 150 and over. In the Posts and Telegraphs Department Indian Christians formed 2 per cent. of the total Indian staff, while in the non-clerical and non-gazetted staff of that Department they formed a little over $6\frac{1}{2}$ per cent. of the Indian staff. He hoped these figures would convince the House that the Indian Christian community was generally represented in the All-India and Central Services well in excess of their population ratio.

The Home Department Resolution.

Coming to the Home Office Resolution, he could well understand the anxiety of the Mover, but he could not agree with the words he used. Before issuing the Resolution the Government of India considered carefully the position of minority communities other than Muslims and Anglo-Indians, and they satisfied themselves that the new rules would continue to provide for those other communities a reasonable degree of representation in the Services. This conclusion was stated in the Resolution and was based on the following facts: firstly, the Indian Christian community, speaking generally, was a highly educated community, and should be able to hold its own in direct recruitment to unreserved vacancies, namely, two-thirds of the total vacancies, whether recruitment was made by competitive examination or selection; secondly, the community would continue to be regarded as a minority community, and for Services recruited on an All-India basis it would be entitled along with minority communities other than Muslims to a share of $8\frac{1}{3}$ of the vacancies. He felt that a reservation of a specific percentage of vacancies for Indian Christians would not be in their real interests, even if some weightage were given. In the latter case the weighted percentage might be less than the percentage of posts the community held at present.

With regard to representation on Conferences and Committees, Committees did not decide matters affecting the future of any community. The decisions rested with the Government. Committees were not constituted primarily on a communal basis, but he could give the assurance that the claims of the community on future Committees would be taken into account. He suggested that, in view of the position he had explained, the Mover might wish to withdraw his Resolution.

Dr. De Souza accepted the enthusiastic reception given to the Resolution, which was extremely favourable except from the Government of India. He might say that Indian Christians throughout India had given him their support in publicly condemning the policy of the Government of India towards their community. The debate had served its purpose, and he asked the House to permit him to withdraw the Resolution.

Several Members objected to the withdrawal and the Resolution was then adopted.

INDIAN DOCK LABOURERS ACT.

(International Labour Convention.)

On 30th July, 1934, the Legislative Assembly unanimously passed the Bill to give effect in British India to the Convention concerning the protection against accidents of workers employed in loading and unloading ships. The Convention was adopted at the Twelfth Session of the International Labour Conference in 1929.

The Bill was passed by the Council of State on 13th August. The Act received assent on 19th August.

RESERVE BANK OF INDIA ACT.

This Act, which provides for the constitution of a Reserve Bank, received assent on 6th March.

Summaries of the provisions and the debates at various stages of the Bill were given in previous issues of the JOURNAL (*vide* Vol. XV., No. 1, pp. 231-232, and No. 2, pp. 491-498).

INDIAN TARIFF (AMENDMENT) ACT.

This Act, which provides for the amendment of the Tariff Act of 1894, received assent on 19th February.

Summaries of the provisions of the Bill and the Debate in the Legislative Assembly were given in a previous issue of the JOURNAL (*vide* Vol. XV., No. 2, pp. 486-491).

SOUTHERN RHODESIA.

The following summary is in continuation of that given in the last issue of the JOURNAL *(Vol. XV., No. 3), and deals with further proceedings of the First Session of the Third Parliament which opened on 9th April, 1934, and ended on 16th May. It was subsequently announced that a General Election would take place on 7th November.*

MINISTER OF AGRICULTURE (*Note*).

On 23rd August it was announced that Capt. F. E. Harris had been appointed Minister of Agriculture in succession to the Hon. C. S. Jobling, M.P. (deceased). (For composition of the Cabinet *vide* JOURNAL, Vol. XIV., No. 4, p. 872.)

IMPERIAL DEFENCE.

(Benefits derived from the British Navy; Colonial obligations; Contribution to defence in consultation with British Government.)

On 25th April, in the Legislative Assembly, a debate took place on a Motion requesting the Government to make an annual contribution to the Royal Navy.

DEBATE IN LEGISLATIVE ASSEMBLY.

Lt.-Col. J. B. Brady (Rhodesian Party, *Bulawayo, N.*) moved :—

"That this House respectfully requests the Government to make an annual contribution to the Royal Navy, and that such annual contribution be not less than one penny in the pound, calculated on the Revenue of the Colony."

It would be easy, he said, to build up an unanswerable case to show the immense material benefit which Southern Rhodesia derived from the ceaseless vigilance of the Royal Navy which year in and year out kept guard over their ocean highways. As a little land-locked State they were out of touch with the great community of their own people whose living was upon the great waters, and in times of peace there was a danger that they might be forgetful of a national duty and obligation.

Responsibility of British citizenship.

The contribution to the Royal Navy now suggested was but a token payment of a debt of honour which the country could never hope to repay, a gesture to show the world where the Rhodesians stood. They were not concerned with idle legal disputations as to the divisibility of the Crown or claims to a right of neutrality in time of war. They asked nothing more, they would accept nothing less than the right to say "*Civis Britannicus sum*"—I am a British citizen. That was the Charter of their liberties.

To-day they saw the people of England staggering under the burden of a War Debt, of which Southern Rhodesia paid no share. England still stood immovable, four-square before the world—the pattern and bulwark of human liberty. Could they, who were fashioned from the same stubborn rock, hesitate to make this small payment, the pledge of their loyalty, their duty and their service?

Maj. L. A. M. Hastings (Rhodesian Party, *Lomagundi*), seconding the Motion, recommended it to the House as a matter of common-sense. It had also an educational value. He had heard in that House and outside it that they were about to achieve a measure of independence, and that they were well able to defend themselves internally and externally. Actually, of course, the only guarantee of the survival of that country or of themselves, the British in it, was the steel keels in the English Channel and the North Sea. Whatever could be suggested in connection with improving the Defence Force should not blind them to the fact that they depended for their existence on the Fleet.

Royal Air Force.

Lt.-Col. T. Nangle (Reform, *Salisbury District*), who said he would like the Motion to be wider, moved an Amendment to the effect :—

"That this House respectfully requests the Government to consider an annual contribution to the Royal Navy or other branch of Imperial Defence in consultation with the British Government."

This was done, he explained, so as to include the Royal Air Force. The Royal Air Force was their only rapid link with the Old Country, and he therefore suggested to the Prime Minister, who was about to visit the Old Country, that he should get into touch with the Imperial Defence Committee and see if he could not arrive at some arrangement with them, such as was possessed by other Colonies where regiments of Imperial Forces or training ships of the Royal Navy were situated. In Southern Rhodesia he did not think those were necessary; but he would like to see a wing of the Royal Air Force established there or brought there once a year on an extended visit. It would be a wonderful opportunity for their Rhodesian boys to avail themselves of the training thus afforded.

Mr. J. H. Malcolm (Labour, *Umtali, S.*) said he wondered if the House realised the debt which the Old Country was bearing in relation to this subject. On the British Estimates there appeared a sum of £56,000,000 under "Naval Estimates." What a little part their £10,000 would play in that amount! But that did not detract from the sentiment behind it. The Colony was not altogether to blame. If they took pre-War history, they knew that so far as the Royal Navy was concerned the Service did a lot, and it had a lot to thank the Colonies for in the contributions made in practical kind by the Dominions, by the States of Malaya and others. Undoubtedly the Colonies had been in just the same difficult position as that in which the Old Country found itself.

When the Prime Minister proceeded Home, Mr. Malcolm continued, let him table there a Resolution from that House for the next meeting of the Imperial Conference that the time had arrived when the Colonies should release the Old Country from a considerable portion of the £56,000,000 annually. She had not grumbled, but it was for them to realise the position. Apart from the foodstuffs which they got from Great Britain, there was not a farmer in that House but must admit that there was not a grain of maize but had the protection of the Royal Navy. The same applied to everything and to all their imports. Let them not recognise it as an obligation but as an Imperial charge.

The Motion as amended was agreed to.

COMPULSORY DEFENCE SYSTEM.

(Principle of compulsion; Military or police system of defence; Territorial Active Force; Obligations to State and Empire.)

On 25th April, a debate took place in the Legislative Assembly on a Motion to revert to the volunteer system of defence.

DEBATE IN LEGISLATIVE ASSEMBLY.

Mr. L. J. W. Keller (Labour, *Raylton*) moved :—

"(A) That in the opinion of this House Act No. 23 of 1926 * should be repealed, and that in lieu thereof the volunteer system be reverted to.

"(B) That consequent upon the adoption of (A) hereof, the numerical strength and conditions of service of both town and country police be improved with a view to the better maintenance of law and order within the Colony."

When, Mr. Keller said, the Bill referred to was first proposed, prior to it reaching the House the Labour Party, and other sections of the community, offered strenuous opposition to it. It also met with opposition from members of the Government Party at that time. The main objection of the Labour Party was to the principle of compulsion, an un-British principle; and in the eight years during which this experiment had been in operation it had proved rather farcical. The expenditure had been out of all proportion to the results achieved. Any endeavour to weaken the defence of the country was the last thing in his mind; they wanted to strengthen the defence of the country, but by modern methods.

Purpose and cost of the Defence Force.

The defence system was created to defend them against aggression; but if the Defence Force was to be used against European aggression he thought it would be of very little use, and in the case of native aggression it would not be of any practical assistance to those who were menaced, say, 50 or 100 miles from any town. Last year he showed that ten years ago the volunteer system was costing them £19,000, and that to-day they had a Force certainly not more efficient which was costing £35,000. He had always maintained that the best system of defence in Southern Rhodesia was a permanent ground Force supplemented by an Air arm; but this suggestion was ridiculed by the late Attorney-General, who was Minister of Defence, on the ground of the huge amount of money it would require. He based the figures at £134,000 for three flights of four machines—figures obtained from the South African Air Force, a most efficient Force, but one not operated with any idea of economy. They could start off in a much more humble way.

Regarding a Motion to be introduced that they should contribute £10,000 towards the Royal Navy,† Mr. Keller said there was a sentiment in the House and throughout the country towards the Imperial Government, and he thought they should recognise in one form or another

* The Defence Act of 1926 provides for compulsory military service in war time by citizens between 18 and 60 years of age and compulsory military training in peace time for citizens between 19 and 23 years of age. For further provisions of the Act *vide* JOURNAL, Vol. XIII., No. 2, pp. 412-417.

† *Vide* pp. 979-980.

their indebtedness to the Imperial authorities for the protection which they afforded. They were all interested in and educated by the annual flights from Cairo by the Middle East Air Force, and he felt sure that if proper representations were made to the Imperial authorities they would consider the suggestion to sustain annually one flight of these machines in Southern Rhodesia. It could be changed every year. The men could serve twelve months out of their service in Africa in Rhodesia, and that would provide an adequate aerial defence with modern machines and highly trained personnel, and provide a splendid training for the airmen stationed in the Middle East. If it was contemplated that £10,000 should be contributed to the Imperial authorities it could not be done in a better way than by contributing it for this purpose.

With reference to the Police Force, which was undermanned, Mr. Keller suggested that with a return to the Volunteer system, supplemented by an Air arm, they would save approximately £20,000, and that should be earmarked for the purpose of bringing the Police Force up to strength. The B.S.A. Police was recognised as one of the finest defence Forces, certainly in Africa; it was the Force they would have to rely upon in case of trouble, and it could be brought up to strength in this way without imposing any additional burden on the taxpayers.

Compulsory measures; Territorial Active Force.

Lt.-Col. E. L. Guest (Rhodesian Party, *Charter*) said the Defence Act included the Territorial Active Force, the Territorial Force Reserve, the Permanent Staff, the Rifle Companies and, up to a point, the B.S.A. Police. The only portion of the Force that was compelled to serve was the Territorial Active Force, which affected roughly about 400 men. They were called up at 19 years of age and had to serve for three years. They did sixty hours in the first year and forty hours in each of the two succeeding years. If the man's study or work was seriously affected by his training he was given total exemption. The training was as nearly as possible the same as the training in the Imperial Army.

War having become a much more scientific business than formerly, it was necessary for a soldier to be a highly trained man, with some knowledge of special branches of his trade, and it was impossible to give that training unless one could be sure that men within reason would attend regularly.

As to the replacement of the Territorial Force by a Flying Corps, the Air Force—and, in fact, every other branch of military service—was supplementary to the Infantry, the real fighting Force. With reference to cost, the present system was *per capita* less expensive than the voluntary system, and the State could not afford to replace the Territorial Force by a permanent Force. The cost of one policeman was equal to the cost of a platoon or, roughly, 28 Territorials; and was it suggested that one policeman could be as useful as 28 Territorials in time of need?

Apart from fitting the men to defend their country they were being taught their duties and obligations to the State; they were discharging an important obligation by serving in the Force and it had a high educative value. The Force was designed for local defence, and it was also an important link in the Imperial chain of defence.

Lt.-Col. J. B. Brady (Rhodesian Party, *Bulawayo N.*) pointed out that Australia had adopted the compulsory system of defence after the War, and had abandoned it and adopted the volunteer system about six years ago. But this year the Minister of Defence had given a serious warning to the volunteer units, complaining that they were not doing their duty, and that unless there was an immediate and noticeable improvement he would have no alternative but to revert to the compulsory system. Any reasonable man would admit that Europe to-day was simply an armed camp, and the Far East was a powder magazine in which the fuse was even now burning which might set the whole world aflame. Only in England had there been a decrease; the Regular Army had been cut to the bone.

Responsibilities of self-government.

Self-government carried with it, in addition to its advantages, very definite responsibilities, and not the least of these was that in the event of trouble anywhere in the Seven Seas, wherever the Flag flew, it would be their trouble as well as that of the particular part of the Empire where the trouble arose. To attack one member of the British family was to attack all.

Lt.-Col. T. Nangle (Reform, *Salisbury District*) said he supported the Motion with a full sense of responsibility for what he was doing. Defence was of two kinds—from external attack or internal rebellion. He did not see any likelihood of attack from their neighbours or of any foreign Power landing an army on the coast of Africa and invading Rhodesia. Their defence Force was useless to suppress native rebellion because the training it was receiving was for European warfare. If their Police Force was strengthened so that a trained man could be detached to every school in the country to put boys through half an hour's physical and military training every day, the benefit to the country would be enormously greater at much less cost.

Compulsory system.

Compulsory training, he added, had been abandoned in Canada, New Zealand and Australia, yet they had it in Rhodesia. He did not believe in the repeal of the Act as suggested, but he thought it needed severe overhauling to make it practically successful and less costly.

The Minister of Defence (Hon. S. M. L. O'Keeffe) said they should go a little outside the country and think of what was happening in the world, especially in England, because England, since the War, had had to take on far greater responsibilities; she had far less armed force to do it, and she looked to her Colonies to defend themselves. There was an enormous amount of quite unjustifiable assumption as to what England could do if any of her Colonies were attacked. Nowadays, with the advent of mechanised invention and the "art" of war intensified, every country had to have an intensified training Force. It could not be done with a scratch Volunteer Force formed at the last minute. The Union of South Africa had fully realised their responsibilities, and the "*Johannesburg Star*" in April, in an article, had described the reorganisation of the Union Defence Force under this so-called compulsion.

With regard to the replacing of the Defence Force by the Police, the Minister of Defence reminded the House that one of the first principles of the Police Force was that it should not be armed. The duties of a local defence Force were to afford protection from external aggression and provide adequate support to the police if a situation arose beyond their power to control. It must, therefore, be obvious that if they had a Force for these two purposes it must be highly trained and highly armed.

The strongest argument in favour of compulsion was that it ensured a fair spread of responsibility. Volunteering was out of date, and there was nothing better for a young man who rather fancied himself than to do as he was told.

They had been told that the present Police Force was understaffed. Mr. Keller would probably require another 50 men; that would leave them with 100 police. "I should be sorry to hand over the defence of this country," the Minister added, "to 100 men and to get rid of the 4,000 men of the Defence Force. Supposing that disturbances took place in three or four places in the Colony at the same time, how could we get on with 100 police?"

The Motion was negatived.

MALTA.

As announced in a previous issue of the JOURNAL (*Vol. XV., No. 1, p. 237*), *on 2nd November, 1933, the Colonial Office issued a statement to the effect that His Excellency the Governor of Malta, having found it necessary to dismiss Ministers, and the Secretary of State for the Colonies being satisfied that a grave emergency had arisen, the Governor had assumed the powers which, in that event, were vested in him by the Constitution.*

CEYLON.

The following summary is in continuation of that given in the last issue of the JOURNAL (*Vol. XV., No. 3*), *and deals with further proceedings of the State Council, which reassembled on 12th January, 1934.*

TEXTILE IMPORTATION AND QUOTA SYSTEM.

(Japanese competition; British Government's proposals; Ministers and Secretary of State; System established by Order-in-Council; Resolution of protest; Suggested boycott of British goods; Empire preference; Ceylon industries and Ottawa Conference; Constitutional issue; etc.)

On 7th August, 1934, in the State Council, the Minister of Home Affairs and Leader of the State Council made a statement regarding the application of the quota system to the importation of textiles.

IN THE STATE COUNCIL.

The Minister of Home Affairs and Leader of the State Council (Hon. Sir D. B. Jayatilaka) said he rose to make a statement regarding the quota system which had been introduced the previous week by Order-in-Council.

Japanese competition: proposed quota system.

On 7th May, 1934, the Secretary of State had informed the Board of Ministers, through the Governor, that negotiations with Japan for an agreement regarding British trade in cotton and rayon piece goods had failed and that the British Government had decided to take measures open to them to protect British trade in the United Kingdom and in the Colonial Empire. The Colonial Governments and Protectorates were, therefore, being invited to introduce a system of quotas to apply to foreign imports of cotton and rayon goods, and he asked that, with a view to reinstating the United Kingdom in the position in those markets which she had held before Japanese competition started, the basis for apportioning the quotas as between foreign countries should be the average of their imports in the years 1927-1931 and that the system should be introduced with retrospective effect as from 7th May, 1934.

Effect upon Ceylon: Ministers and Secretary of State.

The Ministers considered the question and informed the Governor that while they were willing to co-operate with the United Kingdom in regaining for Empire textiles markets lost by uneconomic competition, the measures proposed would cause serious hardship to the poorer classes in Ceylon, whose purchasing power had been greatly reduced by the low price of coconut products and the poor market for plumbago. They inquired whether as a reciprocal measure the British Government would adopt means of improving the United Kingdom market for these products. The Secretary of State, in the course of his reply, referred to the difficulties in introducing further measures for the purpose owing to technical reasons and the possible adverse effect upon certain home industries. He added that the British Government would review the subject further, and referred to measures already taken to advance the trade interests of Ceylon, including agreements regulating production by which a marked improvement in price had been secured for the two most important Ceylon products,—tea and rubber.

The Ministers felt that the introduction of the quota system in the present economic condition of Ceylon would inevitably increase the cost of cloth used by the poorer classes, and suggested as an alternative the removal of the existing duty on Empire textiles and the grant of a cash bounty of 10 per cent. to importers of United Kingdom textiles.

The Secretary of State replied that the average import value of Japanese textiles was about 2d. per yard in 1933, and that a preference of 20 per cent. would be practically useless. He further stated that a specific preference of about 3d. per yard would be required to achieve the object in view and that he had no objection to urge if Ministers could see their way to introduce such a duty. As regarded the grant of a bounty to importers of United Kingdom goods, he pointed out that there was some difficulty, as the British Government was committed to do their best to secure for Indian cotton goods in the Colonies treatment as favourable as that granted to United Kingdom cotton goods.

The Ministers were unable to agree to the proposal that a specific preference of 3d. per yard should be imposed on foreign textiles, as it would raise the price of the cheaper grades of cotton and rayon goods by more than 100 per cent. They accordingly informed the Governor that they were unable to support any measure which would increase to an unbearable extent the cost of essential articles of clothing of the poorer classes. They also found that increasing the proposed bounty would impose a burden upon the Revenue heavier than the country could bear. They therefore desired that the British Government might reconsider their attitude towards the Ministers' proposals.

Before the Ministers' decision could be conveyed to the Secretary of State, a telegram was received from him in which he stated that he had further considered the Ministers' proposal and that the British Government would regard as satisfactory a change in Ceylon tariffs by which a duty of 20 per cent. *ad valorem*, or 1½d. per yard on cotton piece goods and 3d. per yard on rayon piece goods, whichever was higher, would be imposed on foreign textiles while Empire goods would be admitted free. If such duties were approved by the State Council, the Secretary of State was prepared to take steps for the further assistance in the United Kingdom markets of the Ceylon exports earlier referred to.

The Ministers thereupon reviewed the situation created by this communication, but came to the conclusion that it would not be possible to prevent an excessive burden falling on the poorer classes by the introduction of the tariffs mentioned. They accordingly informed the Governor that they considered that to adopt the proposals would have the effect not only of enhancing prices beyond the level of the purchasing power of the poor, but even of causing a scarcity in the supply of clothing materials, since it would appear that the United Kingdom would not be in a position, at least for some period of time, to supply the local market at all with many of the articles most used.

No further communication had passed between the Governor and the Ministers until the Ministers were informed by His Excellency of the terms of the *communiqué* issued to the Press on 30th July announcing the passage of the Order-in-Council providing for the control of importation of textiles into Ceylon.

The Order-in-Council.

Dealing with the Order-in-Council, Sir B. Jayatilaka said this piece of legislation was a grave concern for Ceylon. It created a most dangerous precedent which might be followed on other occasions and for other purposes. By this indirect means it was possible to reduce Ceylon to the position of a Crown Colony; as far as he could see, there was only one satisfactory solution to the problem—the securing of complete self-government for the country in the management of its internal affairs.

The Order-in-Council also raised an economic issue of great importance. It was true there had been improvement as regarded tea and rubber. But Ceylon was 25,000 square miles in extent, and less than a million acres were under tea, and rubber, say, another half-million acres; and those who lived in the other parts of the country where these products were not cultivated could not share the prosperity that had come back to these two industries. The coconut industry was in a very bad state. When a large part of the country was in this position, it would be cruel to increase the cost of living. That was the only reason why the Ministers came to the conclusion that they could not agree to introduce either the quota system or high preferential duties. The decisions at every stage during the negotiations had been absolutely unanimous.

They had tried their utmost to avert a serious hardship on the people. They had failed. Now it was their duty to devise measures to prevent the cost of living increasing on account of the introduction of the quota system. Steps also must be taken so that in the course of years it might be possible for the country to produce at least part of the clothing materials necessary for the people. Their political freedom, it might be said, was not entirely in their hands, but their economic freedom was almost entirely in their own hands. Steps should be taken to ensure that in regard to the necessaries of life, such as food and clothing, Ceylon was made much more self-supporting.

On the same day, Mr. E. W. Perera on a Motion for the adjournment moved the following:—

"This House protests against the enforcement by an Order-in-Council of a system of quotas and is of opinion that the Board of Ministers should take immediate steps to nullify the injurious effects on the people of such arbitrary imposition."

DEBATE IN STATE COUNCIL.

Mr. E. W. Perera (*Horana*) said he would like, first of all, to express his appreciation of the very full and comprehensive statement by the Leader of the House, but he deplored the belated nature of it.

The Board of Ministers had gone further than the Council or the country would ever have gone. In his opinion their proposals amounted to an abject surrender. However, in the ultimate action taken by them they had the whole weight of public opinion in the country and of the Council behind them.

Proceeding, Mr. Perera said that fiscal autonomy was an elementary constitutional fundamental right of any country. How much more so was it of a country said to possess seven-tenths *Swaraj*?

It was not necessary to expatiate on the hardship that had already followed the imposition of quotas; and he would not dwell on the argument that the quota system would benefit Manchester: that had been denied.

In order to make their protest more effective and to inculcate self-reliance and self-respect, he suggested they should call in the aid of the boycott: he had always been a believer in constitutional weapons, and that was not unconstitutional.

Mr. G. K. W. Perera (*Matara*) said that Singapore had adopted the quota and the prices of British goods went up. That was the inevitable consequence of the adoption of the quota. So far as the price of Japanese goods was concerned it did not affect Japan, which only sent certain goods that were wanted in Ceylon.

What would Japan and America do when Ceylon allowed quotas against them? They had been doing very good business with Ceylon in textiles. They had the power to retaliate because they were two of the largest buyers of Ceylon plumbago. Was it not a travesty on the British sense of fairplay that with a large consumption of plumbago in England, Ceylon should look to Japan and America to consume their goods? Japan was the largest buyer of bristle fibre and could retaliate by refusing to import large quantities of Ceylon's bristle fibre.

Trade with Japan; Effects of quota.

According to figures published the day before, Japan imported from the British Empire 629,000,000 Yen worth of goods and Japan exported to the British Empire 539,000,000 Yen worth. The inevitable consequences of the Empire buying less Japanese goods would be that Japan would not have the ability to buy British goods to the extent they had been doing, and some part of the reduction of their purchases from the Empire would be out of the purchases from Ceylon.

Proceeding, Mr. Perera said that the loss to those most affected by the quotas must be made up by the Government; what they suffered by way of increased price should be made up by a reduction in price of food. There must be a reduction of whatever taxes they had to pay. He also suggested that they should improve their cotton industry. They would have to promise to those who grew cotton that the Government would buy all the cotton produced at a price at which it could be grown with profit. They should also install hand-looms; and yarn should be imported free so that the hand-looms could be utilised to the fullest extent. Instruction should be given to boys and young men out of employment in the use of the hand-loom. Marketing conditions should be improved.

Suggested boycott of United Kingdom goods.

They should also do everything that could possibly be done towards improving industries of all kinds which could be profitably encouraged by Government action. If necessary, they could tax those taxable individuals who had a greater capacity to pay, so that the poor might be helped to a greater extent. The establishment of local industries should also be encouraged by private enterprise—*i.e.*, the boycott of foreign imports.

Mr. Perera said that a Committee had been formed after a public meeting held in Colombo for the purpose of investigating and carrying out the boycott of United Kingdom goods, and certain articles had been chosen with a view, whilst expressing indignation and protesting by the retaliatory action involved in the boycott of those goods, to [the

encouragement of creating similar goods or substitutes in Ceylon. Beer and other intoxicants produced in Ceylon could easily take the place of foreign liquor which they proposed should be boycotted—particularly British whisky; and sweets, confectionery, jams, boots and shoes, and other articles could well be produced in Ceylon.

Mr. E. A. P. Wijeyeratne (*Kegalla*) said he thought it would have to be seriously considered whether they should find out if the country's mandate was with them or not.

The constitutional issue: Article 72.

Mr. G. G. Ponnabalam (*Point Pedro*) suggested that to test the constitutional position, a Bill might be introduced, and passed with such unanimity that His Majesty the King could be persuaded to give assent to it, rendering null and void the provisions of the Order-in-Council. He also pointed out that in view of the large stock of cotton and rayon goods in Ceylon immediate steps should be taken to see that there was no attempt at profiteering. He thought Ministers would be well advised if they took steps to reduce indirect taxation which fell heavily on the poor of the country.

Mr. G. C. S. Corea (*Chilaw*) said according to Article 72 of the Order-in-Council under which their Government was constituted, there was no doubt that a new proviso had been included by which, along with the right of the Council to legislate for the peace, order and good government of the country, there was also reserved to His Majesty a special power to legislate for the peace, order and good government of the country. The real issue was a constitutional one. Were they prepared to allow Article 72 to remain in the Constitution?

On 8th August,

Mr. A. Mahadeva (*Jaffna*) asked what the imposition of the quota was going to cost Ceylon.

Empire trade and prosperity.

It would be a sad day for Ceylon, he said, if as a result of refusing assistance to Great Britain at a time when she needed it, they, who prided themselves on their loyalty to Britain, were content to see her power diminish. As he viewed the question, it was not whether Ceylon was to be exploited for the weavers and spinners of Lancashire, but whether they were content to see the trade of the Empire diminish year by year and thereby all the prosperity and the power and the influence resulting from sound trade conditions denied to the Empire? Great Britain was interested in every unit that formed part of the Empire. If one unit prospered, Great Britain prospered. It was not a question of mere exploitation of the poor but it concerned the future of Ceylon.

Mr. S. W. R. D. Bandaranaike (*Veyangoda*) said he did not mind voting a subsidy for the poverty-stricken, inefficient cloth producers of Lancashire. But to foist a scheme on the people of Ceylon in order to bolster up an uneconomic industry had no justification.

England's plumbago imports.

Ceylon was the only plumbago producing country of the Empire, yet England found it more economic to buy her plumbago from Madagascar, and to encourage foreign soya products in preference to Ceylon's coconut products. If England had made some sacrifice for them they might have considered the question from a different angle.

As to the way in which they could show England that this action, far from resulting in advantages, would result in action which would probably be more disadvantageous to the very interests she proposed to serve by the quotas, he recommended them to make an endeavour to introduce a boycott, primarily of Lancashire cloth and of such other British goods as could be done.

Japanese competition ; Cost of quota system to Ceylon.

The Financial Secretary (Hon. Mr. H. J. Huxham) emphasised that this was an Empire matter. The reason for this special protection of the Empire industry was that it was firmly believed that this Japanese competition was uneconomic. The whole facts surrounding it were shrouded in mystery and no one knew quite how it was done. It was a fact that in some instances the cotton goods, woven cotton cloth, had been supplied and sold in the markets of the world at lower prices than the cost of raw cotton. Whether that was done with the idea of crushing out other competitors and afterwards increasing prices they did not know.

Regarding the cost to Ceylon under the quota scheme, Mr. Huxham said that if Ceylon continued to import the same yardage as in 1933, there would be 28 million yards of cotton goods which would have to come from sources other than Japan. After carefully examining figures, he found that the full measure of difference between comparable kinds of Japanese and English cloth used by the man in the street was 10 cents per yard. Therefore, if the whole of the 28 million yards were to come from the Empire, the difference in cost to Ceylon might be Rs. 2,800,000. And for that they would get a somewhat better article : Japanese cloth was usually made of cheaper Indian fibre, whereas English cloth was made of American fibre, which was more expensive and a better article.

Mr. W. A. de Silva (*Moratuwa*) wondered whether anybody expected when the purchasing power of 75 per cent. of the population who could be classed as poor was so low, that they would be able to afford Rs. 2,800,000 in addition to what they spent at present on their living. The results of the quota system would make a large section of the population go without the extra clothing they had been used to. More than 75 per cent. of the population lived below the poverty line ; in any other country there would be red revolution.

Good-will of people necessary ; Quota system and poorer classes.

The Secretary of State had used certain powers he should not have used, even if he had the legal right to do so, because in the governing of countries it was absolutely necessary that the good-will of the people should be considered if they were to run the Empire smoothly and in a way that would meet with the ready co-operation of the people who belonged to the various units. That had been neglected. They could not blame the Secretary of State. They could blame the times and the manner in which countries were being governed to-day.

The people resented the manner in which the quota had been imposed because there had been very little understanding regarding the conditions prevailing in the country, and because it was introduced in spite of the Ministers who had been doing their best to convince the authorities that such action would in the end do a great disservice to the country.

The Motion they were discussing registered their protest, but were they going to stop there ? He thought they should stand together and devise means, not to outwit the Secretary of State and the Manchester spinners, but to save the poorer classes from being deprived of clothing and the necessaries of life ; and he suggested a Bill should be brought in making profiteering illegal. He also suggested that if they could allow other classes of textiles on which quotas had been imposed to enter Ceylon free of Customs duty they would be able to relieve the poorer classes of part of the extra burden.

Dr. S. A. Wickremasinghe (*Morawaka*) said that it was not because there was Japanese dumping or because there was unfair competition but merely because Lancashire industries refused to reorganise themselves, to write off capital and buy better machinery, that Ceylon was forced to pay for more expensive cloth. Every poor villager who had worn Japanese cloth knew that it was far superior to the English cloth at the same price.

Ireland had refused to pay the land annuity. Why did not England enforce her will on Ireland ? Canada had refused to give preference to England on textiles. Did England enforce her will on Canada ? England gave advantages to Denmark and Norway for dairy produce, but had refused preference to New Zealand. So with South Africa. Had Australia accepted any effective preference for British goods ? Dr. Wickremasinghe added that they must organise Ceylon to make it politically conscious so that they might really achieve self-government.

Empire or British Isles standpoint.

The Minister of Agriculture and Lands (Hon. Mr. D. S. Senanayake) said he felt that some of the English statesmen had not considered the matter from the Empire point of view but from the British Isles' point of view. He reminded the House that Ceylon had been one of the first to agree to the preference scheme. They realised it was necessary for them—members of the British Empire—to support each other. He believed the Council had accepted a Resolution to that effect. They had also asked the Secretary of State to give them the opportunity of being represented at Ottawa. Unfortunately they did not get that opportunity. When the Ottawa Agreement was placed in Ceylon they felt that it was not quite fair towards them. What did Ceylon do ?

Ceylon's Empire Preference.

It had been stated that Ceylon had given no preference. It was true they did not give preference to Lancashire goods ; but they had given preference on 90 odd articles and received preference only with regard to 24. With regard to the 90 odd articles trade had improved ; they were at least importing from those countries goods to the value of about Rs. 26,969,962 under preferential duty. The same type of goods sent by other countries had been reduced to Rs. 11,822,990. With regard to the 24 articles on which they received preference, on those goods bought by Empire countries they had received Rs. 105,740,889, and for the same type of goods other countries had paid them Rs. 46,128,603. Of the amount bought by Empire countries Rs. 81,000,000 was in respect of tea, which showed that sales to other countries, even on the balance commodities on which they got preference, were much greater than their sales to countries within the Empire. Tea was perhaps their best industry and any benefit to accrue to it would be a benefit to Ceylon, but it was also true that tea benefiting by itself would not increase the purchasing power of the majority of the people.

Mr. Senanayake said they were anxious to join in the [quota] scheme; but found that their people were in such a hopeless state that they could not agree to it. They could only come in if the Secretary of State could agree to improve the purchasing power of the people. The Secretary of State said that because of the position of certain industries in England, for certain technical reasons, he could not accept the suggestion of Ceylon.

Mr. N. Selvadurai (*Kayts*) said that as an Imperial measure, as something in which Ceylon also should take a part, he felt they should join in the quota system even if it entailed hardship on the poorer classes. If they did this then the United Kingdom and other parts of the Empire would come to their aid.

Ceylon industries and Ottawa Conference.

Mr. A. E. Goonesinha (*Colombo Central*) said that a couple of years ago, when they were requested to grant preference to British goods, they were told that in return the interests of their industries would be looked after. Had England come to the rescue of the coconut industry? So far as coconut produce went, their greatest competitor was the soya bean—a Japanese commodity—which was imported into England. At the Ottawa Conference it was decided that a tariff should be placed upon the article; but interests in England made representations to the Secretary of State and the 10 per cent. duty on soya beans was removed. To-day the soya bean came into the United Kingdom free of duty. With regard to plumbago, British interests in Madagascar would never permit the importation of Ceylon plumbago into England.

It was regrettable that the offers made by the Board of Ministers, which he considered had gone far beyond what the House would have allowed them to go, had been rejected—and that they were wanted to impose practically a 300 per cent. tariff on Japanese goods.

Mr. S. de Fonseka (*Panadure*), dealing with the proposed boycott of British goods, said he was convinced that the repercussions of that policy would be detrimental to Ceylon. He did not think a boycott could be made effective. Also, there was the factor of danger—that they would alienate the sympathy even of that small section of the British public who felt as they did; and they would be playing into the hands of that section who would rather see them back again under Crown Colony government. There was also the danger of defeat.

He urged the Board of Ministers to take immediate action to prevent profiteering. He also suggested that they should attach to every school a weaving class. In a few years they would be able to turn out sufficient cloth for a part of the population. No doubt this required large subsidies; but he could conceive of no better project on national or economic grounds.

He was sure the House would have agreed to the quota system if their products had been treated as generously as the Dominion products in the English markets. He hoped that the Board of Ministers would see if it was possible to get out of the *impasse*, either by obtaining from England reciprocal advantages or by suggesting to England some other measures which might be to her benefit and to the benefit of Ceylon.

On the question being put, Mr. Perera's Motion was agreed to, *nemine dissentiente*.

THE BUDGET.

(Appropriation Ordinance: Report of the Board of Ministers; Estimates of Revenue and Expenditure for 1934-35; Surplus Revenue: revision of Customs duties.)

On 24th July, in the State Council, the Board of Ministers presented to the State Council the Appropriation Bill for 1934-35, and laid before the Council the Estimates of Revenue and Expenditure for the year. The Report of the Board of Ministers, together with the observations of the Financial Secretary, are summarised below.

REPORT OF THE BOARD OF MINISTERS.

The Report of the Board of Ministers stated that the estimated Revenue for 1934-35 was estimated at Rs. 98,052,000. The revised Estimate for the current year was Rs. 98,754,061, which included two abnormal items, *viz.*, surplus on Sinking Fund, Rs. 4,339,061, and salary levy credited under various heads, Rs. 3,000,000. For the purpose of comparison, these items should be deducted from the 1933-34 figures, leaving the normal Revenue for 1933-34 at Rs. 91,415,000 against the 1934-35 figure of Rs. 98,052,000. This improvement was due to increases under nearly all heads, of which the principal were Customs, Rs. 2,405,000 and Income Tax, Rs. 2,000,000.

The total estimated Expenditure for 1934-35 was Rs. 99,559,479. This exceeded the original Estimate for 1933-34 by Rs. 2,643,247 and the revised Estimate of Rs. 93,000,000 by Rs. 6,559,479. This revised Estimate assumed, while the Estimate of Rs. 99,559,479 did not assume, the normal savings on personal emoluments, etc.

Recurrent expenditure for which provision had been made amounted to Rs. 96,161,554, which was more than the sum provided during the current year by Rs. 1,200,872. Estimated special and extraordinary expenditure was Rs. 3,397,925, an increase of Rs. 1,442,375 over the corresponding estimate for the current year.

LOAN FUNDS.

Under "Loan Funds," the amount to be expended in 1934-35 was Rs. 2,358,392, compared with Rs. 1,660,593 in 1933-34.

ELECTRICITY SUPPLY AND RAILWAY ESTIMATES.

The revenue and expenditure of the Colombo Electricity Supply undertaking formed the subject of a separate budget. The legal appropriation of the revenue of the undertaking was effected by means of a separate Schedule to the Appropriation Bill. The estimated interest on capital, Rs. 574,088 and the net profit, Rs. 287,315, were carried to the general Revenue of the Island.

The Railway Estimates also formed a separate budget. Estimated Earnings amounted to Rs. 21,600,000, which was Rs. 1,600,000 more than the estimate for the current year. The interest for 1934-35 due to the general Revenue was Rs. 6,450,546, of which it was estimated that the Railway would be able to pay Rs. 1,039,545.

ESTIMATED SURPLUS BALANCES.

It was expected that the financial year 1934-35 would open with a credit balance of approximately Rs. 22,319,292 on the Surplus and Deficit Account.

ESTIMATED DEFICIT.

The excess of estimated Expenditure over estimated Revenue stood at Rs. 1,507,479. It was anticipated that the normal savings due to under-expenditure would suffice to cover both this deficit and the supplementary estimates approved during the year, provided the latter were kept within reasonable limits. If this anticipation was not realised it would be necessary to draw on the surplus balances, which were sufficient for the purpose.

OBSERVATIONS OF THE FINANCIAL SECRETARY.

The Financial Secretary concurred generally in the draft Appropriation Bill and Estimates presented to the State Council.

IN THE STATE COUNCIL.

The Minister of Home Affairs and Leader of the Council (Hon. Sir Baron Jayatilaka), moving that the Bill, entitled "An Ordinance for making provision for the Public, Railway and Colombo Electricity Supply Services for the financial year 1934-35," be read a first time, said he had no doubt Members would come to the conclusion that the financial position was very sound. It was in striking contrast to the state of affairs which had obtained during the first few years.

When the new Council assumed their duties they had been faced with a deficit of Rs. 16,250,000, left by the previous Government. As a result of measures taken for reducing expenditure and increasing the revenue, and of improvement of trade generally, and owing to a certain amount of good luck, the financial position had considerably improved.

The estimated Surplus on 1st October, 1933, was Rs. 16,565,231. The original Estimate of Revenue for the current year was Rs. 90,880,000; the revised Estimate was Rs. 98,754,061 which, added to the surplus on 1st October last, gave a total of Rs. 115,319,292.

The original Estimate of Expenditure for the current year was Rs. 96,916,232; the revised Estimate was Rs. 93,000,000. At the end of the year there would be a surplus of Rs. 22,319,292.

Estimates for 1934-35.

The estimated Revenue for the next year was Rs. 98,052,000. This did not include the temporary levy on the salaries of Public Servants, an item which occurred in the three previous years. It was not proposed to continue this levy after 30th September, 1934. When this levy had been decided upon, the situation had been certainly very serious. But with the advent of better times it would be wrong to continue the levy.

The revised Estimate for the current year and the Estimates for next year were about Rs. 8,000,000 more than the original Estimate for the current year. Increases of Revenue were expected from several sources, principally the Customs, about Rs. 2,400,000 due to the improvement in trade, and for the same reason they expected an increase of Rs. 250,000 from Port, Harbour, Wharf, Warehouse and other dues. Licences and Excise Duties were expected to give them Rs. 600,000 more. Income tax was expected to yield Rs. 2,000,000 more. From the Railway they expected an increase of Rs. 600,000.

Expenditure for the next year was estimated at Rs. 99,559,479, which left a deficit of Rs. 1,500,000. But when the normal savings were taken into account it was expected that the Revenue and Expenditure would balance; and if a certain amount of caution was exercised in submitting Supplementary Estimates the next year might end with a small surplus balance.

Continuing, the Minister said there would be no less than 22 million rupees surplus at the beginning of the next financial year. It was necessary, he thought, to reserve, as had been done in the past, not less than 10 million rupees to be used only at a time of great emergency. As to the balance, Ministers were giving the question attention, and perhaps in the near future definite proposals might be placed before the House.

Parliamentary allowances; Ministers' salaries; etc.

Dealing with important points under Expenditure and those items involving a new policy, or a change of policy, a new departure or large increases or reductions in votes, Sir Baron Jayatilaka said there was a large increase of nearly Rs. 100,000 in the total vote under Head 3, "State Council." This was due to the fact that it was proposed to restore to Members the full allowance. Salaries of Ministers would also be restored.

Under sub-head "Elections to State Council," the amount provided this year was Rs. 8,000, and for next year they were providing Rs. 150,000, due to the fact that a General Election would take place next year.

Public Debt; Loan reduction.

There was a large decrease of Rs. 344,642 under "Public Debt," due to (A) the reduction of the 4 per cent. loan of £1,076,100 on 15th February, 1934, and (B) the reduction of part of the 3½ per cent. loan of £1,500,000 from the Sinking Fund and the conversion of the remainder of the loan to a 3¼ basis.

Unemployment relief; Agriculture.

Under unemployment relief work Rs. 200,000 was provided.

There was a very large increase—Rs. 300,000—for departments under the Ministry of Agriculture, due to the forward policy initiated by the Minister of Agriculture and his Committee.

Industrial development; Trade representatives.

Dealing with the Vote for the Ministry of Labour, Industry and Commerce, Sir B. Jayatilaka said there was an insistent cry that the industries of the country should be encouraged. Many of their industries were languishing for two reasons, lack of funds and lack of proper technical advice. The Minister and his Committee had appointed a "Standing Committee of Industries" to discuss ways and means of developing local industries, and they were trying to secure the services of an expert adviser. The next thing was the providing of credit facilities for those engaged in industrial work. The Executive Committee had appointed a Commission which was inquiring into the subject.

The Committee had sent out trade representatives—one to India and one to the south of Europe, and an honorary representative to America; and he was told that the reports they had submitted had been very useful. They had proved that Ceylon and Ceylon produce were not sufficiently advertised. A proposal to establish a Ceylon House in London had been accepted by the Council. The Committee also considered that an economic survey of the country was most desirable, and proposed to introduce legislation which would enable statistics in regard to various matters to be collected.

At the present moment the plight of the coconut industry was troubling the country seriously. At one time it was the most important industry, so far as concerned the permanent population of the country. It was in a parlous condition, and no one would deny that steps had to be taken so that the industry might once more be made a paying proposition, and he expected that a Bill dealing with one aspect of this vast question would come before the House at an early date.

Workmen's compensation; Education.

The Workmen's Compensation Ordinance, long overdue, was now on the way to the Statute Book.

On education they were spending a sum of Rs. 15,000,000—out of a total Revenue of Rs. 98,000,000. But in spite of that there were still wide areas where educational facilities had not yet been provided. Regarding the scheme of rural education, to which he had referred last year, there were now 75 schools. A great variety of crafts had been introduced, and the results obtained had been very satisfactory. The scheme had improved agriculture, and specially paddy cultivation. Another development of the scheme was that of sanitary education, and it had also been the means of improving and promoting adult education. He had no doubt that the scheme would be extended as far as possible and as early as possible to other parts of the Island.

Regarding the question of establishing a University, he thought it could not be much longer delayed. The people were spending lakhs of rupees every year in sending young men to the United Kingdom and elsewhere to obtain higher education. The time had come when they must provide all facilities for higher education in the country itself. The Government was spending Rs. 50,000 at least every year for University Scholarships; he hoped that when the University was established it would be possible to reduce the number, if not abolish them altogether.

Hydro-Electric Scheme.

Regarding the Hydro-Electric scheme, the Report of the Consulting Engineers was being considered by the Executive Committee of Communications and Works, and he expected very early it would be possible for the Council to consider the Report of the Executive Committee and come to a final decision regarding the work.

Surplus Revenue: revision of Customs Duties.

Concluding, Sir B. Jayatilaka said that it was often suggested that when there was a surplus of Revenue over Expenditure the Government ought to grant relief to the taxpayer. That was a very sound principle, but he thought it was too premature to embark upon reducing taxation simply because they happened to have a surplus of Rs. 22,000,000. But a Motion would be placed before the Council later dealing with two small items of Customs Duty: an increase of duty on beer and the reduction of duty on flour. This might cause a loss of about 2 lakhs of rupees. It had been taken into account in the Budget proposals.

The Bill was read a first time.

(Progress will be reported in the next issue of the JOURNAL.*)*

BERMUDA.

The Legislature, which was prorogued on 18th June, 1934, reassembled on 26th October. Proceedings of the present Session will be dealt with in subsequent issues of the JOURNAL.

BAHAMAS.

The Legislature was prorogued on 2nd July, 1934. Proceedings of the next Session will be dealt with in subsequent issues of the JOURNAL.

VACHER & SONS, LTD., Westminster House, S.W.1—19033.

EMPIRE PARLIAMENTARY ASSOCIATION.

(Continued from page 2 of cover.)

PARLIAMENT OF THE IRISH FREE STATE.

President:
SENATOR T. WESTROPP-BENNETT (Chairman of the Senate).

Treasurer:
SENATOR JAMES G. DOUGLAS.

Secretary and Offices:
D. J. O'SULLIVAN, ESQ. (Clerk of Senate), The Senate, Dublin.

PARLIAMENT OF NEWFOUNDLAND.*

LEGISLATURE OF INDIA.

Presidents:
HON. SIR MANECKJI DADABHOY, K.C.I.E. (President of the Council of State).
HON. SIR R. K. SHANMUKHAM CHETTY, K.C.I.E., M.L.A. (Pres. of Legislative Assembly).

Vice-Presidents:
HON. KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN, K.C.S.I. (Leader of the Council of State).
HON. SIR BROJENDRA MITTER, K.C.S.I., M.L.A. (Leader of the Legislative Assembly).
ABDUL MATIN CHAUDHURY, ESQ., M.L.A. (Deputy-President, Legislative Assembly).
SIR COWASJEE JEHANGIR, K.C.I.E., M.L.A.
M. R. RY. DIWAN BAHADUR A. RAMASWAMI MUDALIAR, M.L.A.
MIAN MUHAMMAD SHAH NAWAZ, C.I.E., M.L.A.

Treasurer: B. DAS, ESQ., M.L.A.

Secretary and Offices:
MIAN MUHAMMAD RAFI (Secretary of Legislative Assembly), Legislative Assembly, New Delhi.

PARLIAMENT OF SOUTHERN RHODESIA.

President:
HON. LIONEL CRIPPS, C.M.G. (Speaker of the Legislative Assembly).

Vice-Presidents:
HON. G. MARTIN HUGGINS, F.R.C.S., M.P. (Prime Minister).
HON. P. D. L. FYNN, C.M.G., M.P. (Leader of the Opposition).
H. H. DAVIES, ESQ., M.P. (Leader of the Labour Party).

Secretary and Offices:
J. G. JEAREY, ESQ. (Clerk of Legislative Assembly), Legislative Assembly, Salisbury.

PARLIAMENT OF MALTA.*

STATE PARLIAMENTS OF AUSTRALIA.

NEW SOUTH WALES.

Presidents:
HON. SIR J. PEDEN, K.C.M.G., M.L.C. (Pres. of Legis. Coun.).
HON. SIR D. LEVY, M.L.A. (Speaker of Legis. Assem.).

Vice-Presidents:
HON. B. S. B. STEVENS, M.L.A. (Premier).
HON. J. T. LANG, M.L.A. (Leader of Oppos.).
LT.-COL. THE HON. M. F. BRUXNER, D.S.O., M.L.A. (Leader of Country Party, Dep. Premier, etc.); *and others.*

Secretary and Offices:
W. R. MCCOURT, ESQ. (Clerk of Legis. Assem.), Legislative Assembly, Sydney.

QUEENSLAND.

President:
HON. W. FORGAN SMITH, M.L.A. (Premier).

Vice-Presidents:
HON. G. POLLOCK, M.L.A. (Speaker of Legis. Assem.).
HON. ARTHUR E. MOORE, M.L.A. (Leader of Oppos.).

Secretary and Offices:
T. DICKSON, ESQ. (Clerk of Legis. Assem.), Legislative Assembly, Brisbane.

WESTERN AUSTRALIA.

Presidents:
HON. SIR J. KIRWAN, M.L.C. (Pres. of Legis. Coun.).
HON. A. H. PANTON, M.L.A. (Speaker of Legis. Assem.).

Vice-Presidents:
HON. P. COLLIER, M.L.A. (Premier).
C. G. LATHAM, ESQ., M.L.A. (Leader of Oppos.); *and others.*

Secretary and Offices:
FRANCIS G. STEERE, ESQ. (Clerk of Legis. Assem.), Legislative Assembly, Perth.

VICTORIA.

Presidents:
HON. SIR F. CLARKE, K.B.E., M.L.C. (Pres. of Legis. Coun.).
HON. M. BLACKBURN, M.L.A. (Speaker of Legis. Assem.).

Vice-Presidents:
HON. SIR S. ARGYLE, K.B.E., M.R.C.S., M.L.A. (Premier).
HON. T. TUNNECLIFFE, M.L.A. (Leader of Oppos.)
HON. J. ALLAN, M.L.A. (Min. of Agriculture and Leader of Country Party); *and others.*

Secretary and Offices:
P. T. POOK, ESQ. (Clerk of Legis. Coun.), Legislative Council, Melbourne.

SOUTH AUSTRALIA.

President:
HON. R. L. BUTLER, M.P. (Premier).

Vice-Presidents:
HON. SIR DAVID J. GORDON, M.L.C. (Pres. of Legis. Coun.).
HON. R. D. NICHOLLS, M.P. (Speaker of House of Assem.).

Secretary and Offices:
F. L. PARKER, ESQ. (Clerk of House of Assem.), House of Assembly, Adelaide.

TASMANIA.

Presidents:
HON. W. B. PROPSTING, C.M.G., M.L.C. (Pres. of Legis. Coun.).
HON. SIR J. EVANS, C.M.G., M.H.A. (Speaker of House of Assem.).

Vice-Presidents:
HON. A. G. OGILVIE, K.C., M.H.A. (Premier).
HON. SIR WALTER LEE, K.C.M.G., M.H.A. (Leader of Oppos.).

Secretary and Offices:
C. H. D. CHEPMELL, ESQ. (Clerk of Legis. Coun.), Legislative Council, Hobart.

---

* Owing to the suspension of the Constitution, the activities of Parliament and consequently of the Branch of the Association have been temporarily suspended.

EMPIRE PARLIAMENTARY ASSOCIATION.

(Continued from page 3 of cover.)

PROVINCIAL PARLIAMENTS OF CANADA.

ONTARIO.

President:
HON. T. A. KIDD, M.L.A. (Speaker, Legis. Assem).

Vice-Presidents:
HON. MITCHELL F. HEPBURN, M.L.A. (Premier).
HON. G. S. HENRY, M.L.A. (Leader of Oppos.).

Secretary:
MAJOR A. C. LEWIS (Clerk of Legis. Assem.), Legislative Assembly, Toronto.

QUEBEC.

Presidents:
HON. J. NICOL, K.C., M.L.C. (Speaker, Legis. Coun.)
HON. D. BOUCHARD, M.L.A. (Speaker, Legis Assem.).

Vice-Presidents:
HON. L. A. TASCHEREAU, M.L.A. (Premier).
M. L. DUPLESSIS, ESQ., M.L.A. (Leader of Oppos.)

Secretary and Offices:
L. P. GEOFFRION, ESQ., K.C. (Clerk of Legis Assem.), Legislative Assembly, Quebec.

NOVA SCOTIA.

President:
HON. LINDSAY C. GARDNER, M.L.A. (Speaker, Legis. Assem.).

Vice-Presidents:
HON. ANGUS L. MACDONALD, M.L.A. (Premier).
COL. THE HON. G. S. HARRINGTON, K.C., M.L.A. (Leader of Oppos.).

Secretary and Offices:
A. S. BARNSTEAD, ESQ. (Clerk of Executive Coun.) Province House, Halifax.

NEW BRUNSWICK.

President:
HON. F. C. SQUIRES, M.L.A. (Speaker, I Assem.).

Vice-Presidents:
HON. L. P. D. TILLEY, K.C., M.L.A. (Premie.
A. A. DYSART, ESQ., K.C., M.L.A. (Lead Oppos.).

Secretary and Offices:
GEORGE BIDLAKE, ESQ. (Clerk of Legis. As Legislative Assembly, Fredericton.

BRITISH COLUMBIA.

President:
HON. C. F. DAVIE, M.L.A. (Speaker of the Legislative Assembly).

Vice-Presidents:
HON. T. D. PATTULLO, M.L.A. (Premier).
REV. R. CONNELL, M.L.A. (Leader of the Opposition).

Secretary:
MAJOR W. H. LANGLEY (Clerk of Legislative Assembly), Parliament Buildings, Victoria, B.C.

LEGISLATURE OF CEYLON.

President:
HON. MR. A. F. MOLAMURE, M.S.C. (Speaker of the State Council).

Vice-Presidents:
HON. SIR DON BARON JAYATILAKA, M.S.C. (Leader of the State Council).
E. W. PERERA, ESQ., M.S.C.
F. A. OBEYESEKERE, ESQ., M.S.C. (Deputy-Speaker).

Secretary and Offices:
E. W. KANNANGARA, ESQ. (Clerk to the State Council), The State Council, Colombo.

LEGISLATURE OF BERMUDA.

President:
HON. SIR STYDNEY ROWAN-HAMILTON, M.L.C. (President of the Legislative Council).

Vice-President:
HON. J. REGINALD CONYERS, M.H.A. (Speaker of the House of Assembly).

Secretary and Offices:
HON. SIR STANLEY SPURLING, C.M.G., O.B.E., M.H.A., House of Assembly, Hamilton.

LEGISLATURE OF THE BAHAMAS.

Presidents:
HON. SIR GEORGE JOHNSON, M.E.C., M.L.C. (President of the Legislative Council).
HON. HARCOURT MALCOLM, O.B.E., K.C., M.H.A. (Speaker of the House of Assembly).

Vice-Presidents:
The Chairman of Committees, Legislative Council (*at present vacant*).
HON. W. K. MOORE, M.E.C., M.H.A. (Leader of the House of Assembly).

Secretary and Offices:
KENNETH MACLURE, ESQ. (Chief Clerk), House of Assembly, Nassau.