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INTRODUCTION.

International affairs and defence again occupy a prominent place in the summaries of the proceedings of the various Parliaments which appear in the present number of the JOURNAL.

In the United Kingdom section, a good deal of attention is devoted to the problems arising out of the Spanish civil war, both in the debate on the Address and in the debate occurring on the first day after the Christmas adjournment (which it has been possible to include in this issue); but other matters are touched upon in these debates, such as relations with France, Germany, Italy, and Egypt, policy regarding the League of Nations, and the outlook for the future.

Other references to foreign affairs in this section relate to the denunciation by Germany of the "Waterways" clauses of the Versailles Treaty, to Naval Agreements with foreign Powers, to the Anglo-Egyptian Treaty, and to the Act to prevent the carriage of munitions to Spain.

In the Parliaments of the Dominion of Canada and the Australian Commonwealth, references occur, as regards the former, to the reform of the League Covenant and to relations with the United States, in the Governor-General's Speech; and with regard to the latter, to the Australian proposals concerning the reform of the Covenant, to the Montreux Conference, to the Anglo-Egyptian Treaty, and to Trade Treaties with Belgium and Czechoslovakia, in the course of the proceedings which are summarised.

In the Irish Free State section, references are made to relations with Spain; and in the Indian section summaries of debates on the League and on the Reduction of Hours of Work Convention are given.

Defence measures in relation to the international situation and co-operation for defence between the countries of the Empire are referred to in the debates in the Parliaments of the United Kingdom, New Zealand, and the Union of South Africa.

Announcements and Measures connected with the abdication of King Edward VIII and the Accession of King George VI are dealt with in the United Kingdom and Irish Free State sections; and reference is made in the Dominion of Canada section to the steps taken by the Government in this connection.

Other subjects of general Empire interest, which are dealt with in the following pages, concern inter-Empire trade and migration in the United Kingdom, Australian Commonwealth and New Zealand Parliaments; assistance to shipping in the United Kingdom and New Zealand Parliaments; Empire air communications and the situation in Palestine in the United

Kingdom Parliament ; legislation affecting relations with the King and the other countries of the British Commonwealth, and tariffs and trade relations, in the Irish Free State Parliament ; and the protection of the cotton textile industry in the Central Legislature of India.

Matters which are also of general interest to the Members of the Legislatures of the Empire, but which more directly affect the country concerned, relate to the capitalist system, in its bearings upon trade, unemployment and malnutrition, and the Public Order Act, affecting the wearing of uniforms, etc., in the United Kingdom section ; finance, unemployment, and measures to assist farmers and marketing, in the Quebec and British Columbia sections ; the threatened invasion of fisheries in the North Pacific by alien interests, in the last-named section ; marketing legislation, finance, and trade expansion, in the Australian Commonwealth section ; and finance and unemployment in the New South Wales, Queensland, South Australia, Western Australia and Tasmania sections.

Other matters in the category which is referred to in the preceding paragraph concern guaranteed prices, social credit, and the Prevention of Profiteering Act, in the New Zealand section ; the partition of Ireland in the Irish Free State section ; tobacco marketing in the Southern Rhodesia and Mauritius sections ; the Old Age Pensions Act in the former section ; unemployment in the Ceylon section ; and the Representation of the People Bill in the Barbados section.

THE EDITOR.

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

30th January, 1937.

UNITED KINGDOM. (Great Britain and Northern Ireland.)

The Second Session of the Parliament elected in November, 1935, was opened by King Edward VIII on 3rd November, 1936.

Before Parliament adjourned on 19th December for the Christmas Recess King Edward renounced the Throne and was succeeded by King George VI.

Proceedings in Parliament associated with this event are recorded in the present issue.

Debates in the two Houses up to the time of the adjournment for the Recess and, in two instances, debates in the House of Commons subsequent to its re-assembly on 19th January, 1937, are also summarised in the following pages.

THE ADDRESS : GENERAL DISCUSSION.

(King's Speech ; Government's foreign policy based on League of Nations ; Strengthening of the League : co-operation with other Governments ; The Locarno Treaty : effort to secure meeting of the five Powers ; Question of naval armaments ; Policy of non-intervention in Spain ; The 1937 Imperial Conference ; Position in Palestine : departure of Royal Commission ; Imperial defences : progress of Government's programme ; Suppression of political uniforms.)

On 3rd November, 1936, the Second Session of the Parliament elected in 1935 was opened by King Edward VIII in person. The King's Speech, which was read from the Throne in the House of Lords, included the following paragraphs :—

The policy of My Government continues to be based upon membership of the League of Nations. They desire to see the League strengthened for its work in the pacific settlement of international disputes, and they have already made known at Geneva their proposals for the improved working and wider authority of the League. My Government will co-operate with other Governments in the work of the Committee of the League which has been set up to examine these and other proposals.

My Government will continue to do all in their power to further the appeasement of Europe. With this object in view they will persist in their efforts to bring about a meeting between the Five Powers signatory to the Treaty of Locarno.

I trust that, as a result of the negotiations at present in progress, the Treaty for the limitation of naval armaments, which was signed in London on 25th March by representatives of the United States of America, France, the United Kingdom, Canada, the Commonwealth of Australia, New

Zealand and India, will form the basis of an international agreement to which all naval Powers will eventually become parties.

FAR EAST, SPAIN, EGYPT.

My Government have followed with concern the political situation in the Far East, where peace and tranquillity are so essential to the important interests of My people in that part of the world. It is My hope that the negotiations now in progress between China and Japan may result in a satisfactory solution.

My Ministers, while maintaining their determination to support the international agreement for non-intervention in Spain, will continue to take every opportunity to mitigate human suffering and loss of life in that unhappy country.

I trust that before the end of the present year the Treaty of Alliance with Egypt will have been ratified by Myself and the King of Egypt, and that it will prove to be the means of loyal co-operation between our two Governments and peoples, whose destinies are inseparably bound together by common aims and interests.

IMPERIAL CONFERENCE, 1937.

A meeting of the Imperial Conference is to be held in London next May, and I am confident that the opportunity thus afforded for discussions between representatives of My several Governments will once more prove its value in promoting a closer understanding between all My peoples. I am glad to think that this meeting will coincide in time with the occasion of My Coronation.

It is My hope, when the solemnity of My Coronation has been celebrated, to revisit My Indian Dominions and there to make known in the same manner as My revered Father to the Princes and Peoples of India My succession to the Imperial Crown.

You will be asked to approve the drafts of various instruments which are required to implement your decision that the provisions of the Government of India Act affecting the Provinces and of the Government of Burma Act shall come into operation in April next. I have every confidence that the great responsibilities which will devolve upon the representatives of the people of India and of Burma will be faithfully and effectively discharged.

I deeply regret the serious disturbances which have taken place in Palestine during the last six months, and which made it necessary to despatch additional troops. I welcome the recent improvement in the situation and the Royal Commission, which I have appointed, will leave England this week to undertake their inquiry. I sincerely trust that their examination of the very difficult problems which will come before them will lead to a just and permanent settlement.

RE-ARMAMENT PROGRAMME.

The work of strengthening My defence forces is being pressed on with the utmost energy and is now making rapid progress. My Government are satisfied that the measures they are taking are essential to the defence of My Empire and to the ability of this country to discharge its international obligations. My Ministers will nevertheless lose no opportunity of promoting general international appeasement and the limitation of expenditure on armaments which would naturally follow upon such an improvement of relations.

I am gratified to note that the general trade and industrial outlook continues to be favourable, and that there is good ground for expecting that there will be further improvement. My Ministers will continue to foster industrial activity at home and, in the belief that the attainment of general prosperity here depends on further expansion of our overseas trade, to maintain their efforts to promote the freer exchange of goods throughout the world.

The Speech concluded with the recital of a list of legislative Measures which the Government propose to introduce during the Session.

DEBATE IN HOUSE OF COMMONS.

The general debate on the Address in reply to the King's Speech was begun in the House of Commons on 3rd November, and was concluded on the following day.

Miss F. Horsbrugh (Unionist, Dundee), in moving the Address, pointed out that this was the first occasion on which the duty had been entrusted to a woman. Welcoming the statement that the Government had made suggestions for the better working of the League of Nations, she said that the people of Great Britain were passionately anxious to maintain peace and were thankful that the Government had kept them out of entanglements that might lead to war. She believed she spoke for the women of Great Britain when she said that if ever the time came again when women waited and men fought, there was one form of suffering they demanded that they should not have to undergo—that was suffering that came from the knowledge that the fighting Forces were not properly equipped and that human lives were being sacrificed because due preparation was neglected.

Mr. Harold Nicolson (National Labour, Leicester, W.), in seconding the Motion, said it was a fact that within the last twelve months British relations with foreign Powers, the smaller and the greater, had considerably improved. It must be admitted that the British public were not at the moment united or certain in regard to what they wanted, but they were perfectly and overwhelmingly united on what they did not want. They did not want war; they did not want dictators in any form; and they did not want to lose what they now possessed. Upon those three great national negatives a unity existed which was as solid and far more strong than any unity which the totalitarian States could boast.

Opposition opinion.

Rt. Hon. C. R. Attlee (Leader of the Opposition) remarked that there were some features of the Speech which the Opposition welcomed. They thought it was high time that the

question of disturbances caused by various uniformed groups should be dealt with.* For 30 years he had seen a steady growth of better feeling in East London between the adherents of different creeds and people of different races. That peace had been wantonly broken at the will of one ambitious person and it was time that steps were taken against the introduction of methods that were entirely foreign to their political life. Referring to the fact that there were still more than 1,500,000 unemployed persons in the country, Mr. Attlee criticised the Speech on the ground that there was no realisation of the condition of the unemployed.

He was not very much struck by the reference in the Speech to "comprehensive efforts to improve the physical condition of the nation." Gymnastics and physical training were very good things in their way, but they could not build up the physique of the nation unless they fed the nation. There was widespread malnutrition and there were masses of people whose physical condition had been brought down because of the neglect of the Government to deal with any of the major problems with which they were faced. As regarded international affairs, he saw no indication that the Government realised the drift of events and the urgency of taking steps to try to prevent that fatal drift carrying them down into the abyss.

The Imperial Conference.

The Prime Minister (Rt. Hon. Stanley Baldwin) mentioned the note in the Speech about the Imperial Conference and said that some had felt that too long a time had elapsed since the last Conference. It was agreed now that the next Conference should take place about the same time as the Coronation in May, and it would be a very good thing that the events should synchronise. There were grave problems in the way of defence and problems of an economic kind to which they would have to give their best attention when the time came.

Replying to a criticism by Mr. Attlee of the capitalist system, the Prime Minister stated that through the year 1936 overseas trade had continued to expand under that system. The expansion in industrial production had also continued: the total in the second quarter of the year was greater than in any previous quarter, and the steady improvement in retail trade had also continued. The numbers of insured workpeople were at the moment higher than they had ever been and nearly half a million more than the year before. However, trade had not yet become so general throughout the world

* The reference was to the Public Order Bill, which was subsequently introduced by the Government and passed into law. *Vide* p. 70.

that they had had in Great Britain, or in any country, the prosperity that might be theirs.

The prosperity of trade depended on the will to peace in the countries of Europe, on their will to trade instead of devoting nearly all their attention to making arms, to the lessening of restrictions and quotas, and to freer trade throughout the world.

Ministerial salaries.

Dealing with the Government's proposal to bring in a Bill "to remove certain anomalies in the present standing of Ministers by adjustments and alterations in their salaries," Mr. Baldwin explained that, broadly speaking, the equalising of salaries must be the main part of the Measure. It was an altogether wrong principle that there should be members of the Cabinet receiving a certain sum as their salary and that there should be other members receiving 40 per cent. of that sum. The situation was intolerable and he invited, with confidence, the co-operation of the whole House in putting the matter right. All Parties in the House would benefit from it and no Party would throw stones at another Party for having brought about so desirable a reform.

Rt. Hon. Sir A. Sinclair (Leader of the Liberal Party in Opposition) said he welcomed warmly the proposals which were to be introduced to deal with the problem created by the Fascist Party in Great Britain. If the Government intended to nip in the bud the growth of private armies they would receive support from every quarter of the House, as, indeed, they would in taking measures to suppress the very beginning of racial and religious intolerance in British political life. Continuing, Sir Archibald pointed out that there was no reference in the Speech to the important Report, published a day or two previously, of the Royal Commission on the manufacture of and trade in arms.

The Arms Report.

The Report contained a massive and persuasive statement of the case for important reforms. First, for the effective organisation of the armament industry by a controlling body, with executive powers, acting under the authority of a Minister responsible to Parliament. Second, for the strict limitation of profits in armaments manufacture. Third, for the international control of the trade in arms, in accordance with the proposals of the United States Government. Fourth, for the conscription of industry in war-time—a proposal which, it would be recognised, raised very grave problems. The Report would provide firm and sound ground upon which public opinion could be rallied and focussed on the urgent need of

suppressing the evils, so far as it could be done in advance of general disarmament, of the private manufacture of and trade in arms.

After further debate the general discussion on the Address was concluded.

DEBATE IN HOUSE OF LORDS.

On 3rd November, in the House of Lords, the Address in reply to the King's Speech was moved by the Earl of Dartmouth and seconded by Lord Cornwallis.

Lord Snell said that the "diplomatic illusiveness" of the Speech had probably never been excelled. They had the old familiar words and pious sentiments of affection for the League of Nations, but no sign of leadership on the part of Great Britain in the matter. The most they were permitted to learn was that the British Government would act in co-operation with other Governments—that was to say, Italy was to set the pace of any endeavour they would make. The allusion to the situation in the Far East was exceptionally unsatisfactory: it was a matter of vast importance not only to the British trade position, but also to the position of Australia and New Zealand. So far as could be judged Great Britain was to stand aside and leave China and Japan to settle their differences as best they might.

As regarded India, he expressed the hope that before the Elections took place some very signal effort of appeasement of the Indian people would have been made. He was aware of the risk there would be in releasing all political prisoners, but he believed it was worth taking and that they should at the earliest possible moment help to encourage India to enter upon her new work in full trust with the British Government. With respect to the difficult question of freedom of speech, there was no reason why the Fascist should not try to persuade people to accept his own crude atavistic philosophy if he could, but there was every reason why he should be asked to keep his propaganda to those limits that they all had to accept.

Manufacture of arms.

Lord Gainford expressed his satisfaction that the Royal Commission on the private manufacture of and trade in arms had reported in favour of armaments being extended to private firms in addition to Government Departments. The fact that they were increasing their tariffs was inconsistent with the policy set out in the Speech to the effect that they should have increased international exchange arrangements between Great Britain and other countries. Hitherto their great export had

been coal. Before the war they exported something like 70,000,000 tons a year: the figures for the nine months ending September, 1936, were only 25,419,000 tons. In other words, the export trade upon which depended so much the payments for their food and raw materials was going down.

The Lord Privy Seal (Viscount Halifax) assured the House that the Government would watch with close interest the passage of events in the Far East and would lose no opportunity, should such come to them, of assisting in any way they could to a peaceful issue. Referring to the under-current of not unnatural anxiety as to the state of international relations, Lord Halifax deprecated as both dangerous and undesirable the talk of war which they were accustomed to hear from some quarters. The international situation was difficult but by no means desperate, and if there were good will present in the hearts of all nations no difficulties that confronted them would be found to be insuperable in the pursuit of peace.

League of Nations.

As to the League of Nations, the failure of the League to prevent aggression had made it plain that the method of application of the Covenant might require revision to fit facts so different from what the framers anticipated. At the recent meeting of the Assembly at Geneva the Foreign Secretary indicated in broad outline what in the judgment of the British Government seemed to be the main elements of the present weakness in the League. These were, first, the lack of universality of membership; secondly, the invitation contained in the Covenant to signatories to assume greater obligations than in all circumstances they were at present prepared to accept, and, lastly, the fact that the League stood, as it was alleged, for the maintenance of an order of things with which some Governments were not content.

A Committee had been set up to bring together the views of the different States Members, and in that examination it was the intention of the British Government to co-operate to the full in the hope that they would succeed in finding a successful issue of these difficulties. There was nothing inconsistent, Lord Halifax said, between a vigorous prosecution of re-armament and a loyal adherence to the League and the steadfast pursuit of peace. It was, of course, true that armaments by themselves did not assure peace, and armaments, indeed, might often threaten peace; but they did not threaten peace in the circumstances in which Great Britain was re-arming, for there was no country in the world which suspected itself to be under any threat from Great Britain.

After further debate the Motion for the Address was agreed to.

of the methods by which the world should order its international affairs. Recalling remarks by Signor Mussolini regarding the future relations of the two countries in the Mediterranean, Mr. Eden said that "for us the Mediterranean is not a short cut but a main arterial road. We do not challenge Signor Mussolini's words that for Italy 'the Mediterranean is her very life,' but we affirm that freedom of communication in these waters is also a vital interest, in a full sense of the word, to the British Commonwealth of Nations."*

In conclusion, Mr. Eden admitted that the international situation was "serious enough." He was not himself a believer in the inevitability of catastrophe, but he believed that the future peace of Europe largely depended on the part that Great Britain played. It was the British Government's resolve once again to take the lead. "What is it," he asked, "that we wish to take the lead to secure? European settlement, firmly and securely based, is a vital British interest. We shall obtain no such settlement, we shall not be able to give the restored authority to the League which we seek to give, and are determined to do our utmost to give, unless we possess strength both of purpose and of arms. We shall obtain no such European settlement and no such restored authority to the League without it. Our re-equipment has to be all-embracing."

Eastern Europe.

Mr. H. Dalton (Labour, *Bishop Auckland*) contended that there was too much talk of Locarno "talks" in the West of Europe and too little talk of Eastern Europe. Mr. Eden occasionally spoke of a "European settlement," but the emphasis all through was upon the Western zone. If they were thinking chiefly of the West of Europe, they might, if things went very ill, or if something awkward happened, find themselves in a situation of two against two with the fifth running away. If they were limiting their view to the Locarno zone the margin of strength in their favour might be terribly narrow: it might even be negative.

He wished to try and encourage Mr. Eden to integrate the East of Europe with the West by offering him an argument on the plane of armaments. They wanted to make sure, if trouble came, that they would have an overwhelming balance on their side, and they could not get that in the West of Europe alone. They could only get it if they called in the East to redress the balance of the West, which might be seriously tilted against

* An Anglo-Italian Declaration of mutual assurance as regarded the Mediterranean was signed in Rome on 2nd January, 1937, by Sir Eric Drummond, the British Ambassador, and Count Ciano, the Italian Foreign Minister. *Vide* p. 16 of this issue.

them. Therefore, they could not leave Poland out from the circle of the friends of peace, nor Czechoslovakia, nor Yugoslavia and, materially the most powerful of them all, the Slav States, the Soviet Union. If they were to confront any would-be disturbers of the peace with a combination of force so overwhelming as to make them change their mind and keep the peace, they must bring Eastern Europe into the picture with both feet.

Currency Agreement.

The Labour Party attached great value to the Currency Agreement: they were glad that the French, American and British Governments had come to an agreement for the stabilisation of exchange rates. He hoped that, in connection with this matter, there was not going to be any attempt by the British Government to reintroduce a fixed relationship between the pound sterling and gold. The Opposition had always felt that economic questions were fundamental, that they would never get a proper settlement of international relationships without going deeply into the present economic arrangements and making large changes in them. Mr. Dalton dealt in conclusion with the "menace of Fascism," which, he said, had been impudently planted on British soil. Abroad, Fascism was a menace: in Great Britain it was only a nuisance.

Mr. G. Mander (Liberal, *Wolverhampton, E.*) said they were not frank with themselves unless they recognised clearly that the collective system of the League of Nations had, in fact, ceased to exist. There was a process going on among all the smaller Powers of trying to find some other shelter than that of the League which had been denied them. The Spanish situation was most humiliating for Great Britain: it showed that they were under the direction of the dictators and dare not insist on the proper carrying out of international law. There was a widespread suspicion that the Government were dropping all co-operation, in the sanctions sense, with Russia. He hoped the Government would realise before it was too late that the only security for Great Britain was to go back to the collective system.

Economic issues: suggested conference.

Rt. Hon. G. Lansbury (Labour, *Bow and Bromley*) described the fundamental issues to-day as mainly economic. He urged that Great Britain should say to the men who were at the head of affairs in the world that they were willing to join in setting up whatever Commissions were necessary to consider how best they could use the undeveloped parts of the world, how best they could utilise and organise its markets. They should let it be known that Great Britain was willing to take the lead in

calling a conference at which these questions should be discussed.

Rt. Hon. Winston Churchill (Unionist, Epping) pleaded for the plan of standing by the Covenant of the League of Nations and trying to gather together under the authority of the Covenant the largest possible number of well-armed, peace-seeking Powers in order to overawe, and if necessary to restrain, a potential aggressor whoever he might be. Horrible war, blasting in its devastation the prosperity of the world, could only be prevented by the marshalling of preponderant forces, sustained by world opinion, as a deterrent to any aggressor who broke the peace. He believed that Great Britain would run more risks by standing out of what was called collective security than by coming in and trying to make a reality of what had hitherto proved only a sham.

The reign of law.

He rejoiced that the Foreign Secretary had told them in unmistakable terms that he would make one more effort at Geneva to establish the reign of law backed by adequate force. With such a plan minor difficulties ceased to count. The principles would be proclaimed of submission to international law, of resolve to enforce international law, of determination to secure the means to enforce it and of appealing to others similarly minded to join hands with Great Britain. Such a policy might well inspire the conscience of the British Empire, and might yet command the action of the world.

Mr. Morgan Jones (Labour, Caerphilly) said that in his judgment it was not the failure of the terminology of the Covenant of the League that mattered. The tragedy was that there had been such an awful decline in honour among nations in the last few years, and unless nations could be trusted to honour their bond they could multiply covenants by the thousand without getting any further forward. It would help enormously to clarify the international issue if the British Government could convince Europe that they stood consistently, firmly and courageously by the League of Nations. They were now being convinced through the march of events that Great Britain must seek friends through the League, and provide for its friends, through the League, security in a collective sense.

League's major function.

The Chancellor of the Exchequer (Rt. Hon. Neville Chamberlain) remarked that the major function of the League of Nations was to try and preserve world peace. It was in so far as it had failed to maintain world peace that its reputation and prestige had suffered so grievously. But if the League had

not succeeded in carrying out the intentions of those who founded it, it did not follow that they should abandon the League or the aims for which it was set up. As far as he knew, there was only one practical alternative to the method of the League and that was the method of alliances. They all knew what that meant. The present British Government in particular had made it clear that they set their faces against the division of Europe into opposing *blocs* of Powers knit together in alliances.

Dealing with references in the debate to the economic factors which entered into the general unrest, Mr. Chamberlain said it had been the British Government's endeavour to help, wherever they could, in facilitating the resumption of more normal economic and financial relations. The Three-Power Declaration on the de-valuation of the franc was an instance in point. It had been generally recognised as a first step, but only a step, in the direction of freeing international trade which, if it were to have its full effect, must be followed up by further steps. "There has never been," Mr. Chamberlain added, "any suggestion that this was a means of bringing back the Gold Standard by a back door. I have on more than one occasion stated my own view that, some day or other, we shall get back to an international Gold Standard, but before we do so conditions must be fulfilled which are not fulfilled at the present time."

At the conclusion of Mr. Chamberlain's speech the debate on the Address was adjourned.

Spanish civil war.

On the re-assembly of the House of Commons on 19th January, 1937, after the Christmas vacation, the subject of international affairs was again debated, on the Motion for the adjournment, with particular reference to the Spanish civil war.

On 19th January,

The Secretary of State for Foreign Affairs (Rt. Hon. Anthony Eden) said that overshadowing all other events in the international situation was the present situation in Spain. Intervention in the Spanish civil war might, and he was afraid would, prolong the horrors of that war and increase the sufferings of the unhappy Spanish people. For that reason, and others, the British Government had been from the first opposed to it, and were so still.

"We have," said Mr. Eden, "our own national interests. What are they in this conflict? They are not that Spain should have a particular form of government, whether of the Right or Left. For us to indulge in a championship of that

kind would be to enter into the war of rival ideologies which we have condemned. The form of government in Spain should be a matter for the Spanish people, and no one else. It is for that reason that we have discouraged, and shall continue to discourage, outside intervention in her internal affairs. . . British interests . . . are twofold. First, that the conflict should not spread beyond the boundaries of Spain ; and second, that the political independence and the territorial integrity of Spain shall be preserved."

Anglo-French Note : control of volunteers.

On Christmas Eve, continued Mr. Eden, the British and French Governments had jointly addressed a Note to the other four Governments asking them to take joint action to stop the flow of volunteers from their countries. Though the replies received some ten days ago could not be regarded as satisfactory in all respects, they did contain certain elements of agreement on which the Government had thought it their duty to seize and turn to advantage, if they could, without delay. So, 48 hours after receiving these answers, they had addressed further communications to the five Governments, the French Government having been informed of their intention, pointing out the elements of agreement and asking the Governments to fix a date " on which we should all jointly agree to stop the flow of volunteers in advance of the system of control, of the necessity of which we were all convinced." Since then, a Bill had been passed by the French Legislature in wide terms to prohibit the enlistment in French territory, or the departure from or transit through French territory, of any person of whatever nationality for service in Spain or Spanish Possessions, as well as the enlistment of French nationals outside French territory. He had no hesitation in saying that if all Governments would place themselves equally in that position they would be nearer to agreement than they were to-day.

The Portuguese Government had told them that a similar measure could be enacted at short notice and put into force on any date agreed on by the others. The Soviet Government pointed out that they had already expressed themselves in favour of an early general agreement, on the understanding that effective control be organised. No replies had yet been received from the German and Italian Governments, but he was told that these would reach them within the next few days.

Meanwhile, there was this problem of control, and a system had been worked out under the auspices of the Non-Intervention Committee. Such a system would not present any very great difficulties if the two parties in Spain would agree, but they could not count on that, so it had been their duty to work out a scheme which would be operative under the more difficult

conditions of the two parties in Spain not agreeing. An immense amount of technical work had been done.

As to what was being done by the British Government, Mr. Eden referred to the notice that had been issued on 11th January calling attention to the fact that the Foreign Enlistment Act was applicable to the Spanish civil war. Within the last few weeks the attention of the Government had been directed to the activities of recruiting agents rather than the purely voluntary enlistment of supporters wishing to fight in Spain. The agents sought to recruit young men, particularly those capable of piloting aeroplanes. It was not a question of someone going to fight for political principles, but of offering individuals money to go. The issue with which the Government were faced was not whether it was right or wrong that they should go, but whether it was legal.

Having given examples of applications made to the Foreign Office to know whether the recruiting was within the law or not, Mr. Eden said " What we have done is to make known the existing law and to declare our intention of seeing it observed. My hope, whether it be justified or not, is that this will be an example to other nations."

Situation in Morocco.

Mr. Eden then turned to the position which had arisen in Morocco. On 8th January, the French Ambassador had informed him that his Government had received news of the impending arrival in the Spanish Zone of Morocco of a strong contingent of German volunteers. He had told him that preparations for their reception, in the form of barracks and food supplies, were being made, and that German engineers were engaged on fortifications near Ceuta. This news naturally caused anxiety to the French Government, in view of their own position in Morocco and of the provision laid down in their Treaties of 1904 and 1912 with Spain. By the Franco-Spanish Convention of 1904, Spain was debarred from invoking foreign assistance in her sphere of influence in Morocco.

Just before Christmas he had already instructed His Majesty's Consul-General at Tangier to furnish a detailed report covering any non-Spanish activities in the Spanish Zone. In view of the French Ambassador's statement to him he asked the Consul-General to report by telegraph such information as he had already obtained, particularly as regards the landing, or preparations for landing, of German troops and as regards fortifications in the neighbourhood of Ceuta. The answers that he had received had been of a generally reassuring character.

Within the last few days, the Spanish High Commissioner at Tetuan had sent an invitation for British military officers

from Gibraltar to visit Ceuta or any port in the Spanish Zone. That invitation was accepted; and one of His Majesty's ships had also visited Ceuta and Melilla. The reports received were reassuring as to the landing, or preparations for landing, of German troops but the Government would continue carefully to watch the situation.

The Mediterranean : relations with Italy.

The prominent part that the British Government had taken in the Italo-Abyssinian dispute had had a serious effect on Anglo-Italian relations. In those conditions the House would perhaps recall that Signor Mussolini had made a speech at Milan in which he referred to the interests of their two countries in the Mediterranean. The British Government had not themselves wholly agreed with the definition of their interests, given by the head of the Italian Government, and in November last he had sought, on behalf of the Government, more clearly to define those interests.*

Subsequent to that, a series of statements had been made in both countries, one by the Prime Minister, which indicated a desire to improve relations. To do this it had been decided to attempt to seek agreement upon a joint declaration. "This declaration," said Mr. Eden, "is neither a treaty nor a pact, but it marks, we hope and believe, the end of a chapter of strained relations. It marks no departure of policy by His Majesty's Government. It neither calls for, nor embodies any concession from us. Neither, of course, does it involve any modification of any one of our existing friendships. But that this declaration has been of service to an appeasement in the Mediterranean there can be no manner of doubt."

Future policy.

Continuing, Mr. Eden said that the British Government were at present engaged in the active prosecution of the re-equipment of their three fighting Services. Though they were convinced that that was an indispensable means to their objective, it was not their objective. That remained, as he had previously stated, the negotiation of a European settlement and the strengthening of the authority of the League of Nations.

They were prepared to co-operate in the common work of political appeasement and economic co-operation. How was that to be done? Not only must the world reduce its expenditure on armaments, but it had to learn the way of economic co-operation so that the standard of life could be raised. "We are willing to help," declared Mr. Eden, "towards a further advance along the line of increased economic opportunity, but this should be in our view on one condition. Economic

* *Vide this issue p. 10.*

collaboration and political appeasement must go hand in hand."

The future of Germany and the part she was to play in Europe was to-day the main pre-occupation of all Europe. If Germany chose co-operation with other nations, full and equal co-operation, there was nobody in Great Britain who would not assist wholeheartedly to remove misunderstandings and to make the way smooth for peace and prosperity.

They could not cure the world by pacts, treaties, political creeds or speeches. There must be the unmistakable will to co-operate. That will could manifest itself by abandoning national exclusiveness and accepting every European State as a potential partner, by bringing armaments down to a level sufficient for essential needs and by accepting such international machinery for the settlement of disputes as would make the League of Nations a benefit to all and a servitude to none.

Policy of Fascist Powers.

Rt. Hon. C. R. Attlee (Leader of the Opposition) said the Government always seemed to take the view that there were two parties in Spain, and that their claims were of equal validity, and to accept that was to throw away the strength of the position of the democratic States in the world to-day, because they were faced—let them be quite frank about it—with the drift of the whole world towards anarchy. They had States which entirely disregarded obligations. They tore up treaties that were made, and they carried on making a new treaty while breaking another. The Opposition felt that it was very little use to have signatures unless signatures were to be honoured.

He did not believe that there had been any genuine intentions to make the Non-Intervention Agreement effective on the part of the Fascist Powers. He considered that there was abundant evidence that the Fascist Powers had planned the revolution in Spain long before it broke out. They had had a continual support of the rebels against the Spanish Government, and, in effect, if they were living in a world where international law was respected, those actions would amount to aggression. Now they had the question of volunteers. They could not call the German and Italian troops in Spain and Morocco volunteers. "You cannot fail to volunteer," said Mr. Attlee, "if you belong to a Fascist State, unless you manage to escape from it." They were in no sense volunteers; they were instruments of dictatorship. They had a steady piling up in Spain now of immensely powerful forces. The right hon. Gentleman had tried to give them some comfort with regard to Morocco. He had not given him very much comfort. It did not appear that their officers were allowed to go to the essential points in

Morocco where they could see something. The report of "*The Times*" correspondent of last Monday was a very disturbing document. One could always deny that there were troops there, but because one dressed them differently and said that they were not troops was no proof that they were not. There could be no doubt that very considerable forces were in Morocco. The landing of troops was a very disturbing thing when at that point the Mediterranean Agreement had been signed.

Referring to the Foreign Enlistment Act and the ban on volunteers, Mr. Attlee said this ban was a sort of gesture to the Fascist Powers in the hope that they would follow the example. They knew the mistake that had been made before regarding munitions, in imagining that action of that kind would induce the Fascist Powers to fall into line.

He would have thought that this country had some concern with their position in the Mediterranean. The Foreign Secretary had said so. He had said that the Mediterranean was one of their main routes. But who were the masters of Spanish waters at the present time? The Germans and the Italians.

"Those Powers that are genuinely anxious to see this struggle brought to an end and genuinely anxious that the Spanish people should manage their own affairs," said Mr. Attlee, "would welcome a stand by our Government, a statement that they will restore to the Spanish Government its right, that they will see that British shipping going to the Spanish Government will be protected and that General Franco and his friends, if they take any steps against those ships, will be treated as pirates. It is about time that we ceased to accept the dictates of Berlin and Rome."

Rt. Hon. Sir A. Sinclair (Leader of the Liberal Party in Opposition) said that a condition of co-operation between themselves and other European Powers must be not only, as Mr. Eden had said, economic disarmament and military disarmament as well, but also that foreign Powers must be prepared to accept third-party judgments in international disputes.

Great Britain, Italy, and the Mediterranean.

Mr. Eden had said that the joint declaration of the Italian and British Governments marked the end of a chapter of strained relations between the two peoples. In so far as it did that, he was sure that they would all welcome it. "It must appear to the Italian people," said Sir Archibald, "as somewhat of a paradox that while there is nothing but feelings of the deepest friendship in this country for the Italian people, we should have so strenuously opposed their Government's policy in Abyssinia. We have no desire to hinder them in their search

for prosperity. On the contrary, we have nothing but feelings of friendship for them. The stand which we took on the Abyssinian dispute was a stand on what we felt to be a vital issue of principle, vital to the future peace of the world." For his part he only regretted that the stand taken by the Government had not been firmer; and if, without departing from the firm ground of principle based on the Covenant of the League, they could restore friendly relations with the Italian people, and if he were convinced that this agreement would indeed work to that end, he would warmly support it. But when Mr. Eden assured them that it was an agreement to maintain the *status quo* in the Mediterranean and to respect the territorial integrity of Spain, he could not feel entirely convinced that it would be successful in those objects, and his doubts were very largely due to the somewhat grimly significant fact, to which the Leader of the Opposition had already referred, that on the very day before it was signed, no fewer than 1,500 Italian soldiers had been landed at Cadiz. It seemed to him extraordinary that during the negotiations no undertakings appeared to have been sought or given about the continuance of Italian intervention in Spain.

Need for effective non-intervention.

Non-intervention, as the Secretary of State had said, was the right policy. He (Sir Archibald) had advocated it from the beginning and he advocated it still, but always on the assumption which he had explicitly stated and stated again to-day, that non-intervention must be made effective. Even as it was, as Mr. Eden had truly said, it had enabled the peace of Europe to be maintained, in spite of the war in Spain, for six months. If others had co-operated and fulfilled their obligations as members of the Non-Intervention Committee, it would probably have brought peace to Spain by now. But as long as it was imperfectly and partially applied, while keeping the peace of Europe at present, it involved grave dangers for the future.

He believed that a victory for General Franco with the support of German and Italian troops and the occupation of parts of Spanish territory during the next three or four years by German and Italian troops would be a grave weakening of the position of France and Britain in the Mediterranean and a real threat to European peace.

Visits to Spain.

Mr. A. C. Crossley (Unionist, Stretford) said that he strongly believed in democracy, but his criticism of the Spanish Government was that it had never been, in the British sense, a democratically elected Government.

When it was elected it had not governed. In so far as it had governed, its government in its first principles had been

unfair. Everybody knew that sooner or later there was going to be a revolution of the Left, and it was just a question of which revolution came first. To-day the Spanish Government was a mockery. It was not a Government any longer, and nobody on its own side pretended that it was.

At the time he was in Spain there had undoubtedly been a very large number of foreigners in the lines in the defence of Madrid. He would not dare to say what the numbers were, not having been on that side. On General Franco's side there had been at that time no foreign soldiers serving, apart from a few pilots of aeroplanes.

He did not believe that Germany wanted to get territory out of her intervention. Spain was one of the great sources of raw materials in the world. In addition to that she was so placed geographically as to be in an extremely useful position to provide refuelling stations for the German Navy, but General Franco was not going to tolerate foreign influence in Spain after the war was over.

Mr. H. Mitchell (Unionist, Brentford and Chiswick) said that recently he had had the opportunity of visiting a large area of that part of Spain which was now occupied by General Franco. During that time he had travelled some 2,000 miles, visiting nearly all the principal towns in General Franco's part of Spain. He thought that in that part the people, so far as an observer could judge, were behind General Franco. It was a complete misconception to think that he simply represented the Army, and that the population was only waiting to rise against him. He thought that, rightly or wrongly, he had a very large body of opinion behind him, and was in a position to get a very large number of recruits.

It was surely by now perfectly obvious that intervention on both sides was taking place on a very large scale. It was useless for some people to blame Germany and Italy, and others entirely to blame Russia and France. Unfortunately the Spanish war was being prolonged by foreign countries.

Brig.-Gen. Sir H. Croft (Unionist, Bournemouth) said he was absolutely convinced that the policy which the Government had been adopting was one most conducive to preserving the peace of the world. It must be admitted that there were very large international forces on the side of the Madrid Government before the forces from Italy and Germany arrived in Spain. That could not be denied. He had met people who had just returned from Spain and who had met those in a position to be able to quote numbers. He ventured to think that when the history of that war was written, probably it would be found that there were something like 11,000 Frenchmen in Spain—he wanted to make it clear that neither they nor the munitions had been there at the instance of their Government—

before any recognised force of Germans or Italians had gone there. All those actions might be equally wrong, but if the Government were to tell the world what they thought ought to be done, let them, at least, be honest in this Spanish affair.

Nature of the War.

Mr. D. R. Grenfell (Labour, Gower) said that he believed that this was not a civil war in Spain; nor was it a class war; that was not a complete description. There were elements of class struggle in Spain, but he had met Spaniards of the aristocracy and the governing classes who had been devoted to the cause of the Government. He thought the cause of the struggle was that the overwhelming majority of the people to whom he tried to speak were fighting for what they enjoyed in that House, freedom and constitutional liberty.

He would have been for non-intervention if it had been fully carried out from the beginning; he was for it now if it was fully carried out; but he agreed that it was no use carrying on a farce, and really it was a farce.

Did anyone believe that the Germans would hold on so tenaciously unless there were something to be gained at the end? It had been said by one hon. Member that in due time they would all clear away and go back nicely, but did he really believe that? Did anyone believe it? Was there any statesman in Europe who believed that they would go willingly, if they went at all? He would say to the right hon. Gentleman and those who wanted to safeguard the peace of Europe that one could not keep the peace of Europe if one gave ground all the way to the Nazis and Fascists.

"I am convinced," continued Mr. Grenfell, "that hundreds of thousands of people—I cannot estimate the number—may easily die from famine in the next few months. Transport is disorganised and food is being held up over large areas, and the situation is terrible in the extreme." He wanted the League of Nations to be asked to make a demand on Germany and Italy that they should refrain from further Government assistance.

The Under-Secretary of State for Foreign Affairs (Viscount Cranborne) replying to the debate, said there had not been any radical alterations in the situation since Mr. Eden had addressed the House before the Christmas Recess.

The main debate inevitably centred on the Spanish question. The Government were not satisfied with the situation in Spain. As long as this trouble went on and as long as there was intervention, there could be no satisfaction for any of them.

The Government's view had been made clear so often that he did not wish to emphasise it again. He thought that the Spanish civil war was a matter for the people of Spain, a matter

of internal policy, and that no other nation ought to be concerned in it at all. They believed that in that view they had the support of the overwhelming mass of British public opinion, and that their policy was in complete harmony with British policy in the past.

The Government had been blamed by Sir A. Sinclair for the Anglo-Italian Agreement, and by Mr. Attlee for the German Naval Agreement, although the latter had actually led to a limitation of armaments which would not have been got otherwise. Mr. Attlee was not concerned with the result of that Agreement: what had annoyed him was that they should have made any agreement with Herr Hitler. "That is not common sense," said Lord Cranborne, "the main thing is to get limitation of armaments and to that purpose the Government are devoting their attention."

In conclusion, he would say that the policy of non-intervention had been fully justified. They regretted as bitterly as any hon. Member opposite that the policy had not been more completely carried out. But they still thought that the policy which had been initiated by the French Government, and firmly supported by His Majesty's Government, had prevented the spread of the war into other parts of Europe. M. Blum had said in the Chamber of Deputies on 15th January that the action of the French Government in introducing their Bill was proof of their desire for peace and their readiness to do everything possible to prevent the Spanish trouble from producing a general conflagration; and, in response to his appeal, he had received the unanimous support of the French Chamber. The motives which had inspired, and would continue to inspire, every action of His Majesty's Government with regard to this dispute were the same as those which had inspired the French Government.

At the conclusion of the debate the House adjourned without Question put.

MERCHANT SHIPPING (CARRIAGE OF MUNITIONS TO SPAIN) ACT.

(Prohibition of the discharge of munitions of war from British ships; Transhipment of war material for Spain also banned; Ships registered in the Dominions excluded from the Act; Dominion Governments informed of United Kingdom Government's intentions; Question of protection of Dominion ships by British Navy.)

On 3rd December, 1936, the Royal Assent was given to the Merchant Shipping (Carriage of Munitions to Spain) Act.

The Act prohibits the discharge in and transhipment for Spanish territory of munitions of war from all British ships, except ships registered:

(1) In any of the following Dominions: Canada, Australia, New Zealand, South Africa and the Irish Free State.

(2) In any territory administered by His Majesty's Government in these Dominions.

Ships registered in or licensed under the law of any Colony or British Protectorate, or any territory mandated to Great Britain, come under the provisions of the Act.

Severe penalties, including forfeiture of the munitions, are prescribed for contravention of the law.

DEBATE IN HOUSE OF COMMONS.

On 1st December, 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 the Bill was necessary to give effect to the British Government's policy to take no part in the Spanish war, and to give no assistance to either side in the struggle. Exports from Great Britain to Spain of arms and munitions of war had been entirely prohibited. Arms were being carried to Spain in spite of the Non-Intervention Agreement, and a few British ships had been engaged in this traffic, which was opposed to the Government's policy. The Government came to the conclusion that a simple prohibition of consignments by British ships was the proper solution. The reasons were:—

(1) The internal controversies of Spain did not justify interference with British ships on the high seas.

(2) The British Navy must not be used to safeguard United Kingdom ships which were acting in direct contradiction of British policy.

Under the Bill a United Kingdom ship carrying arms to Spain would be committing an offence against British law and could be brought in by any of His Majesty's ships for adjudication before a competent British Court. In the circumstances of the Bill becoming law there could remain no possible excuse for interference by Spanish warships with United Kingdom vessels and such interference on the high seas would, of course, be resisted.

Position of the Dominions.

After he had mentioned that Norway and France had taken, or contemplated taking similar action, Mr. Runciman said that the Dominions had been informed of the British Government's proposals, but there had not yet been any indication from them of their attitude. It was entirely a matter for the Dominions themselves. Secondly, only the Irish Free State was a party to the Non-Intervention Agreement. Thirdly, there were not many Dominion-registered ships of the type likely to be involved, for they were mainly

liners and coasters. Fourthly, no Dominion-registered ship, as far as could be said, was anywhere near Spain at the present time.

Mr. C. Stephen (Labour, Glasgow, Camlachie): "If a Dominion ship were engaged in this, would it be entitled to the protection of the British Navy?"

The President of the Board of Trade: "I cannot say definitely whether it would or would not under present circumstances, but I am sure of this—that, if the prohibition were to be made effective, Dominion ships must refrain from this practice."

Mr. Stephen inquired whether Dominion-registered vessels that resembled vessels belonging to the Canada Steamship Lines registered in Montreal, or vessels belonging to the Adelaide Steamship Company registered in Adelaide, would receive protection?

The President of the Board of Trade: "I can only say that, so far as this legislation is concerned, it cannot apply to Dominion vessels, for the simple reason that we have no control over them. If I am asked whether the British Navy would grant protection to those vessels, I think the British Navy would refrain from granting protection to vessels which were acting in contravention of a law applying to our merchant ships."

Labour Party's amendment.

Mr. P. Noel-Baker (Labour, Derby) moved an Amendment for the rejection of the Bill. He said that he entirely respected the Government's motives, but never before had such legislation been passed in Great Britain and such disabilities imposed on British ships. This was a new step in foreign policy and the Governments of the Dominions were not consulted before it was taken. The Labour Party greatly regretted that any step so absolutely vital to good understanding with the Dominions as the withdrawal of the protection of the British Fleet should have been taken without prior consultation.

Were any of the Dictatorial Powers bringing in Bills before whatever bodies legislated in their countries? Unless they were, this was not a Measure of non-intervention: it would not help to shorten the war, to avert international complications, or to keep Great Britain neutral. It was, in fact, like the whole policy pursued by the Government, an unwilling intervention against the Government of Spain. To tie the hands of Great Britain and to leave the Fascist Governments free to do what they liked was only to encourage them to ever graver acts of aggression. It was a vital objection to the policy the Bill embodied that the Government had not even

invited Italy, Germany, Portugal and Russia to pass similar legislation.

Non-intervention defended.

Rt. Hon. Sir A. Sinclair (Leader of the Liberal Party in Opposition) remarked that he had from the first defended the policy of non-intervention. The Liberal Party applauded the refusal of the Government to enter into a competitive rivalry in the supply of fuel for the flames in Spain and the refusal to regard war in Europe as something which was inevitable. Large supplies of arms had reached Spain from Germany, from Italy and from Russia, while a certain quantity of supplies reached the rebel forces from Portugal. If Russia was guilty of breaking the Non-Intervention Agreement since 15th October, she had only done so after the Italians and the Germans had already done so on a scale which very nearly decided the issue of the conflict in Spain.

Continuing, Sir Archibald said the Liberal Party attached the utmost importance to close co-operation with the Dominions in this and other matters. He suggested that the Government, if they liked, should pass the Bill into law, but should make it clear that it would not come into action until other Powers had agreed to take effective steps which would prevent arms going to the Spanish Government as much as to the rebels. If the policy contained in the Bill was accepted by all the parties to the Non-Intervention Agreement, he thought it was a good policy. Otherwise, it would help the rebels against the Spanish Government and put one-sided restrictions on British shipping.

Co-operation with France.

The Secretary of State for Foreign Affairs (Rt. Hon. Anthony Eden) asked how it could be said that the Government's policy had been actuated by class prejudice when, in fact, they had moved step by step with the *Front Populaire* Government in France. The motives which actuated the French Government were exactly the same as the motives which had actuated the British Government—a desire to do everything in their power to prevent the Spanish situation from becoming an international conflict. As regarded the Dominions, the British Government had no reason to believe that there were any Dominion ships engaged in carrying arms to Spain, or that there was any likelihood of any such ships doing so.

"If there were," Mr. Eden said, "we should, of course, at once get into communication with the Dominion Government concerned, and we have no reason to believe that any Dominion Government would not co-operate with us in carrying out the policy of non-intervention. . . We have informed them of

our action, which is the normal course when the matter is not one upon which they have to pass legislation. If they want to say anything they say it: they have not done so in this case. . . . No instructions have been issued, or will be issued by the Admiralty, not to protect Dominion shipping, and the position therefore at present is that any Dominion ship will be entitled to the protection of the British Navy."

Continuing, the Foreign Secretary pointed out that it would have been open to the Government to accord belligerent rights to both sides in Spain. Had they done so, then it would have been the right of both sides to stop and search British ships on the high seas. They had not granted that right, but had said that they proposed to protect British ships on the high seas. "It may be," Mr. Eden remarked, "that at some stage in this conflict belligerent rights will have to be accorded, and if they are it will be exactly for the same reasons as in the past—for practical reasons of our own national interests."

Possibility of incidents.

Rt. Hon. C. R. Attlee (Leader of the Opposition) said it had become abundantly plain that a large number of breaches of the Non-Intervention Agreement had occurred and that it had not prevented the possibility of incidents. Now they had this Bill, which again was not going to fill the gap, because the Government seemed to have forgotten entirely that the British Isles were part of the Commonwealth of Nations. Canada had 6,812 steamers of a net tonnage of 1,396,153, and there were other ships in the Dominions. If by this Bill they effectively cut off a huge amount of the Mercantile Marine of the United Kingdom the enterprising people who engaged in this trade would go far and wide in search of vessels, and it was possible for them to use Dominion vessels. The Dominions were not parties to the Non-Intervention Agreement.

He did not think Mr. Eden appreciated the amount of danger that arose from partial legislation of this kind, which insisted on considering the British Isles as standing alone and ignoring the position of the Dominions. The Government of Spain had the right to a supply of arms. The Australian, Canadian and New Zealand shippers had a right to sell arms to the lawful Government of Spain. They had a right to send their ships to take arms from other countries to Spain, and therefore there was the possibility of incidents just as before. The general expectation was that if they applied the Non-Intervention Agreement they would bring the war to an end, but it had got worse and worse. He would like to see whether some action could not be taken by the great States of Europe to bring an end to it. He asked Mr. Eden whether the matter could not be taken up by the League of Nations.

An observer's views.

Wing-Commander A. W. James (Unionist, Wellingborough), who stated that he had left Spain only on the previous afternoon and hoped to return in the course of a few days, said that the struggle was a clash of the most profound religious as well as political convictions on both sides. It had all the ferocity of the religious wars of the Middle Ages and superimposed upon that the political theories of the twentieth century. Both sides had received and were receiving an enormous volume of foreign support. To talk as if the preponderance of foreign intervention was on one side was to attempt to weigh the imponderable. The clash in Spain had ceased to be a Spanish civil war: it was already an international civil war on Spanish soil.

Mr. G. Mander (Liberal, Wolverhampton, E.) described the Bill as another example of the Government's policy of isolation at all costs and of keeping out for the time being, at any future risk to Great Britain or to the British Empire. That policy, he believed, would have fatal results. The Foreign Secretary spoke of the Bill as filling up a small gap, but said nothing about the enormous gap through which the Fascist States had been pouring arms into Spain since the beginning of the civil war. The whole reason why Liberals intended to oppose the Bill was because it would give a further advantage to the rebels.

After further debate, the Amendment to reject the Bill was negatived by 239 votes to 132. The Bill was then read a second time and was afterwards, during the same sitting, passed through its remaining stages.

GERMANY AND VERSAILLES TREATY.

(Internationalisation of rivers and administration of Kiel Canal ; Repudiation of "Waterways" clauses of Treaty ; National treatment to be accorded on basis of reciprocity ; Views of British Government.)

On 16th November, in the House of Commons, replying to **Rt. Hon. C. R. Attlee (Leader of the Opposition)**,

The Secretary of State for Foreign Affairs (Rt. Hon. Anthony Eden) said that on 14th November a Note was received from the German Embassy stating that the German Government no longer considered itself bound by those Articles of the Treaty of Versailles relating to the internationalisation of rivers and to the administration of the Kiel Canal, nor by any of the International Conventions flowing therefrom. The Note justified this step on the ground that the Articles in question were dictated to Germany and not freely negotiated.

It concluded by saying that, for the future, national treatment would be accorded on a basis of reciprocity on

German waterways to the vessels of all States living at peace with Germany, and that the German waterways authorities would be ready to discuss and enter into agreements with the like authorities of other riparian States in matters of common concern. The German Government also complained that they had not been re-admitted since the War to the European Commission of the Danube which controlled the estuary of that river.

German Government's dissatisfaction.

The German Government had on many occasions since the signature of the Treaty of Versailles signified its dissatisfaction with numerous aspects of the international rivers régime set up by the Peace Treaties. But on 21st May, 1935, the German Chancellor stated publicly that, as regarded the remaining Articles of the Treaty, including, it was understood, those relating to international rivers and the Kiel Canal, the German Government "will only carry out by means of peaceable understandings such revisions as will be inevitable in the course of time."

This statement was confirmed to the British Ambassador in Berlin on 31st May, 1935. Protracted negotiations had been in progress for many years with a view to reconciling German desiderata with the interests of the other Powers concerned and with a considerable measure of success.

"In these circumstances," Mr. Eden added, "it is a matter of regret to His Majesty's Government that, at a time when discussions were proceeding and despite the assurances given last year, the German Government should once again have abandoned procedure by negotiation in favour of unilateral action. These regrets are not due to fear that any important British trading interests have been jeopardised by the German Government's decision, but to the fact that action of this character must render more difficult the conduct of international relations."

ANGLO-EGYPTIAN TREATY.

(Agreement to ensure friendship and alliance ; Vital interests of both countries safeguarded ; Freedom of navigation of Suez Canal ; Security of British Empire communications ; Mutual aid to be rendered in time of war ; British forces to remove to Suez Canal zone ; Administration of the Sudan ; Conference of the Capitulatory Powers ; Egypt to apply for League of Nations' membership.)

On 24th November, in the House of Commons, a debate took place on a Government Motion to approve the ratification of the Anglo-Egyptian Treaty of Friendship and Alliance, signed in London on 26th August, 1936.

DEBATE IN HOUSE OF COMMONS.

The Secretary of State for Foreign Affairs (Rt. Hon. Anthony Eden), described the Treaty as an agreement in which each of the parties, by protecting its own interests and respecting the interests of the other, had striven to promote the common good. He recalled the remarks of the Prime Minister in Egypt in introducing the Treaty to the Chamber of Deputies in Cairo :—

"From its inception the Wafd have had as their programme an agreement with Great Britain realising the complete independence of the country and safeguarding the British interests which are not incompatible with that independence."

Nahas Pasha also said that the United Kingdom had a particular interest in guaranteeing the freedom of navigation of the Suez Canal, inasmuch as it constituted the artery of British communications. When by the Declaration of February, 1922, Great Britain terminated the Protectorate and recognised Egypt as an independent sovereign State they reserved four points to their absolute discretion :

- (1) Security of the communications of the British Empire in Egypt.
- (2) The defence of Egypt against all foreign aggression.
- (3) The protection of foreign interests and the rights of minorities.
- (4) The Sudan.

The Treaty safeguarded what was of vital importance to both countries and ensured valuable advantages to both.

United Kingdom to protect Egypt.

Explaining the terms of the Treaty, Mr. Eden referred to the alliance and the military provisions connected with it. Four things stipulated were : (1) that an alliance was established ; (2) that neither party would adopt an attitude in regard to foreign Powers or conclude a Treaty inconsistent with the alliance ; (3) that they would consult each other with a view to the peaceful settlement of any dispute with a third State threatening the risk of rupture with that State ; (4) in the event of either party being engaged in a war the other, subject to its obligations under the Covenant, would come to its aid as an ally. That meant, of course, that the British Government must protect Egyptian territory from invasion. Egypt, however, was not obliged by the Treaty to send troops outside Egypt to protect British territory. That was an undertaking beyond her present military capacity.

The help that Egypt was to render in time of war, or of imminent menace of war, was to consist in furnishing on Egyptian territory all the facilities and assistance in her power. Regarding clauses dealing with the Suez Canal, the Foreign

Secretary stated that, while the Governments in the Dominions were not signatories to the Treaty, they were kept informed at every stage of the course of the negotiations. With a view to ensuring, in collaboration with the Egyptian Forces, the defence of the Canal the United Kingdom was authorised, until such time as the Egyptian Army was capable of ensuring the liberty and entire security of the Canal by its own resources, to maintain forces in a zone on the Suez Canal.

Strength of British Forces in Egypt.

These forces would not exceed in time of peace: For the land force 10,000 men and for the Royal Air Force 400 pilots, plus the necessary ancillary personnel for administration and technical duties. The Egyptian Government would at their own expense make available the requisite land and build the necessary barracks for the British troops in the Canal zone. The area selected was at Geneifa, some 80 miles from Cairo and 150 from Alexandria.

With respect to the Sudan, the Foreign Secretary said it was agreed that the administration continued to be that resulting from the Condominium Agreement of 1899. The question of sovereignty over the Sudan was reserved in the Treaty. Therefore, both the British and the Egyptian flags would continue to fly at Khartoum. The participation of the Sudan in international conventions was effected by the joint action of the British and Egyptian Governments. On the subject of the security of foreigners and the police, Mr. Eden said that the responsibility as regarded foreigners fell exclusively on the Egyptian Government. The European Bureau of the Public Security Department would disappear after the ratification of the Treaty, but for a further five years the European element would be retained in the Egyptian City Police, which would for that period remain under the command of British officers.

One of the matters that would have to be discussed at the conference between the Capitulatory Powers which would take place in the near future was the period for which the Mixed Courts, with the increased judicial jurisdiction it was proposed to give them, must be retained. Egypt would apply for membership of the League of Nations and her application would be supported by the British Government.

Opposition support for Treaty.

Mr. H. Dalton (Labour, *Bishop Auckland*) stated that the Opposition supported the Motion for the ratification of the Treaty. He recalled the negotiations which took place when the late Mr. Arthur Henderson was Foreign Secretary and which succeeded, he said, on all points except that of the Sudan. The present Treaty was substantially Arthur

Henderson's draft Treaty: the Opposition trusted that it would cement in a permanent fashion the natural and necessary relationship between the two countries.

Rt. Hon. Sir A. Sinclair (Leader of the Liberal Party in Opposition) said that the Treaty did not reflect any feeling of weakness on the part of the British Empire, but good will towards, confidence in and respect for the Egyptian people. It showed their confidence in the rulers of Egypt that they had recognised their sole responsibility for the safety of foreigners and were able to contemplate with equanimity the disappearance of the European Bureau. He hoped it would be found possible at an early date to get rid of the Capitulations: their existence was one of the reasons why, in some respects, social services and developments of Egypt were backward.

Foreign trade interests.

Sir J. Wardlaw-Milne (Unionist, *Kidderminster*) remarked that there was nothing directly stated in the Treaty as to the security of British and foreign trade interests. They all wanted to see the Capitulations removed: what a great many people in Egypt would want to know was, what security was there to be after they went. It was said in the Henderson draft Treaty, but not in the present Treaty, that the proposal to consider the removal of the Capitulations would be under conditions which would safeguard the legitimate interests of foreigners.

The Under-Secretary of State for Foreign Affairs (Viscount Cranborne) believed that the complete unanimity in Great Britain with regard to the Treaty would be a very good augury for the future and would be essentially valuable in giving it a good start. The Treaty was to last for 20 years and at the end of that period, if it was desired by either party to revise it, and if unfortunately there was no agreement between them, the differences would be referred to the Council of the League of Nations, or whatever other body might be agreed to. The Treaty was not negotiated with any single political party in Egypt, but with representatives of almost all sections of opinion. That must be regarded as a valuable safeguard for the future.

After further debate the Motion approving the ratification of the Treaty was agreed to without a division.

NAVAL TREATIES.

(Proposed Anglo-Soviet Agreement: negotiations in progress; The Washington Treaty; Approach to the United States' and Japanese Governments.)

On 18th November, in the House of Commons, in reply to Capt. L. F. Plugge (Unionist, *Rochester*),

The Secretary of State for Foreign Affairs (Rt. Hon. Anthony Eden) said that negotiations had been and were proceeding between the British Government and the Government of the Union of Soviet Socialist Republics with a view to the conclusion of an Anglo-Soviet Naval Agreement on the basis of the London Naval Treaty, 1936. The results of the negotiations up to date had been communicated confidentially to the other interested Governments, whose observations were being considered.

Capt. Plugge inquired whether Mr. Eden was satisfied that there was nothing in this Treaty which would upset the Anglo-German Treaty?

The Secretary of State for Foreign Affairs: "This is a matter in connection with wider negotiations for a general Treaty which we hope to see negotiated."

Naval Powers and Washington Treaty.

Answering a question by Mr. G. Mander (Liberal, Wolverhampton, E.),

The Secretary of State for Foreign Affairs said that the United States' and Japanese Governments were approached in September, 1936, with proposals for the renewal of Article XIX of the Washington Naval Treaty. Until the replies of both Governments had been received and considered by the British Government he was not in a position to make any statement.

In answer to a further question by Mr. Mander,

The Secretary of State for Foreign Affairs said that a reply had been received from the United States.

German battleships.

On 9th December, in answer to Mr. H. Day (Labour, Southwark, C.),

The First Lord of the Admiralty (Rt. Hon. Sir S. Hoare) said that Germany had completed no battleships over 25,000 tons during the last two years. As regarded vessels under construction, the British Government had received official information that two battleships of 26,000 tons were being built. In addition, reports had recently appeared in a non-official German publication according to which a 35,000-ton battleship was begun in the autumn of 1936 and another of the same tonnage would be put in hand in 1937.

The British Government would not for their part object to capital ship construction by Germany exceeding the limitation as regards size laid down in the Treaty of Versailles.

Rt. Hon. A. V. Alexander (Labour, Sheffield, Hillsborough) asked whether that meant that the Anglo-German Naval Treaty, 1935, had given such a free hand to Germany that it must necessarily mean an expansion of the naval armaments of the world.

The First Lord of the Admiralty replied that he could not accept that construction or interpretation of his answer.

Retention of over-age cruisers.

On 17th December, replying to Rt. Hon. Winston Churchill (Unionist, Epping),

The First Lord of the Admiralty said that for some time the British Government had been giving serious consideration to the question of the scrapping of five over-age cruisers in order to conform with the provisions of the London Naval Treaty, 1930. In view of the deterioration of the general international situation this was obviously not a moment at which any Power would wish to scrap serviceable vessels and the Government had therefore been exchanging views on the subject with the other parties to Part III of the Treaty.

The United States' Government had intimated that if the British Government decided to have recourse to Article 21 of the Treaty to retain these vessels, on the ground that the requirements of the nation's security necessitated this action, no objection would be raised by them. No final answer had yet been received from the Japanese Government, but there was reason to believe that their reply would also be favourable. He was glad, therefore, to be able to inform the House that they expected, in the course of the next few days, to convey to the Governments of the United States and Japan an official intimation of their intention to have recourse to Article 21.

Mr. F. J. Bellenger (Labour, Bassettlaw) inquired whether this decision would have any effect on the building programmes of the other two Powers who were signatories to the Treaty?

The First Lord of the Admiralty replied: "Certainly not on the building programmes. It might raise questions of scrapping, but certainly not of building."

ARMAMENTS AND IMPERIAL DEFENCE.

(Manufacture of and trade in arms: Report of the Royal Commission; State monopoly rejected; Re-organisation of supply; Government's rearmament programme: statement by Minister for Co-ordination of Defence; Co-operation between Navy and Air Force; Re-organised Supply Department for War Office; A Ministry of Supply: Government's attitude; British Commonwealth and defence problems; Criticism of pace of Royal Air Force expansion.)

On 10th and 12th November, in the House of Commons, a debate took place on a Liberal Amendment to the Address.

The Amendment expressed regret that, having regard to the urgent problems arising from the expansion of British

armaments and the strengthening of national defences, the King's Speech foreshadowed no legislation to implement the Report of the Royal Commission on the manufacture of and trade in arms.

DEBATE IN HOUSE OF COMMONS.

Mr. F. K. Griffith (*Liberal, Middlesbrough, W.*), in moving the Amendment, said the Commission had turned down the proposal to set up a State monopoly in armaments, whether by Great Britain alone or in combination with other nations. The Commission went on to indicate the only conditions under which they thought the private manufacture of arms could properly function. They came to the conclusion that the most effective available means of removing or minimising the objections to private manufacture would be the limitation of arms by international agreement. Proposals which dealt with the entire re-organisation of the supply of armaments, both in peace and in war, formed the essence of the Report. One of the recommendations was:—

“The Government should assume complete responsibility for the arms industry in the United Kingdom, and should organise and regulate the necessary collaboration between the Government and private industry; that this responsibility should be exercised through a controlling body presided over by a Minister responsible to Parliament having executive powers in peace-time and in war-time.”

The Report stated that great difficulties were likely to be met in any attempt to formulate plans for the conscription of industry in time of war, but the Commission were impelled to the belief that these difficulties would have to be faced, and recommended that they should be faced at the earliest possible moment. That was the justification for the Amendment.

Government's policy.

The Minister for the Co-ordination of Defence (*Rt. Hon. Sir T. Inskip*) said that the magnitude and speed of the Government's re-armament programme meant that civil industry must give way to its demands. The Government would welcome an opportunity to consider the recommendations of the Royal Commission and a body of men was at present engaged upon an examination of the proposals. Referring to the policy which directed the Government's programme, **Sir Thomas** said that they intended no aggression upon any nation or body of people. Defence, when recognised in its wider application, no doubt included the contributions they might be called upon to make in pursuance of their policy for the discouragement and prevention of war. They all recognised that the Navy was the first line of defence: it was fundamental to their very existence. It was often said that

the growth of air power had destroyed their security as an island.

A large proportion of the advantages of an island were still secured to them. The protection of the home bases of the Fleet and the feeding ports was a prime necessity. This made necessary collaboration or co-operation between the Navy and the Air Force. The main purpose of the expansion of the Air Force was to provide for the defence of the country in the event of attack from the air. It was the Government's aim to develop as a deterrent as powerful a striking force as they could in the air. Existing resources for the provision of the new and powerful guns which were required in connection with the scheme of air defence had been supplemented. So far as the Navy was concerned the Fleet Air Arm was indispensable.

Co-operation of two Services.

The Navy was no longer sufficient to protect the interests which were vital to Great Britain: the protection in future must be under the co-operation of the two Services. Turning to the land Forces, **Sir Thomas** said there had been no attempt to disguise the fact that the Army, both Regular and Territorial, had its deficiencies in personnel as well as in equipment. The deficiencies in personnel received a great deal of publicity and conclusions were sometimes drawn from recruitment figures that there was a strange apathy in the younger generation. Since the War, however, there had been no clear call to them for National Defence. The policy had been to allow the defences to run low and it had produced the atmosphere in which the younger generation had been reared. There were no deficiencies in Naval or Air Force recruiting.

Dealing with the question of the creation of a Ministry of Supply, the right hon. Gentleman said that to attempt to arrest the ordinary industries of the country in order to transfer the key or skilled men for munition production would be wrong from every point of view at this stage. The existing supply of machinery was at full stretch, but the fundamental change of organisation which would be involved in the establishment of an executive Ministry of Supply with compulsory powers would involve so much delay and uncertainty that the Government could not contemplate it except on the most cogent proof of its necessity.

War Office and supplies.

The Government had recently approved of wide changes in the supply machine of the War Office, the effect of which was to combine the whole executive responsibility for supply in the hands of **Sir Harold Brown**, as a member of the Army Council, with a re-organised Supply Department under him. This was in effect the nucleus of a Ministry of Supply in the

War Office, which was largely responsible for the stores for the other Departments as well as for itself. It would be realised that the financial strain which was being placed upon the country was a stupendous one. If the Government were to interrupt and break down the process of the industry of peace time they would run the risk of destroying the financial fabric of the nation. It must be remembered that they depended upon the resources of finance for the successful fighting of a war as much as upon the production of munitions.

Rt. Hon. H. B. Lees-Smith (Labour, Keighley) thought that the decision of the Government not to create a Minister of Supply, as distinct from a Minister for the Co-ordination of Defence, was a mistake. He did not believe it was possible for any one human being to control the problem of supply and at the same time really grapple with the immensely complicated problems of the strategic co-ordination of defence. Referring to the conclusion of a Committee, over which Sir Thomas Inskip presided, that the battleship was well able to protect itself against hostile aircraft, Mr. Lees-Smith said the main anxiety had always been whether the battleship could protect a Merchant Fleet which had to be convoyed : also whether it could protect naval bases and mercantile ports.

The Army and the Cardwell system.

Turning to the question of the Army, Mr. Lees-Smith observed that the Cardwell system was responsible for one of the difficulties of finding recruits. This system created an army for the defence of the Indian frontier and then, as a kind of by-product, left a force at home to act as an expeditionary force. That was the arrangement entered into 60 years ago when there was no notion that they were contemplating entering upon a war of the scale of the late European war. In the last debate on the Army Estimates there was not one speaker with military experience who did not say that the Cardwell system ought to be re-examined and, probably, profoundly revised.

The Secretary of State for War (Rt. Hon. A. Duff Cooper) said that an inquiry into the system was in progress.

Rt. Hon. Earl Winterton (Unionist, Horsham and Worthing) remarked that it was on the strength of Great Britain in the year 1937 that the peace of Europe might depend. If Great Britain was strong and ready to carry out her obligations war would be prevented. In regard to aeroplanes, there was considerable disquiet in the country as to the numbers for immediate or reserve use, and the method of supplying them. They were told of an expansion of the Air Force, but expansion by itself of the personnel was not of much value unless there were more machines. As to the Army, as he understood, Sir

Thomas Inskip had definitely come down on the side of an expeditionary force. If it was necessary to have that fighting force, as opposed to an armed police force, the present position was gloomy in the extreme : it could hardly have been gloomier during the whole course of their military history. Low pay was one of the causes of the lack of recruits : the Cardwell system was another.

Restoration of sea power.

Admiral-of-the-Fleet Sir Roger Keyes (Unionist, Portsmouth, N.) said there was unquestionably a definite demand throughout the country for the restoration of their sea power. He regretted that there was no mention of any intention to relieve the Navy of the dual control of its air service, which had greatly hampered its development and efficiency for about 13 years. Although the Battle Fleet could and would, no doubt, be strategically operated far away from shore-based aircraft, it was absolutely essential that the Navy should possess an air force second to none, not only to work with the Fleet, but in co-operation with the ships which were employed in the protection of their trade routes in narrow seas and when approaching harbour. The American air service was 100 per cent. ahead of the British : that was because the naval air service of the United States' Navy had been allowed to be developed in the Navy and by the Navy.

Lt.-Comdr. R. Fletcher (Labour, Nuneaton) argued from Ministerial speeches that in the event of war there was no single competent authority in the country to say what warlike action should be taken. The importance of the Navy and Army waned before each successive advance in the air. The Admiralty and the War Office had always been blind to the importance of the air. Those two Departments still appeared to be wedded to pre-War power ideas. Yet it was surely obvious that in another war the air must be the decisive factor. The air weapon had the power to attack, so he would imagine that common sense pointed towards spending the bulk of the money available for defence on that weapon and not on the Navy and Army. From what he heard from youth, they seemed to feel that the Government were muddling them into a war for which all the wrong preparations were being made by the Service chiefs.

Co-ordination of Departments.

Rt. Hon. L. S. Amery (Unionist, Birmingham, Sparkbrook) spoke of the immense importance of the effective co-ordination of the Departments and of their different doctrines about war. The question which had exercised a great many people very seriously was whether the Minister who was normally responsible for the co-ordination of defence policy had to-day either

the time or the authority to carry out his proper duties. There were issues of immense and transcendent importance affecting not only their whole organisation but their foreign policy in connection with their ground Forces. There were two main types of task to which an Overseas Force could be devoted. One was the taking part with massed armies on the Continent in a campaign in Western Europe. The other was the very different kind of campaign, with armies of varying size, that they might have to wage at any time either within the confines of their own Empire or in various regions overseas as part of some greater war.

The latter type of army they must have in any case. The necessities of Imperial defence compelled them to have Forces available to send to any threatened point at any moment. But, must they wage land war in Western Europe as a necessary part of their international obligations? Looking at the recruiting situation and the attitude of the people towards the danger of taking part in mass warfare on the Continent, there was no possibility of getting an army comparable to the Continental armies and fit to place alongside them in war without conscription. Were the Government prepared to face that? If not, they should reconsider the whole question of how they were to co-operate with other countries in the discharge of international duties for the protection of their own security.

Re-organisation of the ground Forces.

Continuing, Mr. Amery threw out a number of suggestions with regard to the problem of the ground Forces. First of all, he said, they should decide that in a Continental war they would give all the help they could in the air and make sure it was effective, but should not pledge themselves again to intervene with ground Forces. Secondly, they ought to build up by long service a highly-trained army skilled in every form of effort that could contribute to military success. Behind that they should have a Regular Army on short service enabling its men subsequently to go into ordinary civil life and build up a really large Reserve Force. Behind that, for home defence, they should have an effective first line Territorial Force. Behind that again there should be a local Defence Force, organised essentially on local lines and, as far as possible, on non-military lines. That was the kind of complete re-organisation that was necessary if they were to be secure.

The First Lord of the Admiralty (Rt. Hon. Sir S. Hoare) pointed out that no speaker in the debate had questioned the gravity of the situation or the need for re-armament. Questions had been raised, he said, about the so-called Expeditionary Force. What the Government were engaged in forming and

equipping was an all-purposes Force of five divisions that would be able to go anywhere and carry out whatever responsibilities might be imposed upon it. The situation differed materially from that in 1914. Then there were in existence definite commitments: there was actually a plan agreed between the French and British General Staffs. In the present case there were no such commitments. They would have to judge the situation as it arose, and it would be unwise to make either affirmative or negative commitments as to how or where they were going to use the all-purposes Force.

The air programme.

As regarded the air, there was no foundation for a statement that, so far as personnel was concerned, the Government were vastly behind with their programme. The smaller 1937 programme had been merged in a bigger programme and the position was satisfactory. The production of aircraft was not far off the estimates and the production of engines had been better than the estimates. Turning to the question of a Ministry of Supply, Sir Samuel said that the Government had no objection to it on principle. The only question was, would a new Ministry improve matters and expedite the carrying out of the programme? A Ministry of Supply without powers would be worse than useless. They might come to a position when it was necessary to assume powers of that kind. No prejudices would stand in the way of the Government when they believed that the time had actually come. The programme was proceeding not unsatisfactorily and the time had not yet come when a revolutionary change should be made.

Rt. Hon. C. R. Attlee (Leader of the Opposition) said that his first complaint against the Government was that they were making a purely quantitative increase of arms. They had taken the services as they found them and had added a certain amount to the particular kinds of arms that existed. They had put forward the sort of idea that was expressed on the Continent: "Every extra man, every extra gun, makes you safer." That was not the case: the mere piling up of numbers would not make them safe. Sir Thomas Inskip's remark that "The Navy is the first line of defence" showed a failure to realise the conditions of the problem. In an era of air warfare there was no such thing as a first line of defence. He was disturbed by the fact that Sir Thomas obviously contemplated that Great Britain might again indulge in mass warfare on the Continent. As to the Air Force, he said it was their aim to develop as a deterrent as powerful a striking force as they could.

Lack of a co-ordinated plan.

The new relation of these various functions did not present them with a co-ordinated plan of defence: on the contrary it

showed that such a plan was non-existent. In pre-War days they had a clear decision that the Navy was their defence. But it seemed from the speech of the Minister for the Co-ordination of Defence that they now had to "go all out" in all three elements. The outstanding danger to-day was from the air: until that menace had been dealt with it was useless to talk about the defence of the Empire or of preserving lines of communication. Yet since the War they had spent £776,000,000 on the Navy, £582,000,000 on the Army and £225,000,000 on the Air Force. It was most surprising how, in the House of Commons, the rest of the British Empire had faded out of the question and had strayed from their consideration of defence.

There was no attempt at the present time to build up their Commonwealth of Nations as a co-ordinated group of armed peoples collectively engaged in defence. They were proposing, in circumstances which were totally different from those of the past, a concentration of their most essential defences in the most dangerous part of the Commonwealth—that was, in the British Isles. It seemed to him that latterly there had been a tendency to think of these islands as something by themselves and apart from the rest of the Empire. The Labour Party view was that they must work for collective security and they were sure that the defence of the whole British Commonwealth depended ultimately on the defence of the British Isles.

Western democracies and collective security.

Rt. Hon. Winston Churchill (Unionist, *Epping*) believed that the efforts at re-armament which France and Britain were making would not, by themselves, be sufficient. It would be necessary for the Western democracies, even at some extension of their risks, to gather round them all the elements of collective security, or combined defensive strength against aggression, which could be assembled on the basis of the Covenant of the League of Nations. Thus they might succeed again in achieving a position of superior force and then would be the time to invite Germany to make a common cause with them in opening a new door to peace and disarmament. Referring to the appointment of the Minister for the Co-ordination of Defence, Mr. Churchill said he had repeatedly pointed out the obvious mistake in organisation of jumbling together the functions of defence with those of a Minister of Supply.

The proper organisation was four Departments—the Navy, the Army, the Air and the Ministry of Supply, with the Minister for the Co-ordination of Defence over the four, exercising a general supervision, concerting their actions, and assigning the high priorities of manufacture in relation to some comprehensive strategic conception. The Army lacked almost every weapon

which was required for the latest form of modern war. It was clear that the Air Force programme was behindhand: Parliament was promised a total of 71 new squadrons making a total of 124 squadrons in the home defence force by 31st March, 1937. At the end of the last financial year the strength was 53 squadrons including auxiliary squadrons. In the 32 weeks which had passed since the financial year began, they had added 28 squadrons, that was to say, less than one new squadron a week.

Two squadrons a week.

In order to maintain the programme which was put forward as the minimum they would have to add 43 squadrons in the remaining 20 weeks, or over two squadrons a week. The rate at which new squadrons would have to be formed from the present till the end of March would have to be three times as fast as hitherto. Even if every one of the present 80 squadrons had an average strength of 12 aeroplanes, each fitted with war equipment and reserves, they would have a total of 960 first line home defence aircraft. The Germans certainly had not got less than 1,500 first line aeroplanes, probably more, comprised in not less than 130 or 140 squadrons, including auxiliary squadrons. They were promised by the Government that air parity with Germany would be maintained by the home defence forces. At the present time they were only about two-thirds as strong as the German Air Force.

The Prime Minister (**Rt. Hon. Stanley Baldwin**), replying to observations by Mr. Attlee, said that Empire relations were less simple to-day than they were before the War. But he thought it fair to say that the Dominions throughout were anxious about the state of world politics and had discussed with the British Government their own defences. As regarded utilising the Dominions for manufacture, he hoped that in Canada steps might be taken to bring that desirable end to pass. The completion of the programme for meeting the accumulated deficiencies of many years was a tremendous task. But in spite of all the difficulties the defence programmes were launched, well launched, and were making on the whole good progress. Whatever differences there might be among them in Great Britain on various questions, the conviction was biting deep into the country, with all its love of peace, that there must be no going back on their resolution for such re-armament as was deemed necessary to meet any possible peril from whatever quarter it might come.

On a division the Amendment was negatived by 337 votes against 131.

DOMINION AND COLONIAL CO-OPERATION IN DEFENCE.

(Activities of Committee of Imperial Defence : full information supplied to Dominion Governments ; India Office represented at meetings of the Committee ; Contact with Colonial Administrations.)

On 18th November, in the House of Commons, a statement was made respecting the association of the Dominions, the Colonies and India with the problem of defence.

IN THE HOUSE OF COMMONS.

The Minister for the Co-ordination of Defence (Rt. Hon. Sir T. Inskip) said that all practicable steps were being taken through the machinery of the Committee of Imperial Defence and otherwise to secure co-operation and co-ordination among the various parts of the British Commonwealth with regard to defence policy. Dominion Governments were kept fully informed of all developments in connection with the defence situation. In the case of India, the India Office was represented at all meetings of the Committee of Imperial Defence and on all Sub-committees in which India was interested.

So far as the Colonies were concerned, there was a Standing Sub-committee of the Committee of Imperial Defence, known as the Oversea Defence Committee, which was specifically charged with the responsibility of advising the Government on all questions of Imperial defence as affecting the Colonies. Close and continuous contact was maintained between this Sub-committee and Colonial Administrations through the medium of the Colonial Office.

With regard to air and recruiting, schemes had already been prepared to secure help in the provision and training of both pilots and aircraftmen. Arrangements had also been made to facilitate recruiting for the Royal Air Force in the Colonies.

KING EDWARD'S ABDICATION.

(Statements by the Prime Minister ; Status and rights of the wife of the Sovereign ; A morganatic marriage unknown to British law ; Government not prepared to introduce special legislation for the purpose ; Dominion Governments and the question ; The Instrument of Abdication : King's Message to House of Commons ; Concern for stability of Throne and Empire.)

Events in Parliament associated with the renunciation of the Throne by King Edward VIII on 10th December,

began with a statement by the Prime Minister in the House of Commons on 4th December.

IN THE HOUSE OF COMMONS.

On 4th December, replying to Rt. Hon. C. R. Attlee (Leader of the Opposition),

The Prime Minister (Rt. Hon. Stanley Baldwin) said that suggestions had appeared in certain organs of the Press that if the King decided to marry, his wife need not become Queen. Those ideas were without any constitutional foundation. There was no such thing as what was called a morganatic marriage known to British law. The Royal Marriages Act of 1772 had no application to the Sovereign himself. Its only effect was that the marriage of any other member of the Royal Family was null and void unless the Sovereign's consent, declared under the Great Seal, was first obtained.

The King himself required no consent from any other authority to make his marriage legal, but the lady whom he married, by the fact of her marriage to the King, necessarily became Queen. She herself, therefore, enjoyed all the status, rights and privileges which, both by positive law and by custom, attached to that position. The only possible way in which that result could be avoided would be by legislation dealing with a particular case. The Government were not prepared to introduce such legislation.

A Commonwealth concern.

"Moreover," Mr. Baldwin added, "the matters to be dealt with are of common concern to the Commonwealth as a whole, and such a change could not be effected without the assent of all the Dominions. I am satisfied, from inquiries I have made, that this assent would not be forthcoming."

On 7th December, in a further statement in answer to Mr. Attlee,

The Prime Minister said that with the exception of the question of morganatic marriage no advice had been tendered by the Government to the King, with whom all his conversations had been strictly personal and informal. "These matters," he explained, "were not raised first by the Government, but by His Majesty himself in conversation with me some weeks ago when he first informed me of his intention to marry Mrs. Simpson whenever she should be free."

MESSAGE OF RENUNCIATION.

On 10th December, the Prime Minister announced that he had a message from the King, which the Speaker read to the House as follows :—

"MEMBERS OF THE HOUSE OF COMMONS.

"After long and anxious consideration, I have determined to

renounce the Throne to which I succeeded on the death of my father, and I am now communicating this, my final and irrevocable decision.

"Realising as I do the gravity of this step, I can only hope that I shall have the understanding of my peoples in the decision I have taken and the reasons which have led me to take it.

"I will not enter now into my private feelings, but I would beg that it should be remembered that the burden which constantly rests upon the shoulders of a Sovereign is so heavy that it can only be borne in circumstances different from those in which I now find myself.

"I conceive that I am not overlooking the duty that rests on me to place in the forefront the public interest when I declare that I am conscious that I can no longer discharge this heavy task with efficiency or with satisfaction to myself.

"I have accordingly this morning executed an Instrument of Abdication in the terms following:—

'I, Edward VIII, of Great Britain, Ireland, and the British Dominions beyond the Seas, King, Emperor of India, do hereby declare my irrevocable determination to renounce the Throne for myself and for my descendants, and my desire that effect should be given to this Instrument of Abdication immediately.

'In token whereof I have hereunto set my hand this tenth day of December, nineteen hundred and thirty-six, in the presence of the witnesses whose signatures are subscribed.

(Signed) EDWARD R.I.'

"My execution of this Instrument has been witnessed by my three brothers, Their Royal Highnesses the Duke of York, the Duke of Gloucester and the Duke of Kent.

"I deeply appreciate the spirit which has actuated the appeals which have been made to me to take a different decision, and I have, before reaching my final determination, most fully pondered over them. But my mind is made up. Moreover, further delay cannot but be most injurious to the peoples whom I have tried to serve as Prince of Wales and as King and whose future happiness and prosperity are the constant wish of my heart.

"I take my leave of them in the confident hope that the course which I have thought it right to follow is that which is best for the stability of the Throne and Empire and the happiness of my peoples. I am deeply sensible of the consideration which they have always extended to me both before and after my accession to the Throne and which I know they will extend in full measure to my successor.

"I am most anxious that there should be no delay of any kind in giving effect to the Instrument which I have executed and that all necessary steps should be taken immediately to secure that my lawful successor, my brother, His Royal Highness the Duke of York, should ascend the Throne.

EDWARD R.I."

King's Message considered.

The Prime Minister moved that the King's Message should be considered and made a long explanatory statement regarding his discussions with the Sovereign. He described how, when he returned to London before the middle of October after a

period of rest, he was disquieted by a vast volume of correspondence expressing perturbation and uneasiness at what was then appearing in the American Press. He felt it his duty to talk the matter over with the King, and in October he told His Majesty that he had two great anxieties—one the effect of a continuance of the kind of criticism that at that time was proceeding in the American Press, the effect it would have in the Dominions and particularly in Canada, where it was widespread, and the effect it would have in the United Kingdom.

Then he reminded the King of what he had often told him and his brothers in years past. The British Monarchy was a unique institution. The Crown in England through the centuries had been deprived of many of its prerogatives, but to-day it stood for far more than it ever had done in its history. The importance of its integrity was, beyond all question, far greater than it had ever been, being as it was not only the last link of Empire that was left, but the guarantee in the United Kingdom, so long as it existed in that integrity, against many evils that had affected and afflicted other countries.

Effect of criticisms.

While that feeling largely depended on the respect that had grown up in the last three generations for the Monarchy, it might not take so long, in face of the kind of criticisms to which it was being exposed, to lose that power far more rapidly than it was built up, and once lost he doubted if anything could restore it. He said to the King that in his view no popularity in the long run would be weighed against the effect of such criticism. The next time he saw the King was on 16th November (by that date the decree nisi had been pronounced in the divorce case) and told him that he did not think that a particular marriage was one that would receive the approbation of the country.

The King said: "I am going to marry Mrs. Simpson, and I am prepared to go." After describing further discussions with the King, on the question especially of legislation to enable "the lady to be the King's wife without the position of Queen," the Prime Minister spoke of His Majesty's wish to go in circumstances that would make the succession of his brother as little difficult as possible. Any idea to him of what might be called a "King's Party" was abhorrent. "The King," said Mr. Baldwin, "has made his decision to take this moment to send this Gracious Message because of his confident hope that by that he will preserve the unity of this country and of the whole Empire, and avoid those factious differences which might so easily have arisen."

Short speeches by Leaders of Parties and others followed. The sitting then ended.

HIS MAJESTY'S DECLARATION OF ABDICATION ACT.

(Throne renounced by King Edward "for himself and his descendants"; Assent of Dominions to Abdication Act; Labour Opposition and the Monarchy: desire for simplicity.)

On 11th December, King Edward, as his last act on the Throne, gave the Royal Assent to His Majesty's Declaration of Abdication Act.

The Preamble to the Act recited the King's irrevocable determination to renounce the Throne "for himself and his descendants." It recorded his desire that effect should be given immediately to the Instrument of Abdication which he had executed.

The Dominion of Canada, pursuant to the provisions of Section 4 of the Statute of Westminster, 1931, had, the Preamble stated, requested and consented to the enactment of this Act. The Commonwealth of Australia, the Dominion of New Zealand and the Union of South Africa had assented thereto.

In Section 1 of the Act it was provided that "there shall be a demise of the Crown, and accordingly the member of the Royal Family then next in succession to the Throne shall succeed thereto and to all the rights, privileges and dignities thereunto belonging."

DEBATE IN HOUSE OF COMMONS.

On 11th December,

The Prime Minister (Rt. Hon. Stanley Baldwin), in moving the Second Reading of the Bill, mentioned the desire of the four Dominions referred to in the Preamble to be associated with the Measure. As regarded the Irish Free State, he had received a message from Mr. De Valera saying that he proposed to call his Parliament together to pass legislation dealing with the situation in the Free State. The Prime Minister explained the reason for the inclusion in the Bill of a provision that the Royal Marriages Act, 1772, should not apply to His Majesty after his abdication, nor to the issue, if any, of His Majesty or the descendants of that issue. It was, he said, that on the passing of the present Measure, His Majesty and his descendants would cease to have any right in the succession.

Rt. Hon. C. R. Attlee (Leader of the Opposition) said that the Labour Party were concerned with fundamental economic changes. They were not to be diverted into abstract discussions about Monarchy and Republicanism. The one essential was that the will of the people should prevail in a democratic country. The interests which stood for wealth and class privilege had done all they could to invest the Monarchy with an unreal halo, and to create a false reverence for Royalty, and this had tended to obscure the realities of the position.

He thought, too, the continuance of old-fashioned Court ceremonial, and the surrounding of the Monarch by persons drawn from a narrow and privileged class, had hampered him in his work, and had at times frustrated good intentions.

A new start.

He hoped that they would see a new start made. He believed this was necessary if Constitutional Monarchy was to survive in the present age. Some pomp and ceremony might be useful on occasions, but the Labour Party believed that the note of Monarchy should be simplicity. They, as a Party, stood for the disappearance of class barriers and a moving towards equality, and they believed that in the interests of the Throne, in the interests of the Commonwealth, and in the interests of the United Kingdom, they should see the utmost simplicity in the Monarchy, which would, he believed, bind together people and Monarch more closely than before.

Rt. Hon. Sir A. Sinclair (Leader of the Liberal Party in Opposition) announcing Liberal support for the Bill, said that they looked forward to the Accession of the new King and they would rally round the Throne.

Mr. J. Maxton (Independent Labour, Glasgow, Bridgeton) moved an Amendment for the rejection of the Bill on the ground that it had been "necessitated by circumstances which show clearly the danger to this country and to the British Commonwealth of Nations inherent in an hereditary Monarchy at a time when the peace and prosperity of the people require a more stable and efficient form of government of a Republican kind."

The Secretary of State for the Home Department (Rt. Hon. Sir J. Simon) said that history did not show that Republicanism was a guarantee of stability—certainly not of stability combined with civil liberty. Mr. Maxton mistook a most grievous incident in the history of an institution for the breakdown of the institution itself.

On a division the Amendment was negatived by 403 votes against 5 and the Bill was then read a second time. It was, at the same sitting, passed through its remaining stages, was then approved by the House of Lords, and thereafter the Royal Assent to it was immediately signified by Lords Commissioners appointed by the King for the purpose.

ACCESSION OF KING GEORGE VI.

(New King's Message to Parliament; House of Commons' Address to His Majesty.)

On 12th and 14th December, both Houses of Parliament met, following the Accession to the Throne of the Duke of York as King George VI, to take the Oath of Allegiance.

Message from H.M. the King.

On 14th December, in the House of Commons, a Message was read from the King in which he said :—

" I have succeeded to the Throne in circumstances which are without precedent and at a moment of great personal distress. But I am resolved to do my duty and I am sustained by the knowledge that I am supported by the widespread good will and sympathy of all my subjects here and throughout the world."

The Prime Minister (Rt. Hon. Stanley Baldwin) moved an Address to the King expressing the devotion of the Commons to his person. He said that what would endear the new King to his people, if he were not already endeared, was that more than any of his brothers he resembled in character and disposition of mind his father. He would bring to his great task that same devotion to duty.

Speeches in support by **Rt. Hon. C. R. Attlee (Leader of the Opposition)** and **Rt. Hon. Sir A. Sinclair (Leader of the Liberal Party in Opposition)** followed. Thereafter, the Motion was agreed to.

PALESTINE SITUATION.

(The Royal Commission inquiry ; No present change of Government policy ; The immigration question : reduction in number of Jewish entrants.)

On 5th November, in the House of Commons, replying to **Mr. T. Williams (Labour, Don Valley)**,

The Secretary of State for the Colonies (Rt. Hon. W. Ormsby-Gore) recalled previous statements that the Government could contemplate no change of policy whatsoever with regard to Palestine until they had received and considered the Report of the Royal Commission.* The Commission was leaving for Palestine that day and the Government had carefully considered whether or not there should be a temporary suspension of immigration while it was carrying out its inquiries. They had decided that this would not be justifiable on economic or other grounds.

At the same time the Government had thought it right, in the circumstances, to ask the High Commissioner in Palestine to take a conservative view of the economic absorptive capacity of the country. He had accordingly recommended that the six-monthly Labour Immigration Schedule should be fixed at 1,800 certificates, and this had been approved by the Government. The figure compared with a Schedule of 8,000 in April, 1935, 3,250 in October, 1935, and 4,500 in April, 1936.

* *Vide JOURNAL*, Vol. XVII, No. 3, p. 456, for the personnel of the Commission, of which Earl Peel is chairman, and the terms of reference.

Lower immigration total.

Taking into account all forms of Jewish immigration, it was expected that the total for the six months from October, 1936, would be substantially below that for the preceding six months.

Mr. Williams asked whether the conservative estimate regarding immigration was only intended to apply during the sittings of the Commission ?

The Secretary of State for the Colonies : " During the sittings of the Royal Commission and the consideration by His Majesty's Government of its Report, and pending the issue of their policy for the future with regard to immigration."

Rt. Hon. Sir A. Sinclair (Leader of the Liberal Party in Opposition) inquired what adverse developments in the economic situation of Palestine justified cutting the immigration by between 50 and 75 per cent.

The Secretary of State for the Colonies : " The general disturbance of the country and the interruption of industry, commerce and communications."

INTER-EMPIRE TRADE.

(Canada and imports of anthracite coal : removal of embargo on Russian supplies ; Discussions with British Ministers ; American business interests and factories in Canada ; Volume of trade between Empire countries.)

On 12th November, in the House of Commons, in answer to **Mr. O. T. Morris (Unionist, Cardiff, E.)**,

The Secretary for Mines (Capt. H. F. Crookshank) stated that in 1931 the Canadian Government imposed an embargo on the importation into Canada of certain Russian products, including coal, which was followed by a retaliatory Russian embargo on all imports from Canada. In October, 1935, when the present Government took office in Canada, it was intimated to the British Government that the removal of this embargo was in contemplation. The Canadian Government, however, deferred further action in the matter until they had an opportunity of discussing with the British Government the general question of the United Kingdom's trade with Canada.

These discussions took place during the recent visit of Canadian Ministers to Great Britain and United Kingdom Ministers then impressed upon the Canadian Ministers the great importance they attached to the maintenance of the United Kingdom trade in anthracite to Canada. The Canadian Ministers explained that, whilst they appreciated the difficulties

of the British position and were anxious to encourage British trade, considerations of general policy made it impossible for them to retain as an instrument of commercial policy a discriminatory embargo against imports from a single country with whom all other countries had re-established normal commercial relations.

Embargoes removed.

As a result of discussions between the Canadian Government and the Government of the Union of Soviet Socialist Republics, both embargoes were removed and the Soviet authorities announced that any exports of anthracite from Russia to Canada would be subject to the following conditions :

1. The exports of anthracite to Canada from the U.S.S.R. will not exceed 250,000 metric tons in any one year.
2. The coal will be offered for sale at competitive prices and will not be dumped.
3. Sales will not be confined to any single agency, but effected through as many importers as can handle them efficiently.
4. The coal will not be offered for consumption in the Maritime Provinces.

The Canadian Government had expressed the hope that postponement of the removal of the embargo for nearly 12 months and the conditions on the exports of Russian coal above referred to would be recognised as substantially safeguarding the position of South Wales anthracite exports to Canada.

American factories in Canada.

On 17th November, in reply to **Lt.-Col. Sir A. Pownall** (*Unionist, Lewisham, E.*),

The President of the Board of Trade (*Rt. Hon. W. Runciman*) said he understood some factories in Canada had been established wholly or partly by interests in the United States of America. The products of such factories were eligible for Imperial Preference in the United Kingdom on the same terms as those of other Canadian factories but he could not say if this was the reason for their establishment.

Major-General Sir A. Knox (*Unionist, Wycombe*) asked what steps it was possible for furniture exporters from the United Kingdom to take to procure the reduction of the Canadian import duty of 18 per cent. ad valorem and the South African duty of 25 per cent. ad valorem on their products?

The President of the Board of Trade : "The duty on furniture imported into Canada from the United Kingdom is under consideration in the present trade discussions with the Canadian Government. The duty on furniture imported into the Union of South Africa will be considered when trade negotiations with the Union Government take place."

Textile exports.

On 1st December, in reply to **Mr. W. Mabane** (*Liberal National, Huddersfield*),

The Parliamentary Secretary to the Board of Trade (*Dr. Leslie Burgin*), said that the following table showed the total quantity of woollen and worsted tissues of United Kingdom manufacture exported during the six months ended June, 1932 and 1936, distinguishing the exports consigned to Canada and to other British countries :—

	January to June.	
	1932.	1936.
	Thous. sq. yds.	Thous. sq. yds.
Woollen and worsted tissues—		
Total exports	48,645	59,519
of which consigned to—		
Canada	5,950	9,126
Other British Countries	11,737	16,821

Dominions and United Kingdom.

On 2nd December, in answer to **Mr. A. M. Lyons** (*Unionist, Leicester, E.*),

The Parliamentary Secretary to the Board of Trade said that the following table showed the total declared value of merchandise imported into and exported from the United Kingdom and registered during the six months ended October, 1936, as consigned from or to Canada, Australia and New Zealand :—

COUNTRY FROM OR TO WHICH CONSIGNED.	TOTAL IMPORTS.	EXPORTS.	
		Produce and manufactures of the United Kingdom.	Imported Merchandise.
	£'000.	£'000.	£'000.
Canada	38,905	12,569	522
Australia	24,742	16,751	370
New Zealand	22,248	9,542	191

PRIMARY PRODUCTS OF BRITISH COMMONWEALTH.

(Suggested Empire policy : co-operation between Governments.)

On 10th November, in the House of Commons, **Sir Percy Hurd** (*Unionist, Devizes*) asked whether the attention of the Secretary for the Dominions had been called to the suggestion of representatives of the Governments of the

Dominions that, seeing how nearly identical the interests of primary producers of the Homelands and the Dominions were now becoming, a consultative committee of Empire producers should be set up to consider an Empire policy in relation to primary production, and whether he would invite the Dominion Governments to co-operate in the early assembly of such a committee?

The Secretary of State for Dominion Affairs (Rt. Hon. Malcolm MacDonald) replied that if any suggestions of the nature indicated were put to him by representatives of the Governments in the Dominions he would, of course, be prepared to consider them. No such suggestions had, in fact, been made by them.

BRITISH LIVESTOCK INDUSTRY.

(Government's proposals ; Cattle Fund on a permanent basis : annual subsidy of £5,000,000 ; Projected world Meat Conference ; Livestock Commission to be established : advice and assistance to Ministers ; Improvement of marketing system in Great Britain ; Erection of experimental central slaughter houses.)

On 2nd December, in the House of Commons, a debate took place on the British livestock industry.

DEBATE IN HOUSE OF COMMONS.

Mr. H. G. Williams (Unionist, Croydon, S.) moved the following Resolution :—

"That this House urges the Government to take immediate and effective measures in relation to the livestock industry in order to restore that balance in agriculture which is essential if it is to make its full contribution to the nation's food supply in time of peace and war and to assure a better standard of life to all engaged in the industry."

The hon. Member said there was a general rumour that at last there was going to be a duty on foreign meat of $\frac{3}{4}$ d. a lb. He also understood that when the Livestock Bill was introduced there was the probability that a subsidy scheme would be developed and that a fixed sum of £5,000,000 a year was to be available. What was to be the effect of the $\frac{3}{4}$ d. duty? Roughly half the beef consumed in the United Kingdom was produced in the country. A considerable amount came from foreign sources and a growing proportion from Empire countries. As long as that proportion from Empire countries was duty free the $\frac{3}{4}$ d. would have no effect on prices. The Argentine did not want to have a duty so high as to ruin them and he gathered that $\frac{3}{4}$ d. was all that they could swallow.

But if they put $\frac{1}{2}$ d. a lb. on Empire meat and $\frac{3}{4}$ d. on foreign meat the price effect would be materially different. They would get an upward movement in price probably equal to $\frac{1}{2}$ d. a lb. He thought that a proposal which at the outside would not quite restore the level of prices prevailing at the time of the Ottawa Agreements was something which no consumer in the United Kingdom could object to.

Cattle prices.

Mr. W. L. Everard (Unionist, Melton), in seconding the Motion, said that during the last three years the average price of fat cattle had been in the neighbourhood of 37s. per cwt., whereas every British farmer knew that, taking the country as a whole, it was impossible to produce and to pay anywhere near an adequate wage unless the price was 48s.

He thought that a subsidy was the most dangerous method of giving relief to any industry, because it was so easily stopped if any Government came into power that did not approve of it. He advocated an import duty or levy on cattle and livestock from all countries, including the Dominions. The Dominions, of course, should pay a considerably smaller sum. They would get in that way a large enough sum to make up the deficiency, irrespective of the Exchequer, and bring the price up to 48s. per cwt.

Mr. R. T. Acland (Liberal, Barnstaple) moved an Amendment to add to the Resolution an expression of hope that the Government's policy would be based upon improvement of the quality of the products of the industry, reduction in the costs of production and distribution and stimulation of demand.

Government policy.

The Minister of Agriculture (Rt. Hon. W. S. Morrison) said that both Motion and Amendment were entirely in accord with the policy of the Government. Dealing with the present position, he said the signs were that the tide had already turned, that prices would continue to heighten, and that they might expect a better return to the farmer who produced livestock. Disappointment was sometimes expressed with the Government's policy in that the levy to be raised on foreign beef was not in some way earmarked for the purpose of assisting the cattle industry. Those who were aware that one Parliament could not bind its successor would agree that no alteration in the form of the assistance made the slightest difference, that it was entirely a question of what was the most convenient way for the House to handle the matter, and that if the money was paid into a fund no greater degree of permanence would be secured.

With regard to the levy of $\frac{3}{4}$ d. a lb. on Argentine meat, he was glad to note the conclusion of the mover of the Resolution that it would not cause any rise in prices to the consumer. One feature of the Government's proposals would be a World Meat Conference at which producers would have the opportunity of examining the situation. The meat-producing countries, among which the United Kingdom would be represented, would have an opportunity of taking such steps among themselves by arrangement as would maintain supplies at reasonable levels. The whole livestock policy as at present envisaged would be contained in a Bill shortly to be presented to Parliament. The proposal to impose a levy of $\frac{3}{4}$ d. a lb. on meat coming from foreign sources would be contained in another Bill and effect was also given to it in the new Argentine Agreement.

After further debate both the Motion and the Amendment were agreed to.

The Government Bill.

On 4th December, the Minister of Agriculture introduced the Livestock Industry Bill. It gives effect to the proposals for the assistance of the industry in the United Kingdom referred to in a statement of the Government's policy on 6th July, 1936.*

The Bill provides for the constitution of a Livestock Commission to keep generally under review matters relating to the livestock industry, and to advise and assist Ministers. The Commission will, *inter alia*, take over the functions of the existing Cattle Committee set up under the Cattle Industry (Emergency Provisions) Act, 1934.

A Livestock Advisory Committee consisting of representatives of producers, local authorities, auctioneers and other interests will be formed to advise and assist the Commission.

Ministers will be enabled to make payments to producers of fat cattle in accordance with arrangements made after consulting the Commission.

REGULATION OF IMPORTS.

Power is given to the Board of Trade to regulate by Order the importation into the United Kingdom of livestock or meat in order to secure the stability of the market. Provision is also made to enable the Board to obtain information as to stocks and imports.

The Bill contains proposals to improve the system of livestock markets in Great Britain, and makes provision for the erection of three experimental central slaughter houses.

The Cattle Fund, established under the Cattle Industry (Emergency Provisions) Act, 1934, is to be placed on a permanent basis and payment is to be made into the Fund, out of moneys provided by Parliament, of sums not exceeding £5,000,000 in any one financial year.

**Vide* JOURNAL, Vol. XVII, No. 3, pp. 473-474.

IMPORT DUTIES ON BEEF AND VEAL.

(Result of new Anglo-Argentine Agreement ; Three farthings a lb. duty on chilled beef : other imports taxed ; Free admission to United Kingdom for Dominion products ; Regulation of supplies to British markets ; Yield of duties to assist British livestock industry.)

On 15th December, in the House of Commons, two Government Resolutions providing for the imposition of Customs duties on imports of beef and veal from foreign countries were the subject of debate.

The first Resolution provided that, as from 16th December, 1936, the following classes of goods, not being Empire products, should be chargeable with Customs duties at these rates :—

Class or Description of Goods.	Rate of Duty.
(i) Beef and veal not preserved in any airtight container (excluding offals and boned and boneless meat)—	
Chilled	the lb. $\frac{3}{4}$ d.
Other kinds	the lb. $\frac{3}{4}$ d.
(ii) Boned and boneless beef and veal and edible offals of beef and veal, not being beef, veal or offals preserved in any airtight container, and excluding sweetbreads	20 per cent. of the value of the goods.

The second Resolution, which also excluded Empire products, prescribed the following rates of duty :—

Class or Description of Goods.	Rate of Duty.
(i) Beef and veal preserved in any airtight container (including edible offals of beef and veal, but excluding sweetbreads)—	
Tongues	20 per cent. of the value of the goods.
Other goods	10 per cent. of the value of the goods.
(ii) Extracts and essences wholly or in part derived from beef or veal	10 per cent. of the value of the goods.

The Resolutions excluded sausages and pastes, and also, for the time being, imports of raw tongues, tinned tongues and jellied veal.

DEBATE IN HOUSE OF COMMONS.

The Financial Secretary to the Treasury (Lt.-Col. J. Colville) said that the policy of the Government of combining an import duty with a subsidy was designed to preserve a proper balance

between the interests of the home producer and the consumer. The total revenue expected to be derived from the duties was rather more than £3,000,000 per annum, and that would not suffice to cover the future cost of the cattle subsidy. As a part of the negotiations to secure Dominion participation in a scheme of orderly regulation of supplies in the United Kingdom market, it had been agreed that Dominion preference should extend to the full duties permissible under the Argentine Agreement and consequently free entry of Dominion products was afforded as hitherto.

Mr. O. Lewis (Unionist, Colchester) asked whether the Government had definitely abandoned the best long-term policy, namely, the imposition of a duty on all imports of foreign meat, with preference for those coming from Empire sources?

The Financial Secretary to the Treasury : " So far as the question of a duty on imports of meat from the Dominions and the Empire is concerned, we have definitely decided not to apply such a duty, and for the reasons which I have stated, namely, that it is our view that it is necessary to afford them the full measure of preference which is available up to the duty applying to foreign products."

Assistance to producers.

Mr. T. Williams (Labour, Don Valley) said that since 1934, £8,250,000 had been given to beef producers in Great Britain, but there was no marketing scheme, no slaughtering policy, and no attempt at costing or at controlling prices on the market. The present proposal was only collecting money from somebody else to hand over to the beef producer. It was not a policy : it was a mere expedient that could not solve anything.

Between 1933 and 1935 there had been an increase of home-produced beef and veal of over 100,000 tons. That increase was continuing to-day, and the price level was decreasing not because of Argentina, New Zealand or Australia, but because there was no control of market supply in Great Britain. To suggest that merely to put on $\frac{3}{4}$ d. per lb. on imported chilled meat and two-thirds of a penny per lb. on imported frozen meat would solve the problem was begging the question.

Major G. Lloyd George (Liberal, Pembroke) said the Government were Protectionist, but they had never applied Protection intelligently. If it was necessary to protect the agriculturist it was surely necessary in logic to protect him from all competition. The flood of foreign importation which was going to ruin the agricultural industry had certainly been stemmed to a certain extent, but its place had been taken by another flood from the Dominions. How it was going to help the farmer to shut off one competition and give him the full blast of the other was difficult to understand.

Tariff not high enough.

Rt. Hon. G. Lambert (Liberal National, South Molton) contended that the tariff in the Resolution was not really enough. It was not sufficient on the beef from foreign sources, and the beef from Dominion sources should also be taxed. If they paralysed agriculture in Great Britain they would have to pay very heavily for overseas products.

The Dominions were not averse to receiving the largest possible price from the British consumer. The Dominions taxed British goods and were actually using some of the taxes they collected from those goods to subsidise agricultural products coming into Great Britain. The whole thing was unfair. In March, 1934, and also in 1935, there was to be a levy on Dominion products, which was to be used for the relief of agriculture. Why had that policy been dropped? Agriculturists would be disappointed and the industry itself would not receive the measure of encouragement it had been led to expect.

Rt. Hon. A. V. Alexander (Labour, Sheffield, Hillsborough) described the Resolution as a milestone on the road of the fiscal deterioration of the nation. They were asked to put on the common people the worst form of all taxation—the taxation of meat.

The Agreement with Argentina.

The Secretary to the Overseas Trade Department (Capt. Euan Wallace) denied that there had been any sudden change of policy on the part of the Government. It had been made plain for many months that the Government were anxious to secure from the Argentine Republic an alteration in the Roca-Runciman Agreement which would permit them to put some levy on their imported meat. The Government were proposing, now that they had at last the power to do so under the new Argentine Agreement, to carry out a plan which they had had in contemplation for a long time. The level of duties in the Resolutions represented, from the British Government's point of view, a very important concession to Argentina. In exchange for that concession they had been able to secure guarantees for their export trade, and that was intimately bound up with the position of the consumer, because a man at work drawing wages was a very much better consumer than a man out of employment.

The British Government had been able to obtain concessions as well for the financial interests of the United Kingdom and, judged as a whole, they justified the modification of their original proposals and the limiting of them to a duty of $\frac{3}{4}$ d. a lb. Beef represented 33 per cent. of British imports from Argentina, and yet they asked Argentina to agree not only to a duty—whereas under the Roca-Runciman Agreement she was

guaranteed free entry—but they also got her to agree to a reduction in her shipments. If they had tried to insist on a higher duty than $\frac{3}{4}$ d. there was no doubt they would have had a less favourable Agreement and in all probability no Agreement at all. The present proposals did not by any means stand alone : they were part of a far-reaching scheme involving both a subsidy and a quantitative regulation of imports with a view to maintaining a reasonable level of prices.

The first Resolution was afterwards carried by 205 votes against 123, and the second by 213 votes against 123.

EMPIRE SETTLEMENT.

(Government's migration policy ; Reduction in expenditure ; Government grants ; Criticism of the proposals ; Attitude of Dominions ; Problem of unemployment.)

On 19th January, in Committee, a Motion was made to amend the Empire Settlement Act of 1922.

The proposed amendment of the Act is as follows :—

By prolonging its operations for another fifteen years from 31st May, 1937, so, however, that the amount to be expended by the Government under schemes in any year shall not exceed £1,500,000 ; and by providing that the limit of contributions of the Government towards the expenses of any scheme shall be increased from one-half to three-quarters of the expenses, except in the case of a development or land settlement scheme, or a scheme towards which an oversea Government have agreed to contribute.

DEBATE IN HOUSE OF COMMONS.

The Secretary of State for Dominion Affairs (Rt. Hon. M. MacDonald), in explaining the purpose of the Financial Resolution, said that at the present moment there was on the Statute Book an Empire Settlement Act which was introduced 15 years ago by his predecessor, Mr. Amery. That Act would expire on the last day of May this year. Despite the celebrated economic blizzard which overwhelmed them a few years ago, and, among other things, crushed almost every bit of activity which had been going on under that Act, certain migration schemes survived. Those schemes had been in operation ever since ; they were still being operated and were developing to-day. Right through the period the Government had supported those schemes financially, and they were supporting them to-day. They were such schemes as the 1820 Settler scheme, under which young men went to take up farming in South Africa ; the Barnardo Home arrangement, by which children went out to Australia and became good Australians ; and the Fairbridge Farm School scheme, by which boys and girls went to Australia,

and now to Canada, with every prospect of satisfactory settlement and good careers in those countries. Those schemes were supported under the Empire Settlement Act and unless the Act were amended and continued beyond the 31st May, 1937, it would be impossible for the Government to continue the financial assistance which they wished.

A policy of Empire migration must be a policy in which the Dominion Governments and the United Kingdom Government co-operated fully as partners. They must wait on opinion in the Dominions. They might have their preparations ready, but it was for the Dominions to say " Go ! "

Government's proposals.

The proposals they had in mind were based on the recommendations of the Overseas Settlement Board. They had in mind to reduce the maximum aggregate sum which the United Kingdom Government could expend in any one year from £3,000,000 to £1,500,000. In 1926, 1927 and 1928, the peak years of migration, the people who left this country to settle in the Dominions numbered 132,000, 123,000 and 109,000 respectively, and the Government had expended £1,129,000, £1,282,000 and £1,139,000 respectively during those years. Therefore, the figure which they would propose to put into the amending Act conformed much more closely with realities, with experience, with prospects, and yet, according to that experience, allowed a reasonable margin over and above the actual figures which they had experienced in the past.

With regard to the other Amendment which they had it in mind to introduce, in the present Act the maximum percentage grant which the Government could give to any migration scheme was a 50 per cent. grant, and they proposed to introduce an Amendment enabling the Government in certain cases to increase that grant from 50 per cent. to 75 per cent. For instance, in many schemes the Government's partner was a voluntary society, and voluntary societies were essential in any humane policy of assisted migration.

Then there was the other case of the schemes in which the Government's partner, or one of the Government's partners, was the Government of one of the Dominions. In those cases they would not propose to alter the terms of the Act at all ; they would propose still to limit the grant which that Government could give towards such schemes to a 50 per cent. grant.

By introducing, and, he hoped, passing legislation they were not seeking by an act of their own to release a great flood of migration again. Their action would have to be supplemented by Dominion action. It was for the Dominions themselves to decide when the time and conditions were ripe for that supplementary action by them. He hoped and believed that

the time was not far distant when they could make a beginning. He believed the beginning of a greater migration movement was going to be a need of the Empire in the not very distant future.

Mr. W. Lunn (Labour, Rothwell) said that the Minister had told them that he was a believer in judicious migration. Perhaps he would explain on the Second Reading what he meant by a judicious system of migration. He had told them that there was no prospect whatever of any immediate migration to the Dominions, and he (Mr. Lunn) entirely agreed with him. In fact he thought it was largely a waste of their time to be discussing the subject at the moment. The Empire Settlement Act terminated on 31st May next, and his own view was that it would have been far better if they could have got through the Imperial Conference and then discussed the possibilities of migration when the Minister knew how far the Governments of the Dominions were going to co-operate. Mr. MacDonald had said very definitely that there must be co-operation, and they ought to know what was in the mind of the Governments of the Dominions and of the Mother Country before they settled it completely.

Brig.-Gen. Sir H. Page Croft (Unionist, Bournemouth) said that he was absolutely convinced that it was to their advantage, in these next ten years particularly, to give opportunities to men who desired to migrate to get to the Dominions under the easiest possible terms. If it was what was called infiltration when they had relations out there ready to give them a job, the Dominions might not see the perfect advantage, but, at the same time, there could be no doubt whatever that it was going to be an advantage which this country would find remunerative, certainly within three years of the time the migrants left. Therefore, he thought that Mr. MacDonald would find there was no difficulty in getting support from the vast majority of the Committee for the 75 per cent. basis. They made a mistake in days gone by in trying to make a rigid bargain of 50-50.

Criticism of Grant reduction.

He was distressed that the proposal had been made—and he understood that it emanated from the Dominions Office itself—that the figure should be limited to £1,500,000. After all, the figure before the depression came along had been the worthy one of £3,000,000, and had been accepted by all Parties in the House. Everybody knew that if all the money was not expended, it went back into the pot, and nobody suffered. He could not understand why the National Government, which, he believed, desired to build up the British Empire by helping to redistribute its population, should display its wares by announcing that it had cut down this possible grant, to which even the Opposition had agreed very readily in the past, by one half.

Mr. A. Beverley Baxter (Unionist, Middlesex, Wood Green) said that he shared with his hon. and gallant Friend very great personal disappointment at the speech which the Secretary of State had made. He thought that was the first full-dress speech since he had been made Secretary of State for the Dominions, and on such an occasion he chose as his theme that the House should consent to the cutting down by 50 per cent. of the sum formerly allocated to assist migration to the Dominions. What was his fear? Was it that they might spend the £3,000,000? If it were possible to spend £3,000,000, then to-day he ought to be suggesting twice that amount.

Mr. Lunn had said that there was no Dominion in favour of migration at the present time. Mr. Bennett, who had been Prime Minister of Canada until recently, sailed the other day from this country, after a tour of the Empire, and his words had been these: "The urgent need of the Empire at this hour is emigration." He had talked with him last year, and also with many Ministers from the Dominions and they had repeated categorically the same words that had been voiced by Mr. Bennett. He urged the right hon. Gentleman not to believe that the Dominions did not want emigration.

Sir P. Harris (Liberal, Bethnal Green) said that they all knew what a difficult and delicate problem this was. It was not a matter for this country alone. It was a question of partnership, co-operation and understanding. "The right hon. Gentleman," he said, "was perfectly right when he said that the Dominions are very sensitive about our dumping people that we want to get rid of." There was a suspicion, a wrong suspicion, that they did not send their best out to the Dominions, but rather their failures. The Dominions, the Colonies, as they used to be called, had been built up by the courage, the initiative and the spirit of adventure of their people.

It was the duty of the Government to see that the men who wanted to go out to seek their fortunes in other parts of the world were not prevented from doing so by lack of means. He was glad the Secretary of State was going to use the excellent organisations which had done so much in recent years by increasing the percentage grant. He quite accepted the policy of equal partnership. "It is right," he said "that the Governments of the Dominions should show their good faith and their desire to have the people who are going to be sent out, by standing in close partnership with ourselves." On the other hand, he was sorry that the total sum was limited.

Mr. A. A. Somerville (Unionist, Windsor) said that the Labour Party were keeping their eyes upon the ground when they should look up and see the enormous possibilities of development in the Empire. In that case they would be only

too anxious to support a policy which pressed for a large-scale development of the Empire. Mr. Lunn had committed himself to the statement that all the Dominions were opposed to emigration at the present time. Had he read the Resolution which had been passed by the Saskatchewan Legislature on the 27th February last year? It had been to this effect:

"That this Assembly is of the opinion that the time has now come when the Canadian Government should get in touch with His Majesty's Government of Great Britain with a view to putting forward a scheme for the voluntary redistribution of the white peoples of the Empire and thereby creating a stimulation of shipping and trade under the flag."

Dominion views on Migration, etc.

Mr. Bennett, the Leader of the Conservative Party in Canada, had recently been travelling through the Empire and had said that nothing struck him more than the danger in which the Dominions stood, and that they could not hope indefinitely to keep their great spaces empty.

The Prime Minister of Australia had recently introduced the subject, and the Premier of South Australia had been in conference with Sir Percy Everett, who was on the executive of the Boy Scouts, with reference to recommencing migration of Boy Scouts, one of the best forms of migration. In Queensland the New Settlers' League had been discussing the subject and in New Zealand the Settlement Association had been meeting. The Chairman of that Association had said that this question was not, as many people might think, an academic question but a question of life and death and citizenship under the British flag. Surely the British Empire was big enough not to wait upon circumstances but to compel them.

Mr. Louis Smith (Unionist, Hallam) said that a great deal of work had been done under the 1922 Act. He did not agree with those who said that the Act had failed, because 400,000 persons had been settled overseas during the intervening period and only one-seventh of the amount of capital provided for under that Act had been spent—£6,000,000 instead of rather over £42,000,000. A great deal of valuable information was now in the hands of the Dominion Secretary.

In these anxious days, internationally, their vast British possessions tended to excite the envy of the hard-pressed dictators of some over-populated countries, and they would be unwise to delay the further development of their sparsely populated Dominions, where only two or three people lived to the square mile as compared with nearly 700 living to the square mile in this country. The Dominions, he believed, were equally wishful at this juncture to go ahead with schemes of development and to co-operate with this country in bringing

the right sort of people from England. They had a very large number of research associations that had given them a tremendous lead in that direction. The scheme for Manitoba advocated by the Emigration Settlement Group, the recent Memorandum sent by the Premier of New South Wales, the Fairbridge Farm Schools in Western Australia and British Columbia, and Doctor Barnardo's Farm School in New South Wales were only illustrations of the work which was being done.

Sir John Withers (Unionist, Cambridge University) said that he did not propose to deal with the large issues raised in that very important debate, but simply with one small matter of detail. They all agreed that it was a very great pity to reduce the available money—not necessarily the money spent—from £3,000,000 to £1,500,000, for that would cause a great deal of depression in the Dominions and have a very bad effect.

Could not something be put in the Resolution and the Bill simply saying that the money could be increased from £1,500,000 to £3,000,000, or *vice versa* reduced from £3,000,000 to £1,500,000, by a Resolution of the House? It was simply a matter of machinery, and he thought a very great deal of advantage could be gained if something of that kind were done.

Mr. E. Duncan Sandys (Unionist, Norwood) said that he believed, as previous speakers did, that the moment was opportune for the revival of migration and that they might look forward, if a serious and determined effort was made, to a revival of migration in the British Empire, not only by agricultural settlement but also by industrial settlement, which had been little referred to to-day. Ministers in all parts of the Empire had declared with greater or lesser emphasis that they believed the moment was opportune for a revival of migration throughout the Empire. He remembered a distinguished Dominion Minister giving an Address to the EMPIRE PARLIAMENTARY ASSOCIATION in Westminster Hall, in which he declared that the time was coming in the near future when the whole migration movement could profitably and usefully be revived. This Australian Minister had said categorically that in his opinion, and in the opinion of the Governments in Australia, the time had come for a change of policy.

Mr. M. Petherick (Unionist, Penrhyn and Falmouth) said that he would like to give three reasons why he deplored the action of the Government in reducing the amount to be at the disposal of Empire migration. One was practical, namely, that although at the present time it might not be possible to resume emigration on a great scale, yet, when unemployment went down to normal in the Dominions, it might well be possible to introduce Empire migration schemes on a considerably larger scale than they had been trying hitherto. The second reason was psychological. It was a mistake, when they had the

Coronation coming this year and the great Imperial Conference, to kick off by reducing by half the amount they proposed to devote to the Empire migration scheme. His third reason was a purely technical one connected with the House. In a year or two's time the Minister might change his mind and there might be some schemes he would like to carry out, but he would find that this Financial Resolution made it possible to devote only £1,500,000 for the purpose.

Mr. T. Levy (Unionist, Elland) said that the Dominions could not become prosperous until their populations had increased. When they talked of migration they invariably visualised primary production, but they failed to see that the primary products required the services of machinery, transport, engineering and the hundred and one ancillary trades and industries which had to help in development.

In his view the development of those territories would help to solve the unemployment question. It was obvious that they could not go on indefinitely allowing large tracts of land in the Dominions to be uninhabited.

There were thousands of young people in Great Britain who would be only too anxious to go to the Dominions if there were proper schemes under which they would be looked after when they arrived and until they could get upon their feet. He was not one of those who believed that it was impossible for a scheme to be arranged by the various Governments concerned which would be in the interest of the British Empire.

The Secretary of State for Dominion Affairs replying, said that the Resolution dealt with three points, three amendments which they had it in mind to introduce into the Empire Settlement Act.

The first was the proposal to extend the life of the Act for another 15 years. That suggestion had met with no criticism but had received, he thought, the full approval of the Committee.

The second suggestion was that there should be some alteration in the provisions with regard to percentage grants, an alteration which would permit the Government in certain cases to make a grant up to 75 per cent. In that case again the speeches showed that the proposal had not met with any opposition.

The only proposal which had not met with such a warm reception was the third one, which envisaged a cut by one-half in the maximum figure which the Government could spend on schemes, reducing the sum from £3,000,000 to £1,500,000. As one hon. Member truly said, there had been universal disapproval among his own Party in regard to that proposal; and the motive behind it had been described in two ways. It was said that it expressed a loss of confidence on the part of the

Government in the willingness of Dominion Governments to welcome migration again. "That suggestion," said Mr. MacDonald, "is quite untrue. It never entered my head at all. I have complete confidence that, when economic conditions in the Dominions permit, the Dominions will be ready and anxious to welcome new settlers to develop those countries."

There was some point in the argument that they might be able to do something better if prosperity came back in a future year. "The Government," he said, "have had that point in mind. Therefore I said quite literally, speaking on behalf of the Government, when introducing this Resolution, that this is not necessarily a maximum figure. It is a maximum so far as this legislation is concerned, but we have not closed our minds to the possibility of more money being wanted."

After careful consideration, the Government had come to the conclusion that the only way in which it would be proper to ask for the increased sum would be by fresh legislation.

Mr. MacDonald gave an undertaking that if that should prove necessary, they would introduce legislation at the earliest convenient moment. He assured the Committee that the Government regarded this problem of migration as one of very great importance and they would do everything to present the legislation to the House at an early moment.

"The spirit in which the Government have put down this Financial Resolution," said Mr. MacDonald, "is the desire to play their part in whatever may be the maximum of migration which is good for this country and for the Dominions when times get better."

The Resolution was subsequently agreed to and the Bill founded upon it was presented and read a first time.*

EMPIRE AIR COMMUNICATIONS.

(North Atlantic service; Governmental negotiations; Preparation of air bases; Experimental flights.)

On 11th November, in the House of Commons, replying to **Mr. W. R. Perkins (Unionist, Stroud)**,

The Under-Secretary of State for Air (Rt. Hon. Sir P. Sassoon) stated that negotiations had continued between the Governments of the United Kingdom, Canada and the Irish Free State, and with the United States Government, in regard to the establishment of the North Atlantic service. Active preparation of air bases, fully equipped with the necessary wireless and meteorological facilities, was in hand in the Irish

* The Empire Settlement Bill will be dealt with in the next number of the JOURNAL.

Free State and Newfoundland. It was hoped that experimental flights would begin in the Spring of 1937, and that the commencement of the regular service would follow as soon as sufficient experience had been gained.

Regarding the South Atlantic service, tenders had been received and were now under consideration. The date of commencement of this service depended upon the results of this examination.

On 23rd November, in reply to Rt. Hon. T. Johnston (Labour, *Stirling and Clackmannan*),

The Under-Secretary of State for Air said that the Government decided two years ago that Imperial Airways should be utilised for the operation of the main Empire air trunk routes, including the North Atlantic.

BRITISH MERCANTILE MARINE.

(Position in the Baltic, Pacific and Far East ; Deterioration due to heavy foreign subsidies ; Anglo-Russian Trade Agreement and British ships ; American competition in Pacific ; Report of Imperial Shipping Committee ; British Government's lead.)

On 11th November, in the House of Lords, a debate took place on the position of the shipping industry.

DEBATE IN HOUSE OF LORDS.

Lord Lloyd said that they were seeing British shipping swept off the face of the Baltic. It had recently been swept off the face of the Pacific and was in rapid process of elimination in the Japan-Bombay trade. Whereas they had 50 per cent. of the gross tonnage of the whole world at the beginning of the present century, they now had only some 26 or 27 per cent., although world tonnage had increased by over 40 per cent. While Empire tonnage had actually declined as compared with 1914 the tonnage of the rest of the world had increased by 83 per cent. Referring to the Russian Trade Agreement, Lord Lloyd said that a situation in which British vessels did not ship a ton of Russian timber which was bought and paid for by Great Britain was a sad commentary on the high hopes entertained of that Agreement. In addition, he was informed that British passenger and cargo liners had been practically completely ousted from the Russian trade.

Figures showed that there was a grave diminution in British tonnage in the Near Continental trades as well as in the Baltic trade. The reduction in those trades had taken place,

as in the Russian case, where there was a large adverse balance of trade—where Great Britain was much more important to the countries she was dealing with than they were to her. They were in a magnificent position to say to those countries, "If you want our large market, then please ship your trade, or a proportion of it, in British bottoms." The success of the tramp subsidy was surely a good reason why the Government should intervene still further and in a wider area for the salvaging of the shipping industry as a whole.

Shipping crisis in the Pacific.

The industry desired the Government to give a definite lead at this juncture in regard to the shipping crisis in the Pacific. There were two British lines running in the Pacific—one a New Zealand line and the other the Canadian-Australian line. These ships were being run off their trade routes by highly subsidised American competition of various kinds. The Government stated that the matter had been referred to the Imperial Shipping Committee and he pressed the Government that when the Report was received it should not be sent out to the four Governments concerned to discuss with each other interminably. It was very difficult for Governments so situated as those of Canada, Australia, New Zealand, and Fiji to come to a common conclusion unless there was determined leadership on the part of one Government—the British Government.

With regard to the Far Eastern trade, the Bombay-Japan traffic, which not many years ago was entirely British, was now to the extent of over 80 per cent. in Japanese hands, and the Japan-Bombay traffic was 89·2 per cent. Japanese. They were going to lose the trade in the Persian Gulf unless they bestirred themselves. The Japanese tonnage entered and cleared at Bushire in 1934 amounted to 3,500 tons : it amounted in 1935 to 50,000 tons. In the face of shipbuilding subsidies and operating subsidies—in the case of Japan a new subsidy of 220,000 yen was voted a few days previously—assisted by low wages, currency depreciation and preferences of every kind, there was no hope of British shipping being able to compete unless the Government adopted a well-studied and comprehensive policy of protection in one form or another.

Economic nationalism.

Lord Strabolgi remarked that if subsidies were necessary to preserve British shipping from being swept off the seas they would have to face up to that policy. The Government had given certain assistance to tramp shipping, but the figures given in the third Report of the Tramp Shipping Administrative Committee, dated September, 1936, showed that British tramp shipping was still losing ground. The Mercantile Marine was essential for the life of the United Kingdom and its survival

as an independent State. British shipping was barely sufficient for its purpose to-day: with the altered conditions in war it would be insufficient. The Committee said:—

“Prosperity can only return permanently to shipping with the restoration of international trade (exports and imports) upon which the industry depends.”

If Great Britain and other countries engaged in mad economic nationalism, shipping and everything else suffered. The Labour Party viewed this matter with the gravest alarm and would like to see the Government doing something more. He reinforced Lord Lloyd's plea for a lead to be given to the rest of the Empire.

Lord Melchett stated that the various industrial concerns with which he was connected spent far more than £1,000,000 a year with the British shipping industry in exporting goods to other parts of the world. The constant deterioration of the position of British shipping was having its effect not only on the mere question of suitability or availability of ships to carry goods, but also on the general commercial situation in the countries to which their trade went.

Competition of subsidies.

Continuing, Lord Melchett held that there was no evidence that Great Britain could not stand up to the virulent and violent competition of subsidies. They could meet Japanese competition, but they had to meet it with vigour and determination. If British companies were adequately supported, the constant infringement, particularly by Japanese shipping, on British shipping trade would diminish and in time cease. Shipping rates were going up in almost all the markets of the world at the present time and he hoped that would not be taken by the Government as a justification for once more doing nothing. There was only one way in which the matter could be dealt with and that was by supporting British shipping with Government money. The longer they delayed the more they would have to spend and the less they would get for it.

Lord Templemore, replying for the Government, claimed that some improvement had taken place in the position of British shipping. In July, 1933, there were laid up 788 vessels, or a total of 3,207,000 tons: in October, 1936, the number of vessels laid up had been reduced to 160 of 629,000 tons. The chief credit for those figures was due to the tramp shipping subsidy, but it would be dangerous to assume a continuation of improved conditions for an indefinite time. In order to get a prosperous industry they required a balance between the amount of tonnage available and the shipping space required. Those conditions did not yet obtain. The British Government hoped that by improving foreign relations—they were even now

trying to get a Five-Power Agreement—foreign trade would improve. If that came about it would improve matters for the shipping industry.

British Government and the Pacific.

With regard to Russia, Lord Templemore claimed that since the Trade Agreement was signed in February, 1934, the total use of British shipping by Russia had increased to some extent. The Russian chartering authorities had stated that they chartered 794,000 tons of British shipping in the first five months of 1936 as compared with 666,500 tons in 1935.

With respect to Pacific shipping, the Report of the Imperial Shipping Committee had just been received and was going out to the Dominion Governments by air mail. The British Government, who had been considering the matter even before the receipt of the Report, would not wait to be approached by other Governments. They would formulate their views as soon as they had considered the Report and would send them to the other Governments in the hope of reaching an agreement. This was a matter in which they must move with the Dominions: they were only *primus inter pares*, but that did not alter the fact that they would, so far as they could, take a lead.

Lord Lloyd mentioned that he had always been given the working figure of foreign subsidies as from £30,000,000 to £40,000,000. He welcomed the statement that in the matter of the Pacific the Government were going to take a definite lead. It would give the greatest encouragement both in the Dominions and at home.

A Motion for Papers was withdrawn and the debate concluded.

TRAMP SHIPPING SUBSIDY.

(Renewal for 1937: £2,000,000 to be provided; etc.)

On 11th November, in the House of Commons, in reply to **Lt.-Col. J. Sandeman Allen** (Unionist, Birkenhead, W.), **The President of the Board of Trade** (Rt. Hon. W. Runciman) said that the Government proposed to submit proposals providing for the payment of subsidy to tramp shipping not exceeding £2,000,000 in respect of the year 1937, subject to the same general conditions as applied to 1936. Those conditions provided for the decrease or disappearance of the subsidy if the average level of freight rates for the year approached or passed that of 1929. The industry would be expected to make its plans on the definite assumption that no subsidy would be paid after the end of 1937.

Mr. E. Thurtle (Labour, Shoreditch) asked if it was not a fact that so considerable an improvement had taken place in

the tramp shipping industry that it ought now to be able to do without any State assistance?

The President of the Board of Trade replied that it would be found in due course that there was a sliding scale in the proposals which provided for the elimination of the subsidy altogether.

PUBLIC ORDER ACT.

(Prohibition of military uniforms; Ban on quasi-military organisations; Provision for winding-up; Police and public processions; Preservation of order at public meetings; Maintenance of Parliamentary liberties.)

On 18th December, the Royal Assent was given to the Public Order Act which deals with the wearing of political uniforms and the preservation of order on the occasion of public processions or meetings.

The Act makes it an offence for a person to wear in a public place or at a public meeting a uniform signifying association with any political organisation or with the promotion of any political object.

Permission to wear such uniform may be granted by the Chief Officer of Police on any ceremonial, anniversary, or other special occasion provided he is satisfied that it will not be likely to involve risk of public disorder.

The consent of the Attorney-General is necessary before a charge under this part of the Act is proceeded with.

QUASI-MILITARY ORGANISATIONS.

The Act also prohibits quasi-military organisations. These are defined as associations whose members or adherents are:—

(a) Organised or trained or equipped for the purpose of enabling them to be employed in usurping the functions of the police or of the armed forces of the Crown; or

(b) Organised and trained or organised and equipped either for the purpose of enabling them to be employed for the use or display of physical force in promoting any political object, or in such manner as to arouse reasonable apprehension that they are organised and either trained or equipped for that purpose.

An offence is held to be committed by a person who takes part in the control or management of the association, or in organising or training members of it. In this case also a prosecution cannot be instituted without the consent of the Attorney-General.

The High Court is empowered on the application of the Attorney-General to make orders preventing the disposition, without leave, of the association's property, providing for the discharge of its liabilities, and containing directions for its winding-up.

RIGHT OF SEARCH.

A search warrant in respect of premises under suspicion may be granted by a Judge of the High Court after receiving information on oath

and the police are authorised to seize anything found on the premises which might be evidence of the commission of an offence.

As regards processions, the chief officer of police is given powers, if he apprehends that a procession may occasion serious public disorder, to prescribe the route to be taken and may prohibit it from entering any specified street or public place.

In the event of "particular circumstances" existing in a borough or urban district the police can apply to the Council for an order prohibiting all processions, or any specified class of procession, for such period as may be determined.

The Act forbids the possession of offensive weapons in processions or at public meetings. The use of threatening, abusive, or insulting words or behaviour in a public place or meeting which might lead to a breach of the peace is an offence.

PRESERVATION OF ORDER AT PUBLIC MEETINGS.

Section 1 of the Public Meeting Act, 1908, is strengthened.

Under that Act it is laid down that any person who at a lawful public meeting acts in a disorderly manner for the purpose of preventing the transaction of the business for which the meeting was called together, or incites others so to act, is guilty of an offence.

The new Act authorises a constable to take the name and address of an offender. If there is a refusal, or false information is given, the person becomes liable to a penalty and may, under certain conditions, be arrested without warrant.

DEBATE IN HOUSE OF COMMONS.

On 16th November, in the House of Commons, on the Order for the Second Reading of the Bill,

The Secretary of State for the Home Department (Rt. Hon. Sir John Simon) said that for some time past representations had been made from several quarters that legislation was required in order to deal more effectively with persons and organisations who provoked or caused disturbance of the public peace. While large areas were quite untouched by these disturbances, at the same time in those districts where the evils which the Bill sought to correct were most in evidence the situation in recent months had tended to deteriorate. Since the War developments in Europe had tended to let loose extremist doctrines—whether of the Right or the Left did not matter—which in their application were essentially intolerant and determined to overthrow contrary doctrines. The adherents of those doctrines were ready, if not to use, at least to display force to spread their own views.

The Government were asking Parliament to deal with the situation before it developed into something more serious. Proceeding to describe in detail the provisions of the Measure, the Home Secretary said it was the unanimous view of the chief officers of police in the areas principally affected that the

wearing of political uniforms was a source of special provocation. He explained that the wearing of certain uniforms was excluded from the ambit of the Bill, notably, the uniform of the Salvation Army, cases of some industrial organisations, Boy Scouts, the Church Lads' Brigade, Hospital Nurses, and the Corps of Commissionaires. Regarding the proposals relating to quasi-military organisations, Sir John said it was necessary to provide against the danger of Parliamentary liberties being invaded by the creation of bodies organised for that purpose.

Labour Party's approval.

Rt. Hon. J. R. Clynes (*Labour, Manchester, Plating*) offered a general welcome to the Bill on behalf of the Opposition. He said that in the House of Commons they were agreed in a care for their liberties and for public order. Without the Bill, uniforms in political assemblies and demonstrations would probably be acquired by an increasing number of political groups. A garb worn in what really was a military march and in a military spirit brought into their political activities alien elements making for disorder. They had in Great Britain a group of law-abiding and serviceable subjects who were Jews. As a race and a class they ought to be protected against the malicious attacks which certain political organisations had recently directed against them.

Sir Percy Harris (*Liberal, Bethnal Green, S.W.*) remarked that it was appalling to contemplate what would happen if various political Parties, Liberal, Conservative, and Labour, started to clothe their special supporters in some form of uniform. Already the coloured shirts were multiplying: Red Armies had always produced White Armies in retaliation. It was true that Italy and Germany permitted the wearing of political uniforms, but it was significant that the right was confined to the Party which supported the Government of the day. It was also significant that all the countries which still adhered to Parliamentary forms of government were making political uniforms illegal. It was so in Switzerland, Sweden, Denmark, France, and also in the sister State of Ireland. In Great Britain they had been slow to take action and had only done so when the necessity was proved.

Destroying liberty.

Rt. Hon. H. Morrison (*Labour, Hackney, S.*) said that if there was a political organisation which was seeking by methods successful in other countries to destroy the liberty of expression then a State had a right to take action. The Labour Party desired for their political opponents every freedom of expression in political meetings and otherwise. It had been a tradition of Great Britain for a long time that their politics were civilian

politics. The uniform in politics was an attempt to evolve a new authority, a rival authority to the authority of the State, of the civilian police and of local government. Every intelligent person knew that Fascism would destroy their liberty pretty much as it destroyed liberty in Germany and other countries.

The Attorney-General (Sir Donald Somervell) observed that one uniform led to another and if the thing was not dealt with now it was bound to grow. It could not be said to be contrary to British tradition to confer necessary powers on the police authorities where they were satisfied that there was ground for apprehending serious public disorder. If they used those powers unnecessarily their action could be challenged or criticised in the ordinary way. There was no doubt about the feeling which had been voiced on all sides of the House that the organised, cold-blooded and persistent interruption of meetings was to be reprehended. Law and order constituted the basis upon which democratic society rested. The methods against which the Bill was aimed were calculated to disturb the peace, and struck at the foundation of true liberty.

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

On subsequent dates the Bill was passed through its remaining stages.

DEBATE IN HOUSE OF LORDS.

On 11th December, in the House of Lords, the Bill was debated on the Order for Second Reading.

The Marquess of Dufferin and Ava said that of late there had crept into their political life certain foreign creeds which brought with them foreign methods relying far more on violence and intimidation than British traditions would tolerate. The police had to face the difficulty of the adoption by political Parties of propaganda, of organisation and of garb which were deliberately intended to provoke animosity. The Bill was not a Measure that was being brought in as an emergency method of avoiding a revolution. But although the situation at the moment was unimportant, and the organisations perhaps were very small, the possibility could be seen of these small beginnings developing into a situation they would all deplore. It was the Government's intention to crush all those mischievous activities, whether of the Right or the Left, which eventually might threaten their liberties.

Lord Snell observed that he had of necessity to support the Bill because the crude racial war, the drilled military conduct of political meetings was not liberty as they had understood it, but licence. He was, however, frankly reluctant to entrust to any Government the supervision of political meetings, and

he was afraid that one result of the Bill might be to introduce espionage into their modern political life. Personally he would be willing to allow the Fascists to make as many converts as they could by the ordinary methods of English political life: but they wanted the liberty to coerce and to settle argument by force. These "dismal Jew-baiters" could not be satisfied with what generations of Englishmen had found satisfactory.

After further debate the Bill was read a second time without a division. It was afterwards passed through its other stages.

LABOUR PARTY AND THE CAPITALIST SYSTEM.

(Opposition Amendment to the Address; Improvement in trade and industry: Labour Party's contention; Physical fitness of the nation: problem of malnutrition; Plea for a Socialist commonwealth; Government's views on State ownership.)

On 6th and 9th November, in the House of Commons, there was a debate on an Opposition Amendment to the Address. The Amendment regretted:—

That the Government failed to recognise that under the existing capitalist system the present improvement in trade and industry, largely stimulated by the world race in armaments, could only be temporary.

That, whilst making tardy acknowledgment of the deterioration in the physical fitness of the nation, due mainly to long-continued unemployment, low wages and consequent malnutrition, the Government were continuing to enforce a means test which intensified this deterioration, and to neglect the problem of those areas which had been most severely affected.

That the Government had no proposals for making the fundamental changes in the basis of society which were necessary in order to create a Socialist commonwealth in which the full resources of the nation would be utilised for the benefit of the community as a whole.

DEBATE IN HOUSE OF COMMONS.

Rt. Hon. A. Greenwood (Labour, Wakefield) described the Amendment as a challenge to the outworn theories on which the policy of the Government was based. He contended that the Government's policy in dealing with the Distressed Areas had been a complete failure. There seemed to be a curious reluctance on the part of supporters of the Government to admit the existence of malnutrition. Sir John Orr, setting a desirable standard, estimated that what was necessary was an expenditure of 10s. per adult person per week on food alone. He said that there were 4,500,000 people in Great Britain who could not spend more than 4s. per week on food and 9,000,000

people who could not spend more than 8s. per head. If that were so, malnutrition must exist.

In the two problems of the depressed areas and malnutrition they had indications of the failure of the existing system. They had come to a time when it had been made clear that private enterprise, as conducted in the past, was incapable of facing the problems of its own creation. The Opposition were asking for an extension of a method of production and control which in the past had proved to be eminently successful. They were asking for it because, unless there was an increasing measure of public ownership of the basic industries and services, with full public control, the nation's resources could not be utilised to the best advantage.

Condition of the nation.

The Minister of Health (Rt. Hon. Sir Kingsley Wood) said that the British were not a C.3 nation. Viewed over any period of time which enabled just comparisons to be made the national health was improving, not merely steadily, but remarkably. Regarding the necessity for further steps to secure physical fitness, their aim must be to give to as many as possible who could profit by it, and particularly to the young, better opportunities of obtaining those facilities for physical self-equipment which were so desirable in the interests of a healthy nation.

In the opinion of the Government, physical education and development should, aided by further Government assistance, be given a definite place in their national health provision and schemes. This could best be secured not only by more closely co-ordinating the work of the various Government departments which were associated with the matter, but by basing their new plans in the main upon utilising voluntary effort and the work of local authorities. The matter of nutrition was playing an increasingly important part in their health plans and policy. The Ministry of Health had an expert advisory committee dealing with the subject.

The Distressed Areas.

Mr. M. W. Beaumont (Unionist, Aylesbury), dealing with the Distressed Areas, said that returning trade had passed by these areas. One of the main problems was to get new industries into them rather than into rural areas. Suggestions he wished to put forward for the Government's consideration were, firstly, the nationalisation of public assistance under national administration; secondly, the setting up of rational, regional, or town planning organisation with wide powers to refuse factories permission to go into undesirable areas and to arrange for suitable sites for them in the Distressed Areas; thirdly, arrangements could easily be made by the Government with

transport companies, with a Government subsidy if necessary, to secure transport arrangements for goods made in distressed areas sufficient to compensate for the extra trouble involved in going into those areas.

Mr. E. Shinwell (*Labour, Seaham*) said that the Opposition challenged the capitalist system because they believed it had served its turn and was unable to function in modern conditions. It must inevitably disappear, to be succeeded by a social order more constructive, more coherent and more humane. Collective endeavour for collective ends was growing, evolving peacefully, and infusing the whole of their corporate life. That process had come and come to stay. Referring to the Bill for the unification of mining royalties—he preferred to call it nationalisation—foreshadowed in the King's Speech, Mr. Shinwell remarked that the Government were accepting more and more a measure of Socialism, but were stumbling towards it in a blind way. They were unconscious Socialists and the Opposition wanted the community to accept Socialism in an intelligent fashion.

Armaments and industry.

The President of the Board of Education (*Rt. Hon. Oliver Stanley*) denied the contention of the Opposition that the improvement in trade and industry was due to competition in armaments. It began years before the re-equipment programme of the Government, and no one could deny any longer that there was a substantial recovery in the industrial affairs of the country. Recalling the speech of the Chancellor of the Exchequer on the previous night,* Mr. Stanley said it showed the Government's ideas of the possibility of broadening the basis of trade. The Opposition believed in dealing with these matters in showy conferences, but a far better precedent was an arrangement such as was made by France, the United States and Great Britain in connection with France leaving the Gold Standard. The Chancellor of the Exchequer had expressed his intention of seeing that the situation created by the departure from the Gold Standard of some of the gold countries should be exploited in an effort to re-establish a freer basis of trade.

Rt. Hon. H. Morrison (*Labour, Hackney, S.*) agreed that the state of employment and the condition of British trade were better than a few years ago. He did not admit that the improvement was accounted for by the actions and policy of the Government. Under the capitalist system trade could not be made either entirely good or entirely bad as a result of the actions of Governments, whether they were Labour or

* *Vide* p. 13.

Conservative. It was because of the fundamental anarchism of the capitalist system that he wanted to alter it, so that the general production and distribution of wealth should come within the effective control of the State and of the organs of public administration. The Opposition believed that the system under which they were working at present was one which inevitably meant poverty and insecurity for the masses of the people.

General application of State ownership.

The Secretary of State for the Home Department (*Rt. Hon. Sir J. Simon*) said that no sound argument was to be based on the view that because there were some things which were well managed under a system of State ownership or municipal control therefore everything would be. The real question was not whether in some selected cases—the list might perhaps be extended—it was the best system, but whether or not it was a sound principle to say that they should extend over the whole field of industry and trade the abolition of private enterprise and substitute for it a system of State ownership or State control. He believed it could be shown that the success with which they could apply it in certain cases depended upon its being applied in a society which, in other respects, preserved the stimulus of private competition.

There were many services which were taken over by the State because the State thought they must be maintained even though they did not make a profit. That was only possible if they gave support to an industry out of public funds. Private property and private enterprise must therefore be left to fructify in order to produce a source of taxation. The price of adopting the system of State ownership was, it seemed to him, the sacrifice of reasonable personal liberty. He did not himself see how, if this all-over Socialist system were established, the right to strike could survive. How was the exercise of a man's right to say whether he would work for his employer consistent with the sole employer being the community?

After further debate, the Amendment was negatived by 369 votes against 125.

TRUNK ROADS ACT.

(Minister of Transport to take over 4,500 miles of main roads.)

On 18th December, the Royal Assent was given to the Trunk Roads Act, which was introduced by the Minister of Transport.

The Act makes the Minister the highway authority for the principal roads in Great Britain which constitute the national system of routes for through traffic.

Complete administrative and financial responsibility for about 4,500 miles of roads will be transferred to the Minister under the Act. Roads lying within the County of London, a county borough in England or Wales, or a large burgh in Scotland are exempted.

IN THE HOUSE OF COMMONS.

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

The Minister of Transport (Rt. Hon. L. Hore-Belisha) stated that the present cost of maintenance and minor improvements of trunk roads was over £1,500,000 a year, of which 60 per cent. had hitherto been provided from the Road Fund. The State would henceforward pay the whole. At present trunk road improvement schemes, estimated to cost over £6,000,000 had been approved for grant, and schemes costing another £12,000,000 had been submitted.

All improvement schemes would henceforward be at the charge of the State. What further sums would have to be expended would depend upon what the Ministry's survey of the routes disclosed. They might be considerable, for it was intended to modernise them.

After debate the Bill was read a second time without a division and, following its passage through both Houses, became law.

Northern Ireland.

The Fourth Session of the Fourth Parliament opened on 24th November, 1936. The following summary deals with the Speech from the Throne and the debate on the Motion for the Address-in-Reply.

THE ADDRESS : GENERAL DISCUSSION.

(The King's Speech : industrial position : future manufacture of aircraft ; Increased employment ; Proposed legislation ; Tourist traffic ; Demand for Empire produce.)

Parliament was opened on 24th November, 1936, by the Governor (Duke of Abercorn, K.G., K.P.). The following is a summary of the Speech from the Throne :—

His Excellency, after referring to the improvement in the industrial position, said that while last year he had observed that the increase in exports of linen goods had been largely attributable to the development of Dominion markets, he was glad this year to note that a further expansion had been experienced in foreign markets.

SHIPBUILDING ; AGRICULTURE ; LINEN INDUSTRY.

The aggregate tonnage of vessels launched from Northern Ireland shipyards during the past twelve months had not reached the high level attained in 1935 ;

but taking that period as a whole, the volume of employment had been substantially maintained.

His Excellency stated that he was gratified that prospects of further activity in the shipyards were promising, and that agriculture and the linen industry were exhibiting signs of considerable improvement in their respective spheres. Favourable conditions in their three primary industries would be reflected in all other undertakings and tend to increase the purchasing power of the community.

FUTURE MANUFACTURE OF AIRCRAFT.

It was also a source of great satisfaction to know that in the near future the manufacture of aircraft was to be established in their midst.

INCREASED EMPLOYMENT.

The number of persons registering at the employment exchanges had fallen by almost five thousand since the beginning of the year, and it was encouraging to find that their principal industries continued to provide employment for increased numbers.

PROPOSED LEGISLATION.

Legislation would be introduced to amend and consolidate the law regulating conditions of employment in factories and workshops ; to enable blind persons to receive pensions at a lower age than at present ; to make medical treatment available for young persons below the age of 16 who had entered employment ; and to establish a voluntary scheme, on a contributory basis, to provide pensions for persons of limited means.

TOURIST TRAFFIC ; DEMAND FOR EMPIRE PRODUCE.

In conclusion, the Speech stated that it was a matter of gratification to know that substantial progress continued to be made in the development of the tourist-traffic industry, which was year by year increasing in importance ; and that satisfactory results continued to be achieved by the campaign to stimulate within Northern Ireland the demand for goods produced at home and in the Empire overseas.

DEBATE IN HOUSE OF COMMONS.

On 24th November,

Mr. J. Beattie (Leader of the Opposition), on the Motion for the Address-in-Reply, said they had had a year of prosperity in the ship-building industry but at least one-third of their workers had failed to find employment, although the tonnage output in the industry had been the highest for many years.

New industries : results of private enterprise.

No effort had been made to endeavour to bring new industries into the area. That was left to private enterprise, which had failed in the past. Private enterprise had had in Northern Ireland over 100,000 unemployed, and was continuing at the present time with 70,000 unemployed. Therefore, the Government, as the representatives of the people, should take drastic steps to secure work for those out of employment—work which they were competent to carry out.

Reduction of hours of work.

Continuing, Mr. Beattie said : " The Government should come in with a programme and say that we are fast approaching the day when we require a reduction of working hours. . . We made a start in 1919 by reducing hours from 54 to 47. . . Some say if we had held out it would have been 40."

Juvenile unemployment.

Referring to juvenile unemployment, Mr. Beattie said there was nothing in the Speech about the raising of the school-leaving age. They

had never heard in the House the number of juveniles between 14 and 18 who were unemployed. Juveniles were being used as a sort of cheap labour instrument, and when they became of an insurable age were cast out and became unemployable because they had had no experience between the ages of 14 and 18. He hoped that greater things would come out of this question in Northern Ireland than in Great Britain.

Marketing Boards : increased prices to local consumers.

Referring to the setting up of the Marketing Boards, Mr. Beattie said he did not want the benefits that the farmers and producers had received to react on the weakest section of the Community. Prices imposed by the Milk Board were too high for working-class homes. The result was seen in the increased sales of condensed milk which had gone up by 20 per cent. The increase in the price of potatoes had also reacted on the working-class homes. The Government may have set up the Boards with the object of seeing that the goods sent to Great Britain were equal to those imported from any other part of the world. But they had also to consider the consuming power of the people at home. The local consuming power was greater than that of Great Britain and the Government should regulate prices so as to give the workers an opportunity of buying local products.

Signs of prosperity.

The Prime Minister (Rt. Hon. Viscount Craigavon) said he had no desire to recapitulate any of those signs of prosperity which were so obvious to the public at large; but he had discovered one barometrical index which guided him as to how they were getting on—the Belfast Harbour Commissioners' returns. In 1934 there were 4,685,923 tons cleared through the principal ports while in 1935 the figure was 5,058,542. The net registered tonnage of the vessels cleared during 1935 was 4,181,000 tons. And the first nine months of 1936 revealed an increase over the same period of last year of a further 412,883 tons.

Loans Guarantee Acts.

Referring to the Loans Guarantee Acts, the Prime Minister said that of all the guarantees entered into by the Government in connection with shipbuilding, it could be said with assurance that there was hardly one case which admitted of any doubt as to its ultimate ability to redeem its obligation to the full 100 per cent. of principal and interest; but even in that case, should any default occur, the amount of loss would be so comparatively small that it would bear little or no relation whatever to the enormous gain which had followed the policy of the Government.

Thrift of Ulster people : milk prices.

Dealing with Mr. Beattie's reference to the cost of milk, the Prime Minister said that those who were not rich—the less well-off people in Ulster—had, by their thrift, been able to place no less than thirty-seven millions sterling on deposit in joint stock banks, Post Office Savings Bank, Ulster Savings Certificates, penny banks, and so on. There was not so much in the complaint as alleged by Mr. Beattie's remark. Milk was on sale in Belfast at 4d. per quart while the cheapest price across the Channel was 6d. per quart.

Development of industries ; Tourist traffic.

Concluding, the Prime Minister referred to the development of their industries and their tourist traffic, and said the country hardly knew what it owed to the two voluntary bodies concerned for the activity they carried on not only in Ulster but everywhere the good cause could be advanced. His colleagues were so touched by the energy and self-sacrifice of these volunteers that they proposed over and above what they had been doing for them to ask the House to make a special grant for the coming year.

The debate was continued on 25th and 26th November, on which date the Motion was agreed to.

CANADA.

Dominion.

The following summary deals with the Governor-General's Speech at the opening of the Second Session of the Eighteenth Parliament on 14th January, 1937.

GOVERNOR-GENERAL'S SPEECH.

(Abdication of King Edward VIII ; League of Nations ; Visit of President Roosevelt ; Trade improvement ; Unemployment ; Proposed legislation : control of the Bank of Canada ; Trans-Canadian Air Service ; Railway administration ; Pensions ; etc.)

On 14th January, 1937, the Governor-General (Lord Tweedsmuir, G.C.M.G., C.H.) addressed both Houses of Parliament. The following is a summary of the Speech:—

The Speech began with a reference to the deep concern of the Canadian people at the decision of King Edward to renounce the Throne for himself and his descendants. After mentioning the steps taken in accordance with the Statute of Westminster to give the endorsement of Canada, the Speech stated that the assent of Parliament would be sought to an alteration in the law touching the Succession and that a Resolution expressing the loyalty of both Houses to King George VI would be adopted.

Provision would be recommended for the appropriate representation of Canada at the Coronation ceremonies and the Imperial Conference.

FOREIGN AFFAIRS.

The Speech mentioned the anxiety caused by the international situation ; and referred to the representation of Canada on the Committee of the League of Nations to consider the application of the principles of the Covenant.

The visit of President Roosevelt was described as a much appreciated expression of international friendliness and good will, which testified to the happy contrast of international relations on the American Continent with those prevailing elsewhere.

ECONOMIC RECOVERY.

In the year just ended the beneficial effects of the fiscal policies of the Ministry and of the other methods employed to promote national recovery had been proved by the steady improvement of economic conditions throughout Canada, the outstanding feature of which had been an expansion of foreign trade, a revival of industry, an increase in employment, ascending Governmental revenues, and an upward trend of wages and prices, with the gains particularly noticeable in the primary industries.

The Speech dwelt on the unremitting efforts of the Ministry to expand Canadian trade, and announced the agreement in principle with the British Government on a new trade pact.

UNEMPLOYMENT.

Unemployment was admitted to be still a foremost problem, and the Speech referred to the various measures to be taken to cope with it. Announcement was made of a plan, in co-operation with the Provinces, to help the establishment of unemployed young people.

PROPOSED LEGISLATION.

A comprehensive programme to meet the serious conditions created by the drought in the prairie country and the acquisition by the Government of effective control of the Bank of Canada were mentioned.

Reference was made to legislative proposals which would deal with the establishment of a trans-Canadian air service ; the extension of the authority of the Railway Commission and the revision of the capital structure of the Canadian National Railway system ; loans for the repair of rural and urban homes ; the consolidation of Acts relating to combines in trade and industry ; the provision of pensions to the blind at a lower age than 70 ; and the nullification of the effects of the gold clause in debt contracts.

Provinces.

Quebec.

THE ADDRESS : GENERAL DISCUSSION.

(Resources and finance ; Unemployment and colonisation ; Electrification ; Co-ordination of administrative services ; etc.)

On 7th October, the Lieutenant-Governor (Hon. E. L. Patenaude) addressed both Houses of the Legislature. The following is a summary of his Speech :—

The Speech referred to the fact that the last Legislature had been dissolved before the passing of the Budget. The work of the Session would therefore bear on the appropriations to be voted for the current financial year and on a few of the most pressing measures. To affirm the priority of human over money capital, the Government would endeavour to direct the Provincial policy towards the protection of human capital. At the basis of their plan of restoration they intended to place agrarian reforms, because agriculture and colonisation were the most solid foundations of economic and moral progress.

INVENTORY OF RESOURCES ; SETTLEMENT OF YOUNG PEOPLE.

The Ministry proposed to proceed at once to a complete inventory of the Provincial patrimony, which would enable them to supervise more closely the exploitation of their resources, to direct with better knowledge industrial and agricultural output, to facilitate rational exploitation of their timber, their ore, their fisheries and water powers, to adapt industry to the special needs of each district. This inventory would provide work for their youth. The Government were striving to solve the problem of the permanent settling of young people, especially in the new careers which the working of their mines would open.

FINANCIAL ABUSES ; ELECTRIFICATION ; ETC.

The Ministry would be as ready to protect the initiative of sound capital as they were determined to check the abuses of finance. They were particularly anxious that the hydro-electric resources of the Province should be utilised for the benefit of their

population at reasonable rates and upon conditions permitting the progressive electrification of their villages and countryside. The Government had already taken steps to alleviate the misery of their unemployed, to do away with over-costly commissions, to establish better co-ordination in the various administrative services in order to restore the Provincial finances, the good standing of which was essential to any reform, and to ensure reasonable wages and living conditions for workmen.

DEBATE IN LEGISLATIVE ASSEMBLY.

On 8th October,

Mr. E. Boiteau (National Union Party, Bellechasse), moving the Address-in-Reply, said that the new Cabinet had acted with great promptness and had proposed many administrative reforms which had already remedied the unfortunate situation resulting from the abuses of the old régime.

Elimination of waste.

Mr. J. Robinson (National Union Party, Brome), seconding the Motion, referred to the economies that had been introduced and the waste that had been eliminated. Dealing with credit and capital, he emphasised the importance of evolution and condemned revolution. There was no cause for alarm: law, order and respect for their institutions would prevail under the Government. The Government had proceeded on a very definite schedule. Almost in every department the Province was woefully behind from a practical standpoint. Good government prided itself on healthy finances as the safest of foundations.

Control of electricity.

On 14th October,

Dr. P. Hamel (National Union Party, Quebec Centre) said that municipalities in many cases were in difficulties because of debts and suggested legislation providing for consolidation. Interest on loans should be reduced to meet the needs of the small proprietors. Words alone would not serve to reduce the abuses of capitalism, and the Government must follow the example of other countries in destroying electrical trusts. Sweden had set an example in 1909, when State control of electricity had been established. The only remedy was to fight the trusts through competition. The situation had been understood in Great Britain, where a committee named by the Board of Trade had reported to Parliament in 1918 that: "We have come to the conclusion that in the national interest, generating stations and main transmission lines ought, as a general rule, to be publicly owned."

Mr. R. Chaloult (National Union Party, Kamouraska) declared the French-Canadian people, composing 2,300,000 of the population as compared with 700,000 of a minority group, did not hold the place in the economic world to which they were entitled, and were without wealth and at the service of the minority.

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

DEBATE IN LEGISLATIVE COUNCIL.

Hon. G. A. Simard (Repentigny), moving the Address-in-Reply, said that what was needed was a sound financial programme which would allow taxpayers to survive and small property owners to hold their properties.

Hon. F. Carrel (Golfe), seconding the Motion, thought Quebec was fortunate in escaping such internal troubles as had visited European nations, but they were not without signs that insidious propaganda was prevalent, and it was only by united action, irrespective of political ties, that they could protect themselves. He therefore concurred in the Government's desire to improve the condition of their workmen, colonists and farmers. A declaration which would be received with satisfaction was that of the determination of the Ministry to check abuses of capitalism while protecting fruitful initiative of capital that was sound.

Leader of the House (The Hon. Sir T. Chapais) said that he did not hide from himself the fact that he was one of a small minority in the Legislative Council, but he begged for collaboration. Their position was not brilliant; they had inherited a difficult burden; they had unemployment and old age pensions.

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

AGENTS-GENERAL REPEAL ACT.

The Bill for this Act, which was introduced in the Legislative Assembly by the Prime Minister on 27th October, repeals the Agents-General Act of 1925, which provided for the appointment of an Agent-General for the Province in the United Kingdom and in Belgium. The Act was assented to on 12th November.

IN THE LEGISLATIVE ASSEMBLY.

The Premier (Hon. M. Duplessis) stated that the office in London had been costing \$50,000. The whole business was a waste, for these were not times when money could be spent lavishly.

THE BUDGET.

On 16th October, 1936, in the Legislative Assembly the Provincial Treasurer presented the Annual Financial Statement.

The Provincial Treasurer (Hon. M. B. Fisher) stated that the late Provincial Treasurer had estimated the Revenue at \$36,082,142.56 and Expenditure at \$37,073,488.08 or a deficit of \$991,345.53 for the fiscal year ending 30th June, 1936. At the next Session he would submit Estimates in an entirely different form, for which the Government would take full responsibility. The Treasury Department had published in September a statement showing a deficit of \$1,923,175.50, which was entirely misleading. The Unemployed Act was capitalised at \$8,800,000; the deficit on public charities was \$2,000,000; the cost of promoting colonisation was \$5,100,000; grants to municipalities for roads were \$1,000,000; and the real deficit \$18,823,175.50. It had been decided to sell bonds, if possible, and pay the debts of the former Administration, because the Government were paying an excessive rate of interest to the banks. By floating a bond issue on favourable terms they had been able to save \$359,100 per year interest charges. The total outstanding bonds amounted to \$200,528,629.

The duty of the Government was not only to balance its Budget, but to conduct the business of the Province so as to ensure that it lived within its means. They intended to reconstruct the financial structure of the Province.

IN THE LEGISLATIVE ASSEMBLY.

On 20th October,

Mr. P. Bercovitch (Liberal, *St. Louis*) declared that the \$800,000,000 capitalised under the Unemployment Relief Act by the previous Government, the two million dollars deficit on public charities and the \$5,100,000 for promoting colonisation were for the protection of human capital. How could it be argued that moneys spent upon keeping the unemployed and their families from starvation during the terrible depression years were ordinary expenditure?

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

PROVINCIAL LOANS ACT.

The Bill for this Act was introduced in the Legislative Assembly by the Provincial Treasurer (Hon. M. B. Fisher) on 27th October.

The Act authorises the Lieutenant-Governor-in-Council to change the form of any part of the existing Public Debt by substituting one class of securities for another, provided the capital of the Debt is not increased. No such substitution shall be effected without the consent of the holder or unless the security is redeemed by the Government. Substitution is also authorised by way of sale of one class of securities in order to purchase those for which it is desired to substitute them (Sect. 1). The Act also authorises the Lieutenant-Governor-in-Council to effect loans for the above purpose and for the renewing at maturity of loans and for the making up of the difference between revenue and expenses for any year or part thereof (Sect. 2). The Act restricts loans thereunder to a term not exceeding 30 years, at interest rates not exceeding 4 per cent. (Sect. 3). The Act provides for sinking funds (Sects. 4 and 5).

The Act was assented to on 12th November.

FARM CREDIT ACT.

The Bill for this Act was introduced in the Legislative Assembly by the Minister of Agriculture on 22nd October, and the Act was assented to on 12th November.

This Act is for the purpose of assisting farmers already established, or any person acquiring, for cultivation, one or more farms forming one enterprise, by means of loans granted under the powers conferred upon it by the Quebec Farm Credit Bureau which is to consist of three persons. The Bill, *inter alia*, empowers the Bureau to borrow, by issue of bonds or otherwise, up to \$10,000,000. In the case of the established farmer, loans shall be guaranteed by first hypothec on farms, and are restricted to 65 per cent. of the value of the farm, and, in the case of other persons, are restricted to 75 per cent.; such loans not to exceed \$6,000. When the borrower's obligations and debts exceed 65 per cent. of the value of the farm, the Bureau may lend up to 75 per cent., provided the creditors accept the amount lent in full settlement of their claims. The Bureau may also lend an additional amount for a shorter time, on second hypothec, but the two amounts must not exceed \$6,000 nor 75 per cent. of the value of the farm. Sums loaned on first hypothec are to bear interest at 2½ per cent. per annum, and are repayable, at the borrower's option, in 30 years by yearly payments of 1½ per cent. and by the payment of the balance at the end of such time, or in 39½ years by yearly payments at the same rate.

DEBATE IN LEGISLATIVE ASSEMBLY.

On 29th October, on the Motion for the Third Reading of the Bill, **The Minister of Agriculture (Hon. B. Dussault)** said that rural credits were not sufficient to keep agriculturalists on the land, but they were the best immediate means. What was also required was the development of the popular savings banks, the co-operative movement and more scientific education. The farmers were willing to work if given reasonable assistance, and this was the idea of the Government.

Hon. T. D. Bouchard (Leader of the Opposition) felt that the best means to help was through the development of the popular banks.

Mr. C. Bastien (Liberal, *Berthier*) stated that the Provinces which had adopted Provincial loan systems had all abandoned them. Ontario had lost \$40,000,000 in that direction.

The Premier (Hon. M. Duplessis) said that the present situation was that in many cases there were mortgages on farms which exceeded their value, and it was necessary to adjust matters legally. The arrangement of the Bureau would result in the creditor getting 75 per cent. and the farmer getting a fresh start.

DEBATE IN LEGISLATIVE COUNCIL.

On 4th November, on the Motion for the Second Reading of the Bill, **The Leader of the House (Hon. Sir T. Chapais)** pointed out that the Federal law had not given satisfaction to the Province, and the result had been a current of opinion for a Provincial system which had swept over Quebec. This law would please the farmers.

Hon. J. H. Kelly (*Grandville*) said 20 or 30 millions would be required, and how could the money be secured without taxation? He appreciated the reasons for which the Federal law had not worked out as well as might have been desired, though in other Provinces the results had been satisfactory. He questioned whether it would not be possible to ask Ottawa to consider the matter of giving compensation to Quebec.

Hon. J. Nicol (*Bedford*) pointed out that recently Ottawa had assigned one hundred million dollars for rural credits, and Quebec would find itself deprived of its share. It was dangerous to have conflicting laws, and it would be better to perfect the Federal law than to have a separate Provincial law. In Saskatchewan it had not been possible to collect half the interest charges in five years.

PEOPLE'S SAVINGS AND OVER-CAPITALISATION ACT.

This Act was assented to on 12th November.

The object of the Act is to provide for the restriction of the issue of bonds, debentures or debenture stock, for industrial or commercial purposes, to an amount representing the real value of the immovables existing and affected by the hypothec guaranteeing the issue.

DEBATE IN LEGISLATIVE ASSEMBLY.

On 14th October,

The Minister of Lands and Forests (Hon. J. O. Drouin), introducing the Bill, pointed to the loss that had been suffered by many thousands of people because of the issue of securities which had no real security.

Mr. P. Bercovitch (Liberal, *St. Louis*) favoured the principle of the Bill, but asked what real value was. It was difficult to determine. Then there was the company which did not have real estate. The law was not water-tight.

The Premier (Hon. M. Duplessis) said that people, who through thrift had accumulated some savings, had seen their money drained away because of watered stocks and debentures behind which there was little security. Common stock was often speculative, but the Bill did not deal with common stock, but with debentures and bonds. As to the objection in valuing bonds, there was the sale price to guide them. They could have added a clause in regard to the splitting of stock, but for the moment let them take one step forward. They could protect sane capital against watered securities.

OLD AGE PENSIONS AMENDMENT ACT.

The Bill for this Act was introduced in the Legislative Assembly by the Minister of Labour (Hon. W. Tremblay) on 9th November.

The Act amends the Old Age Pension Act so as to facilitate its operation. Section 1 authorises the Lieutenant-Governor-in-Council to enter into an agreement relating to a general scheme of old age pensions with the Governor-General-in-Council. Section 2 authorises agreements with respect to any matter concerning old age pensions since the coming into force of the Federal Act and with respect to any amendment that may be advantageous to the population of the Province. Section 3 makes the payment of the pension obligatory. Section 7 obliges the Old Age Pensions Commission to conform to any Federal Old Age Pension Act. Other Sections are concerned with details of administration.

The Act was assented to on 12th November.

REDUCTION OF SALARIES ACT.

The Bill for this Act was introduced in the Legislative Assembly by the Premier (Hon. M. Duplessis) on 6th November.

The Act reduces the salaries of the Prime Minister and of Ministers without Portfolio by \$2,000 and \$1,000 respectively, and of Members of the Legislative Council and the Legislative Assembly by 10 per cent.

The Act was assented to on 12th November.

COMPANY DIRECTORSHIPS ACT.

(Members of Cabinet and Directorships.)

This Act was assented to on 12th November.

The Act prohibits any Member of the Executive Council from being a director or administrator of any corporation of a commercial, industrial or financial nature which does business with the Government of the Province, directly or indirectly, or pays taxes under the Corporation Tax Act.

QUEBEC ELECTION ACT.

This Act was assented to on 12th November.

It consolidates the law in regard to Elections to the Legislative Assembly and deals, *inter alia*, with qualification of electors; preparation and examination of lists; oaths of office and secrecy; qualifications of candidates; holding of elections;

appointment of officers and nomination of candidates; voting; corrupt practices and penalties, etc.

On 5th November, in Committee on the Bill,

Mr. F. A. Pouliot (National Union Party, *Missisquoi*) moved an Amendment to give women the right to vote.

The Amendment was negatived by 49 to 21 votes.

British Columbia.

GOVERNOR'S SPEECH.

(Roads; Forestry; Public health; Education; Agriculture; Mining; Employment; Appeals to Privy Council; etc.)

On 27th October, 1936, in the Legislative Assembly, the Lieutenant-Governor (Hon. E. W. Hamber) delivered the Speech from the Throne. The following is a summary of the Speech:

ROADS; FORESTRY.

While business conditions had been showing marked improvement, unrest and uncertainty prevailed in many parts of the world. After reference had been made to the visit of the Lord Mayor of London to the Province, it was stated that in conjunction with the Dominion Government, the Provincial Government had been carrying out a considerable amount of necessary road construction. Continued advancement in the timber industry was indicated, the heaviest increase being with the United Kingdom. Prospects appeared very encouraging for the future. Increased activity would take place in the pulp and paper industry. Advancement of the Young Men's Forestry Training Plan had been gratifying, and young men were given a fair grounding in all branches of forestry work and steady employment had been found for a considerable number through this movement.

PUBLIC HEALTH.

Definite progress had been made in the field of public health, especially with respect to the treatment of tuberculosis and venereal disease. The problems of juvenile delinquency and mental hygiene had also been attacked. Preliminary work relative to the organisation of Health Insurance was nearing completion and it was expected that benefits under the Act would be available early in 1937.

EDUCATION.

In September a new programme of studies had come into use in all the elementary and junior high schools of the Province. The programme of physical and recreational education for youths over school age would be extended.

AGRICULTURE; MINING; EMPLOYMENT.

The year had been marked by a very satisfactory increase in the quantity and quality of agricultural production, which was expected to result in the highest returns to farmers since 1930. Legislation recently enacted, having to do with employment and labour conditions, had resulted in increased employment. Mining production continued to increase and the general world demand indicated continued activity.

APPEALS TO PRIVY COUNCIL; UNEMPLOYMENT.

Appeal to the Privy Council had been taken by the Government in respect to a number of measures of major importance enacted by the Dominion Parliament to determine its competence therein.

Notwithstanding general business revival, unemployment of large numbers of their people was still with them. It was the hope of the Government that measures might be taken in co-operation with the Federal authority. They would be asked for additional authority to enable the Government to carry out a necessary programme of industrial public undertakings.

The Motion for the Address-in-Reply was agreed to on 5th November.

PACIFIC FISHERIES.

On 9th November, in the Legislative Assembly, the following Resolution, moved by Mr. C. Planta (Independent, *Peace River*) and seconded by Mr. E. Bakewell (C.C.F., *Mackenzie*), was unanimously agreed to :—

"Whereas recent representations were made before a Select Committee of the International Institute of Pacific Relations in convention this year at Yosemite, U.S.A., by a Japanese representative, specifically requesting that discussion be entered into between the United States of America and Japan for the purpose of establishing negotiations between the United States and Japan to determine the right and interest of each country in the fisheries of the North Pacific ; and

"Whereas offshore fishing and operation of floating canneries and fish-reduction plants are becoming a more generally accepted mode of operation in the fisheries of Japan and the United States ; and

"Whereas it is not in the best interest of the fisheries of the Province of British Columbia that offshore fishing by the system of mother-ships auxiliary to floating canneries, fish-reduction plants or refrigeration plants should be at any time permitted to operate off the shores of British Columbia, including the international waters of Swiftsure Banks ; and

"Whereas the fishing population of the Province has become alarmed over the threatened invasion of the fisheries in the North Pacific by alien interests operating in the waters off the coast of this Province and international waters which are the runways of salmon homing to the rivers of British Columbia, and which form the spawning and fishing grounds of halibut ; and

"Whereas jurisdiction over the fisheries rests in the authority of the Dominion Government :

"Be it therefore resolved that this House humbly prays that in any treaty negotiations that may in the future be discussed in convention between Canada and any foreign nation, provision will be made for adequate representation of British Columbia on such a convention by nominees of the Lieutenant-Governor-in-Council of the Province.

"And be it further resolved that an Humble Address be presented to his Honour the Lieutenant-Governor, praying that a copy of this Resolution and Preambles be transmitted to the Hon. the Secretary of State or such other proper official at Ottawa."

THE BUDGET.

On 6th November, in the Legislative Assembly, the Minister of Finance presented the Annual Financial Statement.

The Minister of Finance (Hon. J. Hart), after referring to the improved conditions in their forestry, mineral, agricultural, fishing, and tourist industries, stated that their basic industries had advanced from a total production of \$125,695,000 in 1933 to \$202,435,361 in 1936, or an increase of more than 61 per cent. They were therefore justified in their confidence in British Columbia's ability to emerge from the economic depression, so long as there was maintained a financial structure which would induce still more investors to develop their natural resources.

Unemployment.

The analysis of unemployment relief disclosed an encouraging improvement in the labour market. Consideration of the transient unemployed, however, together with their own, still constituted a major problem, which called for the utmost co-operation with the Federal authorities. From January, 1933, to December, 1935, there had been an increase of 20,075 in the number of those employed. More than

\$53,000,000 had been expended on unemployment relief since the depression started. Of this \$27,391,881 had been borne by the Provincial Treasury ; \$18,028,035 by the Dominion ; and \$7,863,411 by municipalities. The total number on relief in September dropped to a low mark of 66,932 persons. The high peak had been in March, 1934, when there were 108,287 persons on relief. He expressed concern with regard to unemployed who had come into British Columbia from other parts of the Dominion. Not only were very large sums spent annually to take care of them, but, with improved conditions in industries, their employment militated against the early re-establishment of their own people.

Revenue and Expenditure.

Present computations indicated that total Revenue for the year would approximate to \$26,400,000, and Expenditure was estimated at \$24,192,594. This, however, did not include a large amount of unposted and unpaid accounts. In the four years closing at the end of the present fiscal year, the Government had not only met ordinary Expenditure of \$88,446,314 from current income, but had also paid off \$5,858,562 of debt from current Revenue. He estimated Revenue at \$26,469,341 for the year starting 1st April, 1937, and Expenditure at \$26,390,594. The net Debt of the Province was \$145,614,919.

Taxation.

There had been a substantial reduction of taxation through the increased exemptions on lower incomes. There would be no increase in taxation this year. Dual taxation of income by Province and Dominion created too heavy a burden, and the Government would again ask Ottawa to withdraw from the field of direct taxation in the Province.

Amendment.

On 13th November,

Mr. C. Planta (Independent, *Peace River*) moved the following Amendment :—

"This House regrets the increase in public expenditure without first consideration being given to the reduction of our mounting debt ; the inadequate assistance to municipalities ; the absence of any clearly defined policy for dealing with single unemployed men and women ; the absence of a full and complete revision of taxation ; the absence of any indication that the Elections Act will be brought down this Session for amendment ; the absence of any policy pointing toward a complete reconstruction of the Civil Service for the purpose of removing that body entirely from the influence of politics ; the large payments for the services of legal advisers ; the absence of any stated policy on the question of public utilities and (or) Highways Commission ; the failure of the Government to have ready a full presentation of the findings of the Commission to enquire into Coal and Fuel-oil ; and the absence of any pronouncement on the question of light wine and beer being served in hotels and restaurants."

The Amendment was negatived by 31 to 11 votes, and on 13th November the Motion to go into Committee of Supply was agreed to.

NATURAL PRODUCTS MARKETING AMENDMENT ACT.

The Bill for this Act was introduced in the Legislative Assembly by the Minister of Agriculture on 19th November. It was read a third time and passed on 20th November.

Part 1 of the Act provides for the control of the transportation, packing, storage and marketing of natural products within the Province, including their

prohibition. The Lieutenant-Governor-in-Council may establish, amend and revoke schemes for control and regulation, constitute marketing boards to administer such schemes and vest in them the necessary powers (*Sect. 3*). Section 4 defines the powers which the Lieutenant-Governor-in-Council may vest in a board, including those to do with the regulation of the time, place and agency at and through which a regulated product may be dealt with; licences and fees; collection of information; fixation of maximum and minimum prices at which a regulated product may be sold; etc.

Sections 7 and 8 (Part II of the Act) are designed to enable the Provincial Act to take the place of the Federal Natural Products Marketing Act, should the latter be rejected by the Privy Council.

DEBATE IN LEGISLATIVE ASSEMBLY.

The Minister of Agriculture (Dr. the Hon. K. C. MacDonald) said that if it was right to protect workmen's wages it was right to protect the farmers. The first half of the Bill covered only Provincial trade, and involved no new principle. The second Section of the Bill, to come into effect as a Proclamation and after submission to the Courts, was designed to take the place of the Federal Act, if the Privy Council threw it out. If the Privy Council found that the Dominion could not legislate on marketing, the residual powers must rest with the Province.

Rev. R. Connell (Leader of the Opposition) doubted whether the Bill went far enough to do any real good. There was great opposition to it.

AUSTRALIA.

Commonwealth.

The following summary is in continuation of that given in the last issue of the JOURNAL (Vol. XVII, No. 4) and deals with further proceedings of the second period of the First Session of the Fourteenth Parliament which reassembled on 10th September, 1936.

LEAGUE OF NATIONS.

(Reform of the Covenant : Australia's proposals.)

On 30th September, 1936, in the Senate, the Minister for External Affairs, by leave, made a statement as to the attitude of the Commonwealth Government on the reform of the League Covenant, and outlined the suggestions to be put forward that day at the League Assembly by the Australian Delegate (Rt. Hon. S. M. Bruce).

DEBATE IN THE SENATE.

The Minister for External Affairs (Senator the Rt. Hon. Sir George Pearce) said that after careful consideration the Government had decided to make the following suggestions for League reform through the Delegation at the present meeting of the Assembly.

Financial and economic sanctions.

With regard to financial and economic sanctions, the Government felt that, upon a declaration by the Council that a Member-State was an aggressor, the following sanctions should be automatic: (a) Prohibition of export of arms and munitions of war of all descriptions; (b) Prohibition of export of raw materials used for military operations and manufacture of war material, including metals and oil; or alternatively to (a) and (b) Prohibition of all exports to the aggressor State; (c) Refusal of all loans and credits facilities; (d) Prohibition of all imports from the aggressor State.

The Commonwealth Government felt that if a would-be aggressor knew beforehand that in the event of aggression he would automatically become subject to these financial and economic sanctions, such knowledge would constitute a powerful deterrent in the interests of peaceful settlement of the dispute. The Government fully realised that in a democracy there would be objections by reason of the Government of the day having to carry out a national obligation if it had had no

say in its acceptance. It therefore proposed to recommend the incorporation into the Covenant of No. 4 of the Interpretation Resolutions of 1921.

Military sanctions.

With regard to military sanctions the Government felt that no amendment of the Covenant was necessary, as these were not automatic, but were subject to recommendation by the Council, and the adoption of any recommendation was left to the individual Government's decision.

Regional pacts.

The Commonwealth Government also believed that an effective contribution to the general principle of collective security would be for States, in regions where their national interests were directly involved, to agree to some form of regional pact, subsidiary to the Covenant, by which they would be obliged to render military assistance, in circumstances laid down by the agreement, if one or more of them should be attacked by an aggressor.

The Government's view was that, so far as the Commonwealth was concerned, the Pacific was the area in which they were most vitally interested. With the United States and Japan outside the League, provision for a regional agreement of the kind mentioned could hardly be applicable, but the promotion of a regional understanding and pact of non-aggression for Pacific countries, in the spirit of the League undertakings, should not be beyond the bounds of possibility.

Article XI.

The second Commonwealth proposal was with regard to Article XI. As it stood at present, Article XI was subject to the unanimity rule, and mediatory action by the Council could be blocked by the votes of States which were parties to the dispute, or by the vote of a State contemplating aggression. The Government felt that the Council should be enabled to make recommendations under Article XI without the consent of the States who were parties to the dispute.

Article XIX.

The Commonwealth Government's view was that in a world with rapidly changing conditions this Article was too uncertain. They believed that Article XIX should be regarded as a specific Article for the remedying of grievances, and that provision should be made for periodical investigation of, and report on, alleged grievances.

Severance of Covenant and Peace Treaty.

Fourthly, the Commonwealth Government felt that support should be given to a proposal for the severance of the Covenant

from the Peace Treaty of 1919. If the League was to become universal, and to act as an instrument for the preservation of peace, rather than be linked to a period of past history which directly concerned only a certain number of Member States, then the Covenant should be divorced from the Treaty of Versailles.

Invitation to non-Members.

Finally, the Minister said, the Government were of opinion that, before proceeding to deal at all with amendments of the Covenant, the League should consider inviting non-Member States to confer with it or any commission which it might set up to consider the proposed reform, as to the nature of forms of desirable amendments. The Government felt that the non-Member States, and in particular the United States, Germany and Japan, should be fully consulted, with a view to having their representatives present to discuss the proposals with Members of the League.

INTERNATIONAL SITUATION.

(Italo-Abyssinian dispute; Straits Convention; Anglo-Egyptian Treaty.)

On 11th September, 1936, in the Senate, the Minister for External Affairs made a statement on the International Situation.

IN THE SENATE.

The Minister for External Affairs (Senator the Rt. Hon. Sir George Pearce) referred, in the first place, to the Italo-Abyssinian dispute, and to the summoning of the League Assembly to consider the subjects of sanctions and the annexation. On 18th June, he said, the Prime Minister (Mr. Lyons) had made a statement as to the Commonwealth Government's attitude. Mr. Lyons had referred to the manner in which the Commonwealth had fully carried out its obligations as a League Member. He had also stated that sanctions had not proved sufficiently drastic in character or rapid in operation to prevent Italy from accomplishing her military objective. It was clear that their continuation could not restore the military situation or place Abyssinia in its original position.

Withdrawal of sanctions.

The Government therefore had instructed Mr. Bruce (Australian Delegate) to declare that the Commonwealth favoured the raising of sanctions; this he had done at the

League Assembly on 2nd July. Mr. Bruce had also referred on that occasion to Australia's desire to co-operate with other State-Members of the League in reviewing the system of collective security in the light of the experience of the last few months. The Co-ordination Committee had proposed to the individual Governments that they should on 15th July abrogate the restrictive measures which they had taken against Italy. The Commonwealth Government had adopted the proposal, and a proclamation terminating the application of sanctions had been duly issued.

Straits Convention.

With regard to the Montreux Conference, the Minister said that all the Dominions had been invited to participate. With the exception of Australia, however, none of the Dominion Governments had decided on separate representation. The Commonwealth Government had felt that it was highly desirable for Australia to play a part in any international conference which was likely to lead to stability in the Near East—an area in which they were directly concerned by reason of vital Empire communications both by air and sea.

The results of the Conference were very successful. Montreux had demonstrated that treaty revision by negotiation could achieve more valuable and satisfactory results than by the too prevalent practice of unilateral breach of obligation, with the tension and uncertainty thereby engendered.

Anglo-Egyptian Treaty.

One of the most satisfactory events in the sphere of Imperial relations in recent times was the signature of the Anglo-Egyptian Treaty.

"In view of Australia's vital interest in the security of British Empire communications by way of Egypt," the Minister continued, "the Commonwealth Government were in the closest touch with the Government of the United Kingdom both before the initiation of the negotiations and throughout the proceedings, and each detail of their development was carefully followed. In London there were frequent discussions between the Secretary of State for Foreign Affairs (Mr. Eden), and the Minister for Commerce (Dr. Earle Page), the Attorney-General (Mr. Menzies) and the High Commissioner (Mr. Bruce).

"I shall not attempt to summarise the provisions of the Treaty. It has received wide approval both in Great Britain and in Egypt, and the general opinion is that it will have the effect of converting a most uncertain and difficult relationship into a friendly alliance. Everything has been done to ensure the continued security of those Empire communications through Egypt which meant so much to us in Australia."

THREE TRADE TREATIES.

(Treaties with Belgium, Czechoslovakia and the Union of South Africa.)

Bills to give effect to Trade Treaties provisionally concluded with Belgium, Czechoslovakia and the Union of South Africa were introduced in the House of Representatives on 29th October by the Minister directing negotiations for Trade Treaties. The Bills were finally passed by the House of Representatives on 17th November and by the Senate on 20th November.

The main provisions of the Treaties were outlined by the Minister in his speeches on the Second Reading of the Bills.

DEBATE IN HOUSE OF REPRESENTATIVES.

On 29th October,

The Minister directing negotiations for Trade Treaties (Hon. Sir Henry Gullett) said that for some years past they had depended in the main upon the market in the United Kingdom for the export of their primary surplus. It was inevitable, however, that they should reach the end of the capacity of that market to consume their exports upon an expanding scale. Failure to expand the overseas demand for their goods must mean restriction to the present volume of production, which in turn, unless the home consumption market was to be glutted and prices broken, must mean the abrupt cessation of all scientific advancement in every branch of agriculture.

The European markets.

The total imports into Belgium, Czechoslovakia, France, Germany, Italy, Poland and Switzerland during 1934 of produce of a kind exported by Australia amounted to 7,750,000 metric tons. For the same year the Australian export of these commodities to the countries mentioned was 120,000 metric tons. When the intensive post-War policy of economic nationalism began, among the first produce to be almost, if not quite totally, excluded from consideration by these countries was the produce of Australia, excepting, broadly speaking, only wool and a very limited quantity of base metals, barley, meat and apples.

Complaint against Australia.

While in Europe last year he had discussed treaty-making with the representatives of seven countries. The common complaint was that Australia had by successive steps adopted an attitude unfriendly and harmful towards its old trading friends. The particular steps to which emphasis had been given were the increases from 1921 to 1931 in the Customs Tariff, and

the increased duties under the General Tariff arising out of the higher margins of preference to the United Kingdom under the Ottawa Agreement, the strongly preferential remissions of primage since that date and the exchange adjustment concessions accorded to goods of British origin since 1933. The attitude throughout Europe, apart only from woollen manufacturers, was first to exclude Australian products other than wool, to curtail as far as possible credits available for Australian wool, and to concentrate upon scientific research for the discovery of wool substitutes.

Provisions of the Treaties.

In the Treaties with Belgium and Czechoslovakia they had, in the case of protective duties, adhered to the policy of the Government to adopt the rates recommended by the Tariff Board. They had not reduced the preferential margins contained in the Ottawa Agreement in favour of goods of British origin, except in a few minor cases with the concurrence of the Government of the United Kingdom. The concessions were in brief :—

(1) The grant to Czechoslovakia and Belgium on goods specified in the Agreements of tariff rates recommended by the Tariff Board based on the protective effects of London-Australia exchange. This level has already been accorded to the United Kingdom and half the reduction has been accorded to foreign countries.

(2) The grant of reductions in duty where the preferential margins to the United Kingdom were in excess of the commitments.

(3) Concessions have been made under these two Agreements with respect to the Ottawa margins of preference by agreement with the Government of the United Kingdom.

(4) Reductions of specified duty on revenue and non-protective Tariff items.

(5) A number of primage concessions. The total amount of primage involved in the two Treaties is estimated at £99,000 annually. Consequential adjustments have been necessary in a number of cases to the primage rate on United Kingdom goods. These however are included in the figure of £99,000.

Term of Agreements.

Under the two Treaties there had been accorded 105 concessions in the Customs Tariff. The term of the Czechoslovak Treaty was for one year. It continued thereafter subject to three months' notice of denunciation. The Belgian Agreement was of indefinite duration subject to six months' notice of termination.

Benefits to Australia.

Under both Agreements Australia was granted most-favoured-nation treatment which meant that any tariff advantages which Czechoslovakia or Belgium had granted, or would

in future grant to any other country would likewise be granted to Australia. It was proposed that Australia should receive a few major benefits, and these two foreign countries a number of minor benefits. The balance of trade between these countries and Australia was greatly in Australia's favour.

Trade with the United Kingdom.

Sir Henry Gullett said that these Treaties, and others that might follow them, were not intended to reduce their exports to the United Kingdom. The Government believed that there was still room in the British market for a material increase in the exports to that market. But that expansion must have an end. Already their dependence upon foreign markets was considerable. In the financial year 1935-36 Australia's export reached a value of £A.135,000,000 of which £A.53,000,000 or 40 per cent. went to foreign countries.

The Intermediate Tariff.

The Intermediate Tariff rates in respect of the items incorporated in the two Treaties now submitted would also be accorded to those foreign countries to which the Commonwealth Government had a definite commitment to extend most-favoured-nation treatment; to those countries to which most-favoured-nation treatment was accorded reciprocally and to certain other countries for which the Government was satisfied that provision should be made. The continuance of the grant to the countries covered by the two latter classes beyond a period of twelve months or such further period as the Government might determine, would be dependent on these countries entering into agreements with the Commonwealth.

The Union of South Africa.

In regard to South Africa, Sir Henry Gullett said the Agreement had been made in consequence of changes in the form of the Union Tariff. The terms of that Tariff were such that the intermediate rates could only be accorded to those countries with which trade agreements were arranged. Accordingly without an agreement Australian products entering South Africa would not have become entitled to the benefits of the duty reductions made by South Africa in pursuance of trade agreements with foreign countries. South Africa, on the other hand, would enjoy the benefit of any reductions in the Australian duties arising from trade agreements with foreign countries. Owing, however, to the fact that Australia and South Africa fell within approximately the same latitude, and were in a large measure surplus producers of the same primary produce, the opportunity for exchange of trade was limited, and the field for negotiation therefore circumscribed.

Opposition criticism.

On 17th November,

Hon. F. M. Forde (Deputy Leader of the Opposition) said he did not intend to vote against the Bills providing for Trade Treaties with Belgium, Czechoslovakia and South Africa, as Australia had already been irrevocably committed by the Minister. He deplored the fact that the Minister insisted that the House must accept or reject the Treaties *holus bolus* and that he could not accept any amendments. The Minister having obtained Cabinet approval of the Treaties, they knew that the Parliament was powerless to alter them since the Minister had said that any amendment would render all the negotiations useless.

No advantage to primary producers.

The Minister had referred to the quantities of primary produce imported by certain foreign countries, and contended that Australia could secure a large portion of that trade. Owing to present-day conditions, however, they could not increase their trade with foreign countries unless they were prepared to sacrifice either their own secondary industries, or the trade which they now did with Great Britain. It was hardly likely that these Treaties with Belgium and Czechoslovakia would be of any substantial benefit to the producers of Australia if they were to take the Ottawa Agreement as any criterion. Every foreign country with which they sought a trade Agreement would undoubtedly demand a *quid pro quo*.

Trade with Great Britain.

Most of the articles referred to by the Minister were imported by Great Britain in large quantities from countries with which it had large adverse trade balances. The Government would be well advised to occupy its time in fighting for a greater proportion of the British market. Australia was justly entitled to that concession in view of the preferences it had given to Great Britain. That policy would be of far greater advantage to the Commonwealth than the seeking of doubtful trade concessions with other countries, to the detriment of Australia's secondary industries which were capable of substantial expansion and employing a greatly increased population that would constitute the primary producers' very best market.

South African Agreement.

Mr. Forde said he found no fault with the Agreement between South Africa and the Commonwealth, and the Opposition would support it. In his opinion the Bill was not so important as the Minister would have them believe; but it did

enable him to claim that he had successfully negotiated another trade Agreement. The salvation of the British Empire was bound up in an extension of trade among the members of the British Commonwealth of Nations, and in that respect Great Britain had more to learn than any of the Dominions. Australia in the past had been giving to Great Britain preferences estimated to be worth up to £10,000,000 per annum; but in return Great Britain had granted to the Commonwealth preferences valued at only £1,500,000 per annum. Those figures showed that there was room for an adjustment to be made with a view to expanding the export of their primary produce to Great Britain.

TRADE DIVERSION POLICY.

(Industrial expansion; New industries in Commonwealth; Tariff policy; etc.)

On 18th September, in the House of Representatives, the Minister directing negotiations for Trade Treaties made a statement regarding the Government's trade diversion policy.

IN THE HOUSE OF REPRESENTATIVES.

The Minister directing negotiations for Trade Treaties (Hon. Sir Henry Gullett) said that the new trade diversion policy over the last few months promised to prove highly successful. Its initiation, however, had proved extremely difficult in administration. Almost every importer of goods which came under license had presented a case in favour of exemption. On the whole, importers had shown a gratifying disposition to co-operate with the Government. In administration a distinction had been observed between capital and consumption goods. In certain cases where immediate curtailment of parts essential for the completion of manufacture in Australia would have interfered with production in that country, the restrictions had been relaxed in some degree to cover the transition period.

New industries.

Although it was too early to measure the effect of the policy in terms of industrial expansion, a careful survey made it clear that many branches of local industry would enjoy early and substantial expansion because of it. Of more importance was the fact that the policy was definitely leading to the establishment of a number of new industries within Australia. The most important development to date was the decision of the great Arco Company of America, in conjunction with John Lysaght (Australia) Ltd. to proceed with plans for

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the manufacture in the Commonwealth of special steel sheets, such as auto-body, commercial panel, enamelling and cold-rolled deep drawing sheets. In this enterprise a capital of £1,000,000 would be invested.

Motor-chassis manufacture.

With respect to the Government's decision to bring about the manufacture in Australia of the motor engine and chassis frame with accessories, he was in a position to inform the House that very keen interest in engine- and chassis-making generally within the Commonwealth was being shown by a few overseas companies of world-wide reputation. There appeared little doubt that the objective to bring about the manufacture of the complete motor-car would be achieved within the near future. On the whole, the policy was shaping excellently, both in its promise to Australian industry and employment and also as a heavy contributor to the essential overseas financial balance.

Opposition views.

Mr. John Curtin (Leader of the Opposition) said that so much argument had been advanced by the Government in support of this policy, in places other than Parliament, that it would appear to be reasonable for Parliament to be invited to consider the merits of it.

He reminded the Minister (Sir H. Gullett) and the Prime Minister that much of their criticism of a previous Government had been based upon the contention that tariff policy was being applied as the result of executive decision rather than as the outcome of Parliamentary enactment. They had also referred to the fact that in certain cases action had been taken without any inquiry or recommendation having been made by the Tariff Board. He (Mr. Curtin) did not say that that was always reasonable, proper or necessary. But the Prime Minister had insisted that it was the proper course, and that there ought to be no alterations of duty without reference to the Tariff Board. He reminded the Government that their adherence to the Ottawa Agreement pledged them to refer to the Tariff Board all proposals which involved increases of duty.

Parliamentary control.

In the present instance, the policy of the Government was far worse than that of the Scullin Government, in that some traders in Australia would be permitted to continue trading with certain other countries, whilst the great mass of traders would be denied equality of opportunity to compete even with traders in Australia. He challenged the Prime Minister, in order to preserve Parliamentary control over the laws operating in regard to the trade of Australia, to permit the Tariff Schedules to be dealt with by the House.

The Prime Minister (Rt. Hon. J. A. Lyons) said that as soon as the House had disposed of matters that were more urgent, they would be given full opportunity to debate the Schedules.

MIGRATION.

(Proposed resumption of migration of British settlers : Government and Opposition views.)

The question of the Government's attitude towards the resumption of migration of British settlers was raised by the Leader of the Opposition on a Motion for adjournment in the House of Representatives on 1st October.

DEBATE IN HOUSE OF REPRESENTATIVES.

On 1st October,

Mr. John Curtin (Leader of the Opposition) said that last May he had asked the Prime Minister (Mr. Lyons) whether it was a fact that while the Attorney-General (Mr. Menzies) and the Minister for Commerce (Dr. Earle Page) were abroad, they were engaged in consultation with the Dominions Office with respect to the resumption of migration. In reply the Prime Minister had informed him that he had no knowledge of any such discussions, although some discussion might have taken place. Later one of the officials of the Dominions Office had made it plain that he was in a position to say that certain progress had been made in respect of negotiations for the resumption of migration to Australia. To-day he had learned that the Commonwealth Government had directed a communication to the Governments of the States.

The Government's proposals.

He wanted to know what definite proposals the Commonwealth Government had made to the States in respect to the resumption of migration in some form or other. Furthermore, in view of the unemployment position in Australia, and the importance of first dealing with their own social conditions before migration could be regarded as a reasonable and practical policy; were the Government going behind the back of Parliament to land them into the position of some sort of agreement or understanding with Great Britain in respect to migration again becoming a feature of its policy?

Previous schemes.

Before any further progress was made, there should be a review by Parliament of the economic and humane aspects of

the pre-depression migration policy, of its costs to Australia, its effects upon the Budgets, the disappointment it had occasioned in Great Britain, and the great deal of unhappiness it had caused to those who were its unwitting victims.

Conferences in London.

The Attorney-General (Hon. R. G. Menzies) said that when he was in England this year in company with the Minister for Commerce (Dr. Earle Page) he had several informal conversations in connection with migration generally. They had been invited to attend a meeting of a Committee which had been set up by the British Government under the chairmanship of Lord Hartington. They had not gone to this meeting as representatives of the Commonwealth Government to put forward a scheme in relation to migration. They had been invited to offer quite frankly their own individual views. They had not submitted any scheme, but had merely discussed the nature of the problems which surrounded this very difficult subject.

He had never made any attempt to conceal his own view which was that he would like to see, in proper circumstances, a very great expansion of the population of Australia by means of migration. In common with all other members of the Government, however, he was completely aware that to rush blindly and impetuously into some elaborate scheme for moving people from one country to another might very well make the last state worse than the first. The experiences of the last fifteen years were not being forgotten.

Commonwealth Government's proposals.

On 7th October,

The Prime Minister (Rt. Hon. J. A. Lyons) said that on the return from London of the Minister for Commerce (Dr. Earle Page) and the Attorney-General (Mr. Menzies) it had been ascertained that discussions had taken place with British Ministers concerning the conditions that existed in Australia in relation to migration and land settlement. During these discussions, his colleagues had indicated that, if the Governments of the States were agreeable, it might be possible to resume limited migration in respect of the following categories: (a) Domestic; (b) Farm boys; (c) The "Big Brother" Movement; (c) The Fairbridge Farm Organisation. His colleagues had made it clear that the resumption of migration on any substantial scale depended on the improvement of Australia's economic position, which, in turn, depended largely on the expansion of markets and the improvement of prices for Australia's export commodities.

Submission to States.

The subject of migration had been informally discussed at a meeting of a sub-Committee appointed by the conference of Commonwealth and State Ministers held in Adelaide in August. Following a decision of the sub-Committee that definite proposals should be sent to the States for consideration, a letter had been addressed to the Premiers. This letter made it quite clear that the Commonwealth Government was not in any way attempting to force migration upon the States. Its purport was to ascertain whether any State considered itself in a position to absorb migrants, and if so whether it wished the Commonwealth Government to assist.

The present position.

At present assisted migration was restricted to the granting of passages to wives and minor children of migrants who had arrived in Australia prior to 1st January, 1930, to fiancées of migrants, and to children introduced by the Fairbridge Farm School in Western Australia. The State Governments had transmitted many requests by Australian residents that assistance should be provided to enable relatives in England to join them in this country. Reports from voluntary organisations indicated that the demand for boys for farm work and girls for domestic duties exceeded the supply. In the circumstances the Commonwealth Government deemed it advisable to give the State Governments an opportunity to indicate whether the present limited scope of assisted migration was considered irksome. Apart from one formal acknowledgment, no reply had been received from the Premiers.

Opposition's concern.

Mr. Curtin said the Opposition were concerned with the nature of the assistance to be given, the particular categories of migrants it was intended to bring to Australia, and also as to whether persons in similar categories could be found in Australia to do such work as would be done by the migrants if the Government would find it for them.

Hon. H. Gregory (Country Party, Swan, W. Aust.): "Why the Government?"

Mr. Curtin: "Because the Government proposes that if migrants come to Australia from Great Britain, work will be found for them immediately they arrive. Therefore, some organised activity must be envisaged by the Government. It would surely not be so inhumane as to contemplate giving to people in Great Britain any inducement to come to Australia on any other basis, in view of what has happened in regard to similar migration schemes in the past."

Boy and girl migrants.

Continuing, Mr. Curtin said that various schemes for the employment of boys on farms had been tried but, with the exception of the Fairbridge School scheme, he doubted whether any of these had been justified. He would be astonished to learn that it was necessary to bring girls to Australia for domestic service; but if it were a fact that girl domestics were brought there, the explanation probably was that domestic servants in Australia were unorganised and unprotected in regard to the conditions under which they worked. More would be heard on the subject.

THE BUDGET.

(Opposition criticism; Incidence of taxation; Defence; Migration; etc.)

A summary of the speech in the House of Representatives on 10th September by the Treasurer (Hon. R. G. Casey), in which he outlined the Budget proposals for 1936-37 and reviewed the financial position, was given in the last issue of the JOURNAL (Vol. XVII., No. 4, pp. 790-97). The following is a summary of the subsequent debate.

DEBATE IN HOUSE OF REPRESENTATIVES.

On 18th September,

Mr. John Curtin (Leader of the Opposition) said it would be churlish for him to deny that the Budget made clear a very substantial recovery in the Australian economic structure. There were four related factors which had made possible this rejuvenation of Australian finances. These, which had been bequeathed to the Government by their predecessors, were: the savings available to Governments since 1931, as the result of steps taken under the Prime Minister of that time (Mr. Scullin) in reducing the interest charges on the Public Debt; the depreciation of the currency which gave decided support to the export industries; the expansion of credit by the issue of Treasury bills, thereby promoting internal activity; and the drastic action to curtail imports in order to avert national default, in the first instance, and, as a related consequence, to increase the manufacture in Australia of goods, for which Australia had hitherto been dependent on external supplies.

Interest savings.

Mr. Curtin said that at his request the Treasury had supplied him with a series of tables which indicated that the

cumulative effect of the savings in interest to the Commonwealth and State Governments to the end of the last financial year was £74,000,000, plus over £9,000,000 in exchange. This had been the most important factor in their present favourable financial position. Of this £74,000,000, £38,300,000 had been saved in respect of debt domiciled in Australia and converted under the Financial Emergency Acts of 1931. An amount of £27,500,000 had been saved as the result of what had been done during the term of office of the Scullin Government in regard to the suspension of the War Debt due to the British Government, in interest and repayment of principal. This sum of £27,000,000 also included the savings of £8,060,000 as the result of the conversion of the Loans held in London, and effected by Mr. Bruce. Therefore, of the total of £74,000,000 savings in interest and loan charges, only £8,000,000 could be credited to the present Government.

Incidence of taxation.

He had repeatedly protested against the unjust incidence of Australian taxation on the lower incomes. The indirect taxes of the Commonwealth disregarded the ability of the consumer to pay tax. Since 1931-32 direct taxation had decreased by 8s. 4d. a head, whilst indirect taxation had increased by £2. 1s. 3d. a head. Taxation revenue since 1931-32 had increased by £10,700,000, or £1. 3s. 1d. a head. The taxation collected last year by this Government was the greatest collected by any Commonwealth Government. This ability to reduce direct taxation had an explanation. Revenue from Customs during the *régime* of the Scullin Government had yielded an average of £18,350,000 per annum. During the last two years the present Government had collected an average of £26,650,000.

The Minister for Defence (Hon. Sir Archdale Parkhill):

"The reduction of duties has been responsible for that."

Mr. Curtin: "Yes, because it has encouraged the products of other countries to enter Australia at the expense of Australian industries."

The indirect taxation, Mr. Curtin proceeded, was very heavy and disregarded the ability of the consumer to pay it. They needed a survey for Australia which would show definitely (a) the weight of taxation on different rates of income; and (b) how heavily indirect taxes bore on the lower incomes. If, as appeared likely, the working classes were paying too large a proportion of their income in indirect taxes, steps should be taken to alter the system.

Defence.

A Labour Government would take adequate measures to ensure the safety of Australia against aggression. Defence

meant defence against the threat of war and Fascism, and was not for any other purpose. The reality of defence was the existence of the essential industries to arm, feed, clothe and transport the forces of the Commonwealth. Military, naval and aerial organisation must be made as independent of external supplies as it was within the capacity of the country to organise such supplies.

They needed for the Navy more docks; for the Army a greater industrial organisation; and for their Air Fleet more aerodromes. They needed oil storages and reserves. They needed a national survey of all industries to have the requisite data available in regard to their potential value for defence purposes. No individual ought to be permitted to profit out of the provision of anything needed for the essential defence of the country.

Migration.

Mr. Curtin referred to a recent statement by the Under-Secretary for the Dominions (Marquess of Hartington) on the prospect of early resumption of immigration, and said he had asked repeatedly as to what negotiations had been proceeding, and the answer had invariably been that no finality had been reached.

The Opposition would not support grandiose schemes for mass migration: such schemes had failed humanly and economically. But the Opposition would support schemes that were designed to make the standards of life in Australia better than they were.

Mr. Curtin quoted the statement of the Minister for Health (Rt. Hon. W. M. Hughes) who in April, 1936, had said:

"Until we have at least reduced the number of unemployed people to pre-depression figures, migrants of any sort cannot be absorbed."

It must be clear, Mr. Curtin added, that notwithstanding the improvement of the general position, there was a vast number of persons whose plight was unrelieved and whose circumstances ought to have a paramount claim on the attention of Parliament.

Social services.

During the depression, the scale of social services, though limited, had contributed greatly towards the relief of the more serious consequences of the depression. There were, however, thousands of people who were on part-time relief work, which made it impossible for them to enjoy anything like the standard of living which the Courts fixed as the minimum. To lift this class up above the slough of their present plight was the paramount obligation of the Treasurer. He could have given them some instalment of the provision that he would make for

the initiation of a system of unemployment insurance. He could also have recognised the claims of those families with dependent children in which there was no male bread-winner, and he could have raised the old-age pension to £1 a week.

Progress was reported.

CONSTITUTION ALTERATION (MARKETING) BILL.

(Privy Council Judgment; Validity of marketing legislation.)

This Bill was introduced in the House of Representatives on 14th October, and was finally passed by the Senate on 2nd December.

The Bill as finally passed provides for the alteration of the Constitution by inserting after Section 92* the following Section: "92A. The provisions of the last preceding section shall not apply to laws with respect to marketing made by or under the authority of the Parliament in the exercise of any powers vested in the Parliament by this Constitution."

The enactment of the Bill is subject to the approval of the electors by referendum.†

DEBATE IN HOUSE OF REPRESENTATIVES.

On 14th October,

The Attorney-General (Hon. R. G. Menzies), in moving the Second Reading, said that prior to decision of the Privy Council in the case of *James v. Commonwealth*,‡ legislation had been passed from time to time by the Commonwealth Parliament on the assumption that section 92, providing for inter-State free trade, did not bind the Commonwealth. The scheme of legislation adopted was that an arrangement having been entered into between States for the control of the marketing of some commodity, State Parliaments passed legislation in order to effectuate that control and the Commonwealth Parliament then passed supplementary legislation designed to give full validity to the scheme which the States were setting up. Section 92 admittedly was binding on the States and its effect was that, although a State Parliament might pass a law on its own discretion with regard to the intra-State control of some commodity, it could not deal with inter-State

* The relevant part of Section 92 is as follows: "On the imposition of uniform duties of customs, trade, commerce and intercourse among the States, whether by means of internal carriage or ocean navigation, shall be absolutely free."

† The referendum will be held on 6th March, 1937.

‡ 1936, L.R., A.C., 578.

transactions in that commodity without interfering with the freedom of inter-State trade.

Previous judgments.

In 1920 the High Court, in the MacArthur case,* opposed the view that Section 92 was not binding on the Commonwealth Parliament, and, on the strength of that view, the doctrine arose that the Commonwealth Parliament, while it had no power to deal with internal trade in the various States, could give validity to State schemes by itself controlling inter-State trade in a particular commodity. It was on that theory that the Commonwealth legislation with regard to dairy produce, dried fruits and wheat† had been passed. The result of the recent decision of the Privy Council was undoubtedly to invalidate every one of those Commonwealth laws. The Government had to consider what steps should be taken to rectify the position.

Home-consumption price.

It was the policy of every Party in the House to give a home-consumption price to Australian farmers. It was now for them to consider how this was to be done. They might attempt to give the farmers the financial result of a home-consumption price by imposing an excise duty on the commodities in question, and distributing the proceeds by way of bounty. That was what had been done by means of the flour tax.‡ But by means of such a scheme it would be impossible to give the farmer organised marketing. The second count upon which a scheme based on the levying of excise was open to criticism was that it would fail to provide that stability in primary industries which was necessary to their continued prosperity. If the primary industries were to be made dependent upon the occasional enactment by Parliament of excise duties, and the occasional payment of bounties, it was difficult to say how there could be any stability in primary industry.

Price-fixation by States.

There was still another solution of the problem. A close perusal of the reasons for the judgment of the Privy Council suggested the possibility that the State Parliaments might be able to deal with this matter by fixing the price at which goods could be sold, and to make the price apply to goods sold both intra-State and inter-State. He did not think that that would be the best way to deal with the problem. This was

* (1920) 28, C.L.R. 530.

† *Vide* JOURNAL, Vol. XVII., No. 1, p. 79.

‡ *Vide* JOURNAL, Vol. XV., No. 2, p. 404.

not a problem that could be appropriately dealt with in six watertight compartments. Some co-ordinating action by the Commonwealth was necessary if they were to put into practice a nation-wide scheme.

The Government's proposal.

The third possibility was to take steps to amend the Constitution in order that they might effectively and validly do what they had been doing up to the time that the Privy Council had spoken. When they approached the consideration of this question they had to determine first what was desirable by way of amendment of the Constitution. That was what the Leader of the Opposition (Mr. Curtin) had in mind when he had suggested that they might take the whole trade and commerce power and so deal with the whole of this problem themselves without any reference whatever to State Parliaments. That might or might not be desirable, but they had to consider not only what was desirable, but also what was possible. They had to address their minds to the practicable aspect of the problem which was: "What kind of amendment can be devised which will be practicable and give validity to these marketing schemes and at the same time will have a reasonable prospect of securing the majorities required under section 128 of the Constitution?" Having considered that aspect of the matter the Government had formulated a proposed alteration which would in substance recapture the lost ground and give validity to the kind of scheme of which this Parliament on at least three occasions had approved in relation to the primary commodities he had mentioned.

Effect of proposal.

The broad effect of the proposal could be paraphrased in this way: The powers which the Commonwealth Parliament now had to make laws in respect of inter-State trade and commerce, taxation, bounties and other matters of that kind for giving effect to marketing schemes, would not in any way be extended, as such, but would merely be freed from the restriction placed on them by section 92. The result would be that when the Commonwealth Parliament, under its existing powers, passed a law designed to supplement marketing schemes contained in State legislation, it would be no answer to the validity of that law to say that it impinged on Section 92.

Non-application to marketing.

The opening phrase in the new Section was: "The provisions of the last preceding Section shall not apply. . ." The effect of that was to prevent Section 92 from having any operation on a law which was otherwise validly made within

the meaning of Section 51 or the proposed new sub-Section. In other words, the provisions of Section 92 were not to apply to Commonwealth laws on marketing.

Meaning of "marketing."

The word "marketing" would undoubtedly be held to cover the buying and selling of goods and commodities and transactions incidental thereto. But it had been used in preference to the more common term in the Constitution—"trade and commerce" for a special reason. Section 51 of the Constitution enumerated the 39 powers given to the Parliament of the Commonwealth. The first of these was to legislate in respect of trade and commerce with other countries and among the States. Other powers were set out such as taxation, bounties on production and so forth, all of which clearly might be used in relation to what they called a marketing scheme. It might happen that in ten or fifteen years' time it would be found that the best means of controlling marketing would be to use the power of taxation or bounties, or the power of trade and commerce in conjunction with the other two. If the term "trade and commerce" had been used in this section, instead of "marketing," it might have been argued, as it had been argued before the Privy Council, that the only reference was to laws made under Section 51, paragraph 1. What he had been endeavouring to achieve was definite security that marketing laws made under Section 51 should be exempted from the provisions of Section 92. That was why this term, which was understood in effect, although it was not a term of law, had been used in the proposed new section.

Position of existing legislation.

Mr. Menzies added that the laws which were related to dried fruits, dairy products and wheat products were still on the statute book. They had not been repealed; they had simply been rendered invalid by the decision of the Privy Council. It was his view that if the Constitution was amended and so became a proper foundation for a valid law of exactly the same kind as that now on the statute book, it would not be necessary to re-enact the marketing legislation, because the laws were already on the statute book, and their validity would be revived.

Opposition Amendment.

On 22nd October,

Mr. J. Curtin (Leader of the Opposition) moved that:

"this House is of opinion that the proposed alteration of the Constitution is inadequate, and that the referendum costing approximately £100,000

should have for its purpose such alteration of the Constitution as would grant to this Parliament wider and more comprehensive powers."

He would have moved an amendment in much wider terms and also in more specific indication had the Standing Orders permitted him to do so.

Bill inadequate.

He submitted that the Bill was totally inadequate; it did not meet all the marketing requirements of Australia and would not competently deal with the problem of primary industries in relation to marketing. Marketing legislation should be entirely federal in character. Marketing was not merely an inter-State business, and it should not be regarded as sectional in its origin. They had now reached the stage when they should decide how and by what means Australia's production could best be organised, so that it could be most effectively marketed. To spread the essential legislative power over a number of Governments of diverse political character and of varying points of view must lead to delay and evasion, and also to inability on the part of the National Parliament to act promptly and effectively.

The revision of powers.

They must reach some point of definiteness as to the powers which the Commonwealth should exercise and the powers which the States should exercise. What they needed was a general review of the Constitution in the light of the experience of the last 25 years, having regard to the changed character of the world and of Australia, and the probable developments of the next 20 years. To avoid a definition of the functional responsibilities of the various Governments was to render all Governments more or less incapable of grappling with the major problems of their times. It was highly undesirable that in reviewing the Constitution they should suggest an amendment which would give only part of the power over specific subjects to the Commonwealth and allow the residual power to rest with the States. The result of such a policy must inevitably be a hotch-potch of legislative enactments which would lead to political inefficiency and further economic disaster.

Agreement among States.

If the Commonwealth intended to deal with certain specific matters, no State should be in a position to prevent it from dealing with them. In order to do so the Commonwealth should not be obliged to survive the interminable conferences and disputations inseparable from some kind of agreement being arrived at by the States. The whole theory of responsible government in the British Empire had been founded

on the principle that an association of ideas was the essential link that enabled Ministers, whose outlook on major principles was similar, to share the formulation and defining of a coherent policy. The arrangement envisaged in this Bill made that impossible. It was not intended to amend the Constitution to give to the States power completely to control marketing; nor was it intended to give to the Commonwealth complete power to control marketing. All that this Bill would do would be to set up a complicated system in which no Government was supreme, and in which legislative competence was endangered by a multiplicity of authorities.

Home consumption price.

The Attorney-General, when he had appeared before the Privy Council, had said that in order to give Australian producers a higher local price than world parity, it became necessary to adopt some scheme whereby the quantity of the commodity in question retained in Australia for sale would not be sufficiently great to break down the Australian price. That was a reasonable statement of what was intended. He (Mr. Curtin) also agreed that Australian consumers ought not to expect to obtain Australian produce at a price below the cost of production. But when he said that the producers of butter, etc., were entitled to a fair price for their produce, he had the right to insist that the consumers in Australia, who were called upon to pay more for it than they would have had to pay if these marketing schemes were not given legislative authority, should be protected from exploitation in the form of inordinately high prices or unreasonable conditions in industry.

Parliamentary responsibility.

Under this marketing legislation, the equivalent of an excise tax was imposed on the Australian people, not by Parliament, but by boards upon which the consumers and employees in the industry were not represented. Under the excise power of this Parliament the responsibility for levying an impost on the community rested with Parliament, whose Members had to account to the people for their conduct; but under this scheme Parliament, as it were, washed its hands of the responsibility, although the public could not escape the consequences. Twice during the Session when boards were being established he had asked that employees should be given representation on them, but in each case, on a Party division, the control had been left entirely in the hands of those associated with the producing and selling of the commodities. In the view of the Opposition, the power to deal with marketing, instead of being shared with the States,

thereby giving no protection to the consumers, should be held absolutely by this Parliament, which would then be competent, not only to assist the industry, but also to ensure that the interests of the Australian consumers would be conserved.

Amendment unacceptable.

The Prime Minister (Rt. Hon. J. A. Lyons) said the Government would not accept the Amendment moved by the Leader of the Opposition. It was suggested that the Government's proposal was sectional, but if it was sectional, it was only so in so far as it was an attempt to do justice to a section which, under existing circumstances, was suffering an injustice. Mr. Curtin had made a plea on behalf of the workers. The workers of Australia had provided for them industrial arbitration tribunals, Federal or State, to which they might go to have their grievances redressed.

Emergency conditions.

The Government, in submitting the question in the form proposed, were merely meeting emergency conditions and placing certain primary industries in the position they thought they had been in before the James decision was given. The Government had come to the conclusion that, if other important questions were submitted to the people at the same time, it would help to bring about not only the defeat of these proposals, but also the defeat of the one which the Government was submitting. Mr. Curtin had said that if the alteration the Government proposed was carried it would not give the Commonwealth complete power. That was quite true. Mr. Curtin had also said that it would not give the States complete power. That was also true. But if they left the position where it was, the Commonwealth would not have had power and the States would not have the power, and nothing could be done. If the proposed alteration was carried, full and complete power would be in the hands of the Commonwealth and States in agreement. Mr. Curtin had said that it would be impossible to reach an agreement. He reminded him that they had been able to secure agreement in respect of three important primary products.

Justice for primary producers.

The Government were submitting this simple but definite proposal to do justice to the primary producers, and if some increased cost was imposed upon the consuming community there were tribunals to adjust such matters. A tariff board had been appointed to enable those engaged in secondary industries to get a reasonable return on the goods they produced. All that they asked was that the power be given to the Commonwealth and States to enter into an agreement to

enable the producers of particular products to organise amongst themselves in an endeavour to get a fair return for the commodities they produced. If there were other matters which called for consideration, and an amendment of the Constitution, opportunities would occur for these to be submitted to the people.

Amendments rejected.

On 29th October, Mr. Curtin's Amendment was rejected by 40 votes to 26, as also was an Amendment proposed by Mr. M. M. Blackburn (Labour, *Bourke*) providing for the surrender to the Commonwealth by the States of powers to regulate prices and wages, etc., in industries the subject of Commonwealth marketing legislation.

The Third Reading was then carried by 45 votes to 21, an absolute majority as required by the Constitution. The Bill passed the Senate without amendment.

CONSTITUTION ALTERATION (AVIATION) BILL.

(Control of aviation.)

This Bill was introduced in the House of Representatives on 18th November, and was finally passed, without amendment, by the Senate on 2nd December.

The object of the Bill is to alter the Constitution by inserting in Section 51, after paragraph V,* the following words:—"Air navigation and aircraft."

The enactment of the Bill is subject to the approval of the people by Referendum.†

DEBATE IN HOUSE OF REPRESENTATIVES.

On 13th November,

The Attorney-General (Hon. R. G. Menzies), in moving the Second Reading, said the purpose of the amendment was to add to the legislative powers of the Commonwealth a power to make laws in respect of air navigation and aircraft, quite unrestricted to inter-State; in other words, to give to the Commonwealth Parliament a general power over aviation. The immediate occasion for the introduction of this amendment was a declaration by the High Court of the existing limitations upon the powers of the Commonwealth Parliament. In effect,

* Section 51, paragraph V of the Constitution reads:—"The (Commonwealth) Parliament shall, subject to this Constitution, have power to make laws for the peace, order, and good government of the Commonwealth, with respect to—(v) Postal, telegraphic, telephonic, and other like services."

† The Referendum will be held on 6th March.

by the decision of the High Court in the *Henry* case, the Court had declared that the legislative power of the Commonwealth Parliament in respect of aviation was confined to three areas: (1) the Commonwealth Parliament had power to legislate for the carrying out of an international air convention, but in that event its legislation must scrupulously follow the terms of the convention; (2) it had power to legislate under its inter-State trade and commerce powers in regard to aviation in so far as aviation possessed an inter-State character; and (3) it had power in dealing with its territories to pass laws in respect of those territories in relation to aviation. It followed, therefore, that there remained an area of power which did not belong to the Commonwealth Parliament, that area having to do with inter-State aviation in so far as it was not the subject of an international convention. The purpose of the Bill was to get rid of that anomalous state by making the power of the Commonwealth, in relation to aviation, both specific and unrestricted.

Agreement with States.

In 1920, the Commonwealth asked the State Governments to take steps to arm it with power to deal with aviation, and a Resolution was carried at the Premiers' Conference of that year that it was desirable that the States should refer to the Commonwealth power to make laws with respect to air navigation, retaining for each State the right to own and use State aircraft operated within the State for Government purposes. Pursuant to that decision Queensland and Tasmania had passed Acts which were in accordance with the Resolution. The Queensland Act was not to come into force until proclaimed, whereas the Tasmanian Act operated upon the day of its passing. Victoria and South Australia had passed legislation in a different form, which was never proclaimed, but it provided for the handing over to the Commonwealth of power to make laws with respect to aviation, firstly, within the terms of Air Conventions, and secondly, within the scope of inter-State aviation. In other words, those Acts intended to hand to the Commonwealth the very powers it was now seen to possess and no more. In the case of New South Wales and Western Australia, Bills had been introduced, but were not proceeded with.

Air Navigation Act.

In the anticipation that these referring Acts would be passed by the various States, the Commonwealth Parliament passed an Air Navigation Act.* That Act provided that the Governor-General might make regulations for carrying out and

* *Vide* JOURNAL, Vol. II, No. 2, p. 368.

giving effect to the Convention—that power had now been upheld—and for the purpose of providing for the control of air navigation in the Commonwealth and territories of the Commonwealth. The Act had, by the decision of the High Court, been in part invalidated; because the effect of the decision of the High Court was that while regulations might be made to give effect to the Convention and for the purpose of controlling navigation between the States and the Commonwealth, they might not be made for the purpose of controlling it generally within the territorial boundaries of the Commonwealth. Consequently, if what had been sought to be done by that Act was to be made validly competent to the Commonwealth Parliament, a Constitutional alteration of the kind he had indicated was necessary.

Opposition view.

On 18th November,

Hon. Frank Brennan (Labour, Batman) said he could not logically oppose a full measure of power to the Commonwealth to legislate in respect of aviation any more than he could logically oppose a full measure of power to it in respect of any other matter, subject only to those fundamental safeguards which were basic principles with the Labour Party, namely, the duration of Parliament, the suffrage, religious liberty, and one or two other basic matters. Neither could he be expected to manifest enthusiasm for piecemeal amendments so frequent and so ill-considered as to be likely to disgust the people, especially as this class of tinkering was liable to have unforeseen reactions upon the other parts of the Constitution, affecting existing State properties, the State tribunals and generally State interests and responsibilities, all of which could be provided for in a well thought out and comprehensive scheme of Constitutional reform, which this was not. However, he dismissed the matter by pointing out that it was the Government's responsibility, and, like other efforts of that singularly inept and incongruous corporation—he was now referring to the Government—it would probably end in fiasco.

The Second Reading was carried without a division, and passed to the Third Reading without amendment, when it was carried by 50 votes to 7,—an absolute majority as required by the Constitution. It also passed the Senate without amendment.

States.

New South Wales.

LEGISLATIVE COUNCIL ELECTION (Note).

The first triennial election of 15 Members to the Legislative Council under the amended Constitution* was held on 9th December, 1936. The 15 Members elected were :—United Australia Party, 7; State Labour Party, 4; United Country Party, 3; Independent Labour, 1. The United Country Party gained one seat in place of an Independent.

THE BUDGET.

(Economic recovery; Surplus; Taxation; Revenue and Expenditure; Public Debt; Business undertakings.)

On 27th October, 1936, in the Legislative Assembly, **The Premier and Colonial Treasurer (Hon. B. S. B. Stevens)**, introducing the Budget for 1936-37, said that the revival which had begun in 1932 had continued throughout 1935-36. The outstanding feature in the past year had been the nearer approach to equilibrium of their whole economic structure. It had been suggested that their recovery had been due solely to an increase in prices of primary products. But that was not the position; for to-day's prices for their main staples were still below the level of pre-depression years. Their improvement had proceeded in spite of a lower price level. They had adjusted their industrial system and financial system to that level; consequently it was functioning more actively.

Surplus anticipated.

Last year the Estimates had anticipated that their deficit would be less than Sinking Fund contributions. That forecast had been realised. For the current year, 1936-37, the Estimates anticipated a small surplus after all payments to Sinking Fund had been made. Thus they had come to the end of a long series of deficits which had extended over nine successive years. The accumulated deficit of these years was £40,000,000 of which over £14,000,000 had been accumulated in the 4 years 1927-28 to 1930-31, over £14,000,000 was attributed to one year—1931-32, and just on £11,000,000 to the 4 years 1932-33 to 1935-36.

Increased Expenditure.

The total estimated Expenditure, £49,706,769, in this Budget was within a few hundred pounds of the Expenditure in the pre-depression year 1928-29, when there had been a deficit of £1,900,000. In the intervening years the population had increased by 7 per cent., entailing increased costs, but, in addition, special new items of unavoidable expenditure had appeared and these remained an annual addition to the obligations to be met in the Budget.

While he could forecast no new reductions this year, the Government would continue all reductions made in past years, and provide in this Budget, for a full year, remissions in wages tax and special income tax that operated for only part of last year. The total reductions in those two taxes effected since 1932 were equivalent to £3,300,000 this year.

Apart from that, the value of remissions of various taxes made in past years was equivalent to £2,900,000 in the present year, while past reductions in rail fares and freights and tram fares were worth £2,000,000 this year. The amount of past interest reductions made to assist settlers and local governing bodies was equivalent to £1,360,000 in this Budget.

Additional Expenditures.

There were important directions in which they proposed to make adjustments of expenditures. These were an additional provision for the remaining unemployed and a measure of restoration in public services. The amount to be provided in the Budget on account of these extra items this year was £570,000.

Revenue and Expenditure.

The total Revenues and Expenditures of all funds within the Budgets compared as follows :—

				Revenue.	Expenditure.
				£	£
1928-29	...	...	...	47,040,657	48,959,689
1931-32	...	...	...	42,416,790	56,644,635
1935-36	...	...	...	46,518,761	48,213,088
1936-37 (estimated)	...	...	...	49,712,643	49,706,769

Business undertakings.

One of the most satisfactory features in the Budget was that Governmental business undertakings were now restored to a basis of profit, instead of loss. The net earnings (excess of revenue over working expenses) of all business undertakings had doubled (£3,819,212 to £7,712,024) since 1930-31. This improvement had been attained concurrently with reductions of freights, fares and other charges.

Railways ; Road maintenance.

The Railway budget estimated a surplus of £30,000 for 1936-37.

The bulk of the money for road maintenance and improvement came from vehicle and petrol taxation. The aggregate income this year would be a little over £3,300,000.

Public Debt.

Actually the interest on approximately two-thirds of their debt was earned by public assets in which it was invested. The relative amounts of internal and external debts were as follows :—

AT 30TH JUNE,		Internal.	External.	Total.
		£	£	£
1932	...	127,945,952	178,579,646	306,525,598
1936	...	171,967,901	174,608,393	346,576,294

Sinking Fund.

During 1935-36 contributions to Sinking Fund amounted to £1,940,514. Nearly £2,800,000 would be available for redemption of debt during 1936-37. By 30th June, 1937, the total amount credited to the National Debt Sinking Fund would reach £14,550,000.

Loan expenditure ; etc.

Net loan expenditure for works and services last year amounted to £6,722,437, which, in addition to £2,768,671 from repayments, made a total expenditure of £9,491,108 for 1935-36. The estimated amount authorised for expenditure this year was £8,772,380.

The Premier, in conclusion, said that the signs of recovery in commodity values to which he had referred in his last Budget Statement, had been confirmed by experience. Wool prices had been maintained at remunerative levels ; wheat prices had risen very satisfactorily, and returns from butter were above those of the last few years. Metals, too, had shared in the price recovery. A higher level of prices, if it continued, would mean a larger national income and economic independence for the farmer. They looked to that to remove finally the disequilibrium in their economic system. The spending power thus regained would provide a new stimulus to expansion of trade and industry, and make their economic progress assured.

DEBATE IN LEGISLATIVE ASSEMBLY.

On 11th November,

Hon. J. J. Lang (Leader of the Opposition) said that during his first year the Treasurer had introduced the system of paying interest on the loan account and debts out of loan money. In his next year, when the accounts still would not balance, he arbitrarily reduced the amount which the Government under Statute was called upon to pay to the public servants' superannuation fund. The year after that he had promulgated the idea of making the working man support the unemployed and introduced the Wages Tax. When he returned to the Treasury, after a period of opposition, he confiscated all the trust funds that were at the Treasury. It was in that year that he committed the greatest of all his crimes—the theft of the unemployed money from the Wages Tax, a theft which had since grown to the amount of £14,000,000.

Transferring the burden.

The estimated Revenue was £49,712,000, showing an increase of £2,700,000 over what the Premier had described as the ideal normal year—1928-29. In that year income tax had yielded £7,343,000. This year, however, income tax was only £5,450,000 or £2,000,000 less than in the golden year of prosperity. There was £2,000,000 more in this revenue, but £2,000,000 less from his wealthy friends who paid income tax. He had transferred to the wage and salary earners the burden of taxation. That was why the unemployed could not expect to get a fair deal from this Government. The money which they believed was being raised to relieve their economic position was being used to relieve wealthy taxpayers of the necessity of paying income tax.

Victoria.

GOODS (SALE OF WOOL) ACT.

(Draft allowance on wool : joint Empire action suggested.)

This Act was assented to on 29th October. The main provision is as follows :—

“ Any provision, express or implied, in any contract of sale of wool entered into after the commencement of this Act, providing for any deduction (as, or in the nature of, a draft allowance) from the weight of the wool the subject of the contract of sale shall be void and of no effect.”

The operation of the Act is subject to the passing in each of the other States of the Commonwealth of an Act containing substantially similar provisions.

IN THE LEGISLATIVE ASSEMBLY.

On 7th July,

The Minister of Agriculture (Hon. E. J. Hogan) in moving the Second Reading, said the purpose of the Bill was the abolition of the practice of deducting 1 lb. of wool from every cwt. sold by wool growers. The origin of the deduction was obscure, but probably dated back to ancient times when weighing appliances were unreliable, and buyers demanded an allowance of 1 lb. as compensation for shortage.

Joint Empire action.

Australian wool growers had been actively endeavouring to secure the abolition of the draft, and opposition to the deduction had become more intense as the real reason for it disappeared. The Empire Wool Conference, held in Melbourne in 1931, resolved—"That every endeavour be made to secure the elimination of the draft allowance."

At the meeting of the Australian Agricultural Council in May of this year it was agreed that the draft allowance should be abolished, and that joint Commonwealth and State action be taken to give effect to the resolution. In addition the Agricultural Council had asked the Commonwealth Government to make representations to the Governments of New Zealand and South Africa, requesting them to take similar action.

Queensland.

THE BUDGET.

(Receipts and Expenditure; Public Debt; Loan Fund; Estimates; Public works; etc.)

On 15th September, 1936, in the Legislative Assembly,

The Treasurer (Hon. W. Forgan Smith) reviewed the finances of the State and brought forward the Estimates for 1936-37. The year's transactions had resulted in a deficit of £741,815, which was £420,558 less than the estimate. The following was a summary of the position:—

		Estimated.	Actual.
Receipts	...	£15,036,810	£15,488,991
Expenditure	...	16,199,183	16,230,806
Deficit	...	£1,162,373	£741,815

Revenue and Expenditure, 1935-36.

Receipts for the year totalled £15,488,991, being £208,970 in excess of Revenue for 1934-35. The amount received from the Commonwealth was £1,171,235, or £211,000 less than the previous year. The receipts from taxation (£4,082,507) were £417,307 more than anticipated. Land revenue (£1,405,603) realised £53,603 more than the estimate. Railway earnings (£6,643,834) fell short of the estimate by £56,166.

Disbursements from Consolidated Revenue Fund amounted to £16,230,806. The charge for interest on Public Debt (£4,980,730) was £25,684 less than the amount provided, brought about by a saving of £32,900 in respect of the loan of £2,793,350 which matured on 31st January, 1936, provision having been made for interest at £5 0s. 9d. per cent., whereas conversion was effected at 3½ per cent. The Railway Department expended the sum of £5,092,714, or £92,714 in excess of the original provision.

Trust Funds.

The receipts on account of Trust and Special Funds amounted to £7,598,808, which was £43,307 less than the previous year. The total amount expended from Trust and Special Funds during the year was £7,428,708 which was £170,100 less than the receipts.

Loan Funds.

The amount expended from Loan Funds was £4,219,630, which was £566,070 less than the amount disbursed in 1934-35. This expenditure had enabled the Government to carry out an extensive policy of public works and development.

Receipts of the Loan Account comprised: Repayments by Local Authorities, etc., £1,208,351; Land Sales Proceeds Act, £13,427; Loan Raisings, £6,282,847; Total, £7,504,625.

Public Debt.

The Public Debt operations for the last financial year might be summarised as follows:—

	£	£
Gross debt at 30th June, 1935	...	118,846,753
Add Raisings during the year	2,991,570	
Increase in Treasury Bills	1,379,000	
		4,370,570
		123,217,323
Less Redemptions by Sinking Fund	...	581,272
		£122,636,051
Gross Public Debt at 30th June, 1936	...	

As against the above liability, accumulated sinking funds at 30th June, 1936, totalled £789,527. Allowing for these sinking fund balances, the net Public Debt at 30th June, 1936, was £121,846,524.

The interest paid on the Public Debt for the financial year 1935-36 amounted to £4,980,730, which was an increase of £46,001 as compared with the previous year.

Estimates for 1936-37.

The Treasurer said he estimated that Revenue receipts for 1936-37 would amount to £16,068,000—this was £579,000 in excess of the actual receipts for 1935-36. The economic progress of the State, the seasonal outlook and the higher price levels justified the budgeting for an improvement in collections for the current year. Provision was made for expenditure from Revenue Account of £16,718,000, which was £487,000 more than the disbursements last year. He estimated revenue deficit at 30th June, 1937, at £650,000.

Financial relations : Commonwealth and States.

Referring to the question of the re-alignment of the financial relations of the Commonwealth and the States, the Treasurer said the position remained unsatisfactory. At the recent conference of Commonwealth and State Ministers, he had suggested that the Commonwealth should increase its contributions under the Financial Agreement towards the liabilities of the States for interest and sinking fund by 25 per cent. This would have cost the Commonwealth something less than £2,000,000 per annum. The Commonwealth had rejected this request and contented itself with a 20 per cent. increase in the Roads Grant from petrol taxation, which would give Queensland about £104,000 additional grant for specific purposes each year for the next ten years, commencing in 1937-38.

The Financial Agreement would be ten years old in 1937, and a great deal had happened to increase the relative liabilities of the States. The share of the common liabilities undertaken by the Commonwealth had been inadequate at the time, and it had become more inadequate since. He was not deeply concerned as to the form of re-adjustment, or as to whether the Commonwealth should contribute to the cost of social services, or take over a larger part of the cost of development, as represented in the State Debt, but he regarded the formula used for the roads grant as equitable and appropriate for the distribution of any payments to be made to the States as a whole.

General conditions.

The Treasurer, in the course of a general review of conditions, said the year 1935-36 had opened with the breaking of a disastrous drought, which had reduced the numbers of sheep by about four millions. The wool clip had been smaller, but the recovery in prices had saved the situation. The general position had improved enormously. Contributions by employers and employees to the Unemployment Insurance Fund had increased by £16,953, or 5 per cent. on those of the previous year. On 30th June last, deposits in the Savings Bank totalled £27,132,000, being an increase of £935,000 over the figures for the previous year.

They had reached the stage when private business had been stimulated to employ more men and money, but they could not yet afford to reduce the stimulating effect of public works, nor to reduce the employment given by those works both directly and indirectly. It was important that they should be able to get sufficient money, and get it without increasing the rate of interest to such an extent as to place burdens on all borrowers. The maintenance of low rates of interest was still a leading objective of national policy, and they expected the assistance of the Commonwealth Bank in achieving it.

DEBATE IN LEGISLATIVE ASSEMBLY.

On 17th September,

Mr. E. B. Maher (Leader of the Opposition) said the most significant feature of the Budget was that the Treasurer had made no reference to the question of taxation. The estimated Expenditure of £16,718,899 had only once before been exceeded—in 1928-29, when the figure was £16,902,145. The comparison of production and taxation between the years 1924-25 and 1936-37 showed that there had been a drop of £14,000,000 (from £67,000,000 to £53,000,000) in wealth production as

against an increase in taxation revenue from £3,900,000 to £6,792,000. In 1924-25 taxation had been £4 14s. 10d. a head and last year it had been £6 15s. 4d. In 1924-25 the Government had been faced with the necessity of providing for a basic wage scale of £4 5s. a week; to-day it was only £3 14s. a week, so that the obligations of the Government were not so great.

Heaviest taxed State.

Queensland was the heaviest taxed State in Australia. The effect was to cause a drift in secondary industries which were finding it increasingly difficult to compete with rivals in the southern States. There were only 42,000 factory hands in Queensland as against 40,000 twenty years ago—an increase of 5 per cent. as against 50 per cent. increase in the population of the State.

Public Works.

A progressive policy of judicious expenditure of loan money in work that would result in increased production would be well advised, but such was not the case. The Debt service charges for 1934-35 amounted to £6,208,241, and the receipts from loan works and services £3,038,859. The taxpayers had had to shoulder a discrepancy of £3,169,782. It was evident that 50 per cent. of the State Public Debt for 1934-35 was unremunerative. Loan money should be used better than that.

Unemployment Tax.

A sum of £2,500,000 was annually extracted from the people by way of Relief Tax. The Fund was being used more and more as an ordinary source of revenue and the time was more than ripe for a remission of the Tax. If the Government had no further need of the sum for the relief of unemployment, it was their clear duty to remit the amount not required to the people who had to find the money.

South Australia.**THE BUDGET.**

(Revenue and Expenditure for 1935-36; Surplus; Railway losses; Public Debt; Estimates; Loan expenditure; Assistance to Farmers.)

On 15th September, 1936, in the House of Assembly, **The Premier (Hon. R. L. Butler)**, in presenting the Budget, said that the results for 1935-36 had been exceedingly satisfactory. For the second year in succession a surplus had been shown in revenue accounts. The actual figures were:—

	1934-35.	1935-36.
	£	£
Revenue	11,001,578	11,409,325
Expenditure	10,965,352	11,260,360
Surplus	<u>£36,226</u>	<u>£148,965</u>

Revenue had exceeded the estimate by £191,303, while Expenditure was £46,676 in excess of the estimate.

Railways.

The loss on Railways last year, including interest on relaying and depreciated assets, was £955,000. He could not see the loss becoming less but greater. It was one of the problems to which the whole of the States must ultimately give more consideration. The Commonwealth Government yearly collected £8,000,000 from the petrol tax and it could make at least £2,000,000 available to the States to wipe off the loss on railways.

Public Debt.

A comparison of the position at 30th June, 1936, compared with that of the previous year, was as follows :—

		1935.	1936.
Total indebtedness		£106,358,239	£107,532,220
Debt per head		£181 17s. 4d.	£183 0s. 8d.

Overseas Conversion Loan.

In June, 1936, a Loan had been floated in London which had converted £1,996,335 of 3½ per cent. stock into a new loan bearing interest at 2½ per cent. The new Loan was issued at 99 per cent. and would mature in 1943. The saving in interest and exchange would be £18,750 per annum.

Disabilities under Federation.

The recommendations of the Commonwealth Grants Commission in respect of the Grant for 1936-37 (£1,330,000) had been received with very great disappointment. He had anticipated that the Grant to South Australia would be as large as that recommended for 1935-36, namely £1,500,000. The high protectionist policy adopted by the Commonwealth had materially benefited two or three of the big States and acted adversely on those States which were primarily dependent on agriculture and should be compensated for the losses sustained. The South Australia Government strongly resented having to go to the Commonwealth every year for a grant to enable them to carry on. There was a permanent solution to this difficult problem, namely the Commonwealth agreeing to pay the interest on a greater share of the States' Debts in proportion to the disabilities suffered by the States.

Estimates for 1936-37.

The Budget figures had been prepared on the assumption that the Commonwealth Grant for 1936-37 would be £1,500,000 as in 1935-36, and the figures would have disclosed a small surplus, after making allowance for certain deductions in income tax.

The Estimates as now submitted were as follow :—

						£
Revenue		...	...	...	...	11,303,345
Expenditure		...	...	...	...	11,471,797
Estimated Deficit		...	...	...	...	£168,452

Taxation reductions.

Provision would be made for a general reduction of 2d. in the £ in income tax rates, excluding companies. There would be an additional

reduction of 1d. in the £ in respect of single persons. The loss of revenue involved would be £106,000. Legislation would be introduced providing for the abolition of amusement tax on 6d. tickets. South Australia was one of the few States which imposed a tax on tickets of low price.

Assistance to Primary Producers.

The Primary Producers' Debts Act had now been in force for 16 months, and was available to all primary producers who were financially embarrassed. By means of funds provided by the Commonwealth Government it was possible for any producer who was in financial difficulties, but was capable of carrying on if his debts were adjusted, to obtain relief. Up to 8th September, 1936, the number of applications for relief received had been 1,954.

Loan expenditure.

The loan estimates for 1936-37 provided for a gross loan expenditure of £2,450,000, credits, £844,000, giving an estimated net loan expenditure of £1,606,000.

Unemployment ; etc.

At the end of August, the number of registered unemployed was 11,109, showing a reduction of 53 per cent. as compared with 1932-33.

The Premier, in conclusion, said that it seemed clear that if Australia was to maintain a population commensurate with her national safety, then she must aim at becoming self-supporting as regards essential commodities. There was no reason why secondary industries should be established almost exclusively in one or two States of the Commonwealth. South Australia must continue to press for her share in the establishment of new industries within her borders. The recognition of the claims of the smaller States in this respect and a satisfactory adjustment of Federal and State finances must be their objective.

DEBATE IN HOUSE OF ASSEMBLY.

Opposition views.

On 23rd September,

Mr. A. W. Lacy (Leader of the Opposition) said the Commonwealth Grants Commission had reduced their Grant this year and penalised the State because its Budget had been balanced as a result of excessive taxation, and the granting of no relief to the people. Their taxation had almost reached breaking point. At no time had the necessity been more pronounced for a definite declaration to be made as to the Grant which the State was entitled to, not from year to year, but over a longer period. The fields of State and Federal taxation should be definitely determined. He did not depart from the policy he had always advocated, that was, as soon as possible, one Parliament should be established for the whole Commonwealth. Pending the acceptance of that policy, somebody should be appointed to determine the definite fields of taxation for the Federal and State Governments.

Improvement analysed.

The State Government were praising themselves for the improvement in the financial position, but he did not believe that they were entitled

to that praise. Taking 1930-31 as the worst year and analysing the recovery, one could show where the improvements had been effected. In 1931 the deficit had been £1,814,000, and the surplus last year was £149,000, so that the difference in their financial position between 1931 and last year was £1,930,000. One could make a list of improvements that had been brought about:—Commonwealth Grants increase, £375,000; Interest and Exchange reductions, £776,140; Wages and Salaries reductions, £247,365; Unemployed and Public Relief reduction, £251,000; Reduction in payment to Superannuation Fund of £40,000, making a total improvement on these five items alone of £1,689,505. Apart from the Commonwealth Grant increase and Interest and Exchange reduction, the whole of the other improvements had been taken from the poorer section of the community.

Budget concessions.

The Budget undoubtedly gave some minor relief. The greater relief was given to the wealthier section of the community. The savings effected had been wrung from those on lower wages and incomes; and there was no relief generally for the section which had, during the last few years, been subjected to hardship, privation and unemployment.

Migration.

Influential persons entering Australia often declared that the solution of many of their problems was the peopling of the Commonwealth, although they already had an army of unemployed. South Australia had its quota, and before this Government agreed to any immigration policy promulgated by the Commonwealth their own people should receive consideration.

Western Australia.

THE BUDGET.

(Revenue and Expenditure; Surplus; Taxation; Estimates; Land Settlement losses; Public Debt; etc.)

On 8th September, 1936, in the Legislative Assembly,

The Deputy Premier (Hon. M. F. Troy), in presenting the Budget for 1936-37, reviewed the financial position in the past year, and stated that the year 1935-36 had closed with a surplus of £88,378, as compared with an estimated deficit of £255,647. The actual Revenue was £10,033,721, compared with the Estimate of £9,406,490, or an increase of £627,231; whilst the Expenditure was £9,945,343, and the Estimate £9,662,137, an increase of £283,206.

Revenue and Expenditure.

The principal items of Revenue responsible for the increase were: Commonwealth Grant (total £800,000) £200,000; Taxation (£2,185,800) £255,300, Public Utilities (£5,183,249) £154,649, of which Railways (£3,424,494) accounted for £74,494.

The main increases in Expenditure were: Railways (total £2,498,412); and Miscellaneous Services (£605,939) £88,149.

Taxation.

The total taxation receipts of £2,185,800 were the highest ever recorded. This result was due largely to the operation of the Financial Emergency Tax which had been responsible for the sum of £827,119. The fact that they had a surplus supported a claim for modification of the Financial Emergency Tax. He regretted that that could not yet be done. It would be most unjust to reduce taxation at the present stage, which would have the effect of curtailing the amount of work to be provided for large numbers of men who were suffering some hardships on account of the Government's inability to finance full-time work.

Estimates for 1936-37.

In preparing the Budget for 1936-37, the Government assumed that the Commonwealth Grant would be the same as last year—£800,000.* Unfortunately, the season in the pastoral areas had been particularly unfavourable, and this, together with the drought in the eastern wheat belt, had had the effect of substantially reducing their estimated surplus below that of last year.

A comparison with last year's results was as follows:—

		1935-36.	1936-37.	Increase.
Revenue		£10,033,721	£10,159,599	£125,878
Expenditure		£9,945,343	£10,153,925	£208,582
Surplus		£88,378	£5,674	

The total Revenue from all sources was expected to be £10,159,599; but from this they should deduct the expenditure of the public utilities section, which was the cost of earning the revenue, namely £3,429,305, leaving a net revenue for Governmental purposes of £6,730,294.

The cost of servicing the loan indebtedness amounted to £4,090,780, leaving a balance of £2,639,514 to finance all the other services of the State. Viewed in that light, it would be seen how little margin they had for embarking on new expenditure or reducing taxation.

Agricultural Bank: Group Settlement.

The figures regarding the expenditure on land settlement under the headings controlled by the Agricultural Bank and Group Settlement were an answer to the statements that the Government were not bearing the share of the losses suffered by the agricultural community. For the year ended 30th June last, the loss to the State in this respect had been £716,768. The collapse of the world's markets and the comparative failure of the last few seasons in parts of the State had rendered it quite impossible for a number of the Bank's clients to meet their liabilities. A heavy writing-down of the Bank's advances profit had to be faced, whilst out of an expenditure of £7,415,742 by the Lands Department and the Agricultural Bank on Group Settlement, only £1,777,784 remained on the books. On this reduced figure, last year's interest collections on Group Settlement averaged less than one per cent., or, on the valuation placed on occupied holdings only, approximately two per cent.

* It has since been announced that the Grant this year would be £500,000.

Loan Funds.

With respect to Loan Funds, £2,405,645 had been obtained last year through the Loan Council. Added to this was £107,907 received on account of loan repayments, and a balance of £53,607 carried forward from the previous year, a total of £2,567,159. Loan expenditure, including Loan Suspense, amounted to £2,559,614.

Public Debt.

The position of the Public Debt at the end of the year was :—

	£
Debt at 30th June, 1935	88,590,176
Add flotations	2,258,660
	90,848,836
Less redemptions	504,781
	90,344,055
Sinking Fund in hand	569,184
Net debt at 30th June, 1936	£89,774,871

The short-term debt at the beginning of the financial year was £9,371,414.

London Conversions.

To the end of June they had benefited from Overseas conversions affecting Loans totalling £14,601,513. The annual savings were : Interest, £175,844 ; Exchange, £43,487 ; total, £219,331.

Public Works.

Expenditure during the year 1935-36 on Public Works amounted to £1,256,651 ; £261,366 from Consolidated Revenue Fund and £995,285 from Loan Funds. An amount of £65,820 had also been spent from Grants made available by the Commonwealth Government.

Economic situation.

The Deputy Premier, in concluding his statement, said last year's surplus had been the first since 1926-27. Before the position could be regarded as entirely satisfactory, the employment situation must be materially improved and their primary industries placed in a more stable condition. There was need for increased expenditure on the development of agriculture and mining, on education, public health, on unemployment and social services generally and in assistance to industry. But whatever money was available it must first be provided by the people of the State. Excluding the unknown quantity of the Federal Grant, he thought that under reasonably favourable conditions they would realise their estimate ; but his optimism was tempered by the knowledge that they were not yet out of the wood as far as their pastoral and agricultural industries were concerned.

DEBATE IN LEGISLATIVE ASSEMBLY.

On 10th September,

Hon. C. G. Latham (Leader of the Opposition) said it would have been wiser to spend the surplus of last year on assisting industries or the unemployed, as other Governments had done. What he was afraid of was

that if they showed the Federal Government that the people of Western Australia were capable of being taxed as they were taxing then, and to show a surplus, there would be a reduction of the Federal Disabilities Grant.

The Revenue for last year had been a record for Western Australia. Considering the condition of many of their industries, he wondered whether they had done right to tax them to the extent they had done last year. They had taken into Revenue a large sum of money which it would have been wiser for the individual to have expended on developmental works.

Increased expenditure.

He feared they were getting back to the old system of lavish expenditure. The Government should see that not more money was spent than was desirable, especially on works and undertakings that were not revenue-producing. Additional expenditure would not solve their economic difficulties in the slightest degree.

Despite the fact that they had saved £128,000 in interest and exchange, they had spent last year £749,000 more than in 1932-33. In 1932-33 Western Australia had had to find from revenue very large amounts to assist men employed on relief works. That expenditure was now met principally from loan funds. If the Government would control this expenditure it would tend largely to solve the unemployment problem. They should then be able to spend that amount of £749,000 in assisting their industries or granting relief to part-time employees.

Assisting wheat growers.

They should encourage wheat-growers to take advantage of the present upward trend in prices. They should let the farmer have bulk-handling facilities wherever he wanted them ; and provide terminal elevators at ports. This would mean that the farmers would get their wheat shipped at a cheaper rate. And the method of assisting the farmer was the abolition of the extra freight charge of 9d. per ton on bulk wheat.

Tasmania.**THE BUDGET.**

(Economic situation ; Employment ; Public works ; Revenue and Expenditure ; Taxation ; Public Debt ; etc.)

On 27th October, 1936, in the House of Assembly,

The Treasurer (Hon. E. Dwyer-Gray), in presenting the Budget, said the health of the Tasmanian economy had shown remarkable improvement in 1935-36. Between 1934-35 and 1935-36 the community's income had increased by about 14 per cent. The monthly average of exports in 1935-36 had recovered to within 11 per cent. of 1927-28. The monthly value of overseas and inter-State imports in Australian currency was about equal in 1935-36 to that in 1927-28.

Employment and Public Works.

It had been estimated that between 1931-32 and 1935-36 some 9,500 persons had been re-absorbed in employment and another 1,000 absorbed

by virtue of growth of population, an increase of 22 per cent. During the two years the Government had been in office, State Government employment had been responsible for three-quarters of the total re-absorption of unemployed.

Revenue and Expenditure for 1935-36.

The total Revenue received into the Consolidated*Revenue Fund for 1935-36 was £3,117,602 and the Expenditure was £3,247,288, resulting in a deficit of £129,686. Revenue had increased by £245,454 compared with the year 1934-35, and was £176,055 in excess of the Budget estimate. Expenditure had increased by £255,939 compared with 1934-35, and was £25,772 above the estimate.

Unemployment costs.

Expenditure on relief of unemployment and charitable assistance from revenue had risen from £104,796 in 1932-33 to £232,790 in 1935-36; expenditure from loan charges from £10,708 to £25,356; and expenditure from Commonwealth and State funds fell from £98,007 to £97,358. The total increase from 1933-34 was £119,935.

Road Services.

The cost of road services, exclusive of unemployment works, was £554,864 from revenue and £85,986 from loans. The amount received from the Commonwealth Government as the States' proportion of the petrol tax rose from £108,543 in 1933-34 to £132,250 in 1935-36.

Commonwealth Grants.

The payments made by the Commonwealth to the State during 1935-36 and proposed in the current year were:—Payments under the Financial Agreement, £266,859 in 1935-36, £266,859 in 1936-37; special grant recommended by Grants Commission, £450,000 and £600,000; Tasmania's share of "non-recurring" grant of £500,000, £17,000. This "non-recurring" grant was being distributed by the Commonwealth to the States out of the accumulated excess receipts at 30th June, 1936.

Disabilities from Federation.

Mr. Dwyer-Gray expressed disagreement with the claim of the Federal Treasurer (Mr. Casey) that the Commonwealth Government had acted in the best interests in making remissions of taxation rather than providing correspondingly large amounts for the States. Some form of special assistance to certain States was inevitable. The inequalities among States, the results of the working of Federation, which led to the necessity for Special Grants, would continue and might even become worse.

Estimates for 1936-37.

For 1936-37 the estimated Revenue was £3,358,787, and the estimated Expenditure £3,357,540, leaving a surplus of £1,247.

In view of the improved financial position, the Government proposed to remit the wages tax and special income tax on incomes up to £104 a year, and to remit the wages tax on incomes between £104 and £182 a year. The cost of these remissions for a full year would be £56,000.

Help for unemployed; Salary restoration.

The Government had concluded that the most satisfactory form which the increased assistance could take was an increase in the existing scales

of hours and rates for work in lieu of sustenance. The revised rates provided for 42½ per cent. on ration rates instead of 35 per cent. as at present.

It was proposed to repeal the Official Salaries Reduction Act of 1931, which would have the effect of restoring in full all reductions to which salaries and allowances had been subjected under that Act.

Forestry development; Loan expenditure; Railways.

In the current year the Government proposed to provide from revenue £10,000 for forestry development. This was in addition to the provision (£18,000) made under the Forestry Act, whereby two-thirds of the revenue obtained under that Act was appropriated for forestry administration and development. The Government also proposed to spend £15,000 from loan and moneys for the same purposes.

The net loan expenditure for 1935-36 totalled £999,970. The net loan programme for 1936-37 included £1,000,000 for Tasmania to be financed by:—loan to be raised on public issue, £833,000; "domestic" raisings, £150,000; Commonwealth Grant, £17,000.

The position of the Railway Department for 1935-36 showed a deficiency for the year of £360,073.

Public Debt.

The Public Debt at 30th June, 1936, amounted to £24,418,156, an increase of £582,802 compared with 30th June, 1935. The Public Debt per head was £106 0s. 8d. Interest sinking fund and exchange charges in 1936 represented £4 18s. 7d. per head.

NEW ZEALAND.

The following summary deals with the further proceedings of the First Session of the Twenty-fifth Parliament, which reassembled on 21st July, 1936, after adjournment from 11th June, and was prorogued on 3rd November.

DEFENCE.

(Unsatisfactory state of Territorial Force ; Australia's example ; Need of co-operation in Empire-wide defence scheme ; Singapore Base ; Aerial defence problems ; State-owned civil aviation ; Inter-Party Defence Committee ; Capitalism as cause of war.)

On 19th August, 1935, in the House of Representatives, Mr. Forbes moved :—

“ That the report of the Commodore Commanding the New Zealand Station on the New Zealand Naval Forces for the year ended 31st March, 1936, and the annual report of the General Officer Commanding the New Zealand Military Forces on the Defence Forces of New Zealand, be referred to the Government for consideration.”

DEBATE IN HOUSE OF REPRESENTATIVES.

Rt. Hon. G. W. Forbes (Leader of the Opposition),* after expressing the opinion that defence was a matter that ought to be kept entirely free from Party, said that what the Opposition had in mind in asking for the debate was a frank and free discussion on defence matters so as to be able to smooth out any points of difference, and unitedly to support and co-operate with the Government in putting into operation an agreed-upon defence policy that would be adequate to meet the conditions of the times. It would be an advantage to the Government and a source of confidence to the people to know that the Government had a united Parliament behind them.

Unsatisfactory condition of Defence Forces : public apathy.

In his report the General Officer Commanding had pointed out the unsatisfactory condition of the Territorial Force, and one of the factors to which he had attributed that was the apathy of the public. If they were to have an effective Defence Force it must have the backing of the public.

* On 1st November, 1936, it was announced that the Hon. A. Hamilton, M.P., had been appointed Leader of the Nationalist Party and consequently Leader of the Opposition on the resignation of the Rt. Hon. G. W. Forbes, M.P. from that office.

Compulsory service : change in conditions since its abolition.

As Prime Minister at the time compulsory service had been done away with, he wished to explain what had been in the mind of the Government at that time. First, they were faced with the necessity of making a reduction in expenditure owing to the financial tightness brought about by the depression. At that time the state of affairs in Europe was totally different to what it was to-day. There seemed to be no immediate danger ahead. In addition, the Government of Great Britain were doing their utmost to bring about a reduction in armaments, and they in New Zealand felt that they should keep in step with Great Britain. Further, there was the fact that a good deal of objection had been raised to compulsory service and, so far as they could judge, the results they were getting from it were not such as to warrant its continuance. They had decided to revert to the volunteer system, believing that they would have the support of the community after the compulsory system had been abolished. He had, however, been disappointed with the lack of support and sympathy with the volunteer movement: he was not advocating a return to the compulsory system but pointing out the position in respect of the volunteer system.

Mechanisation : longer training involved.

The General Officer Commanding had pointed out that new problems had been created by the introduction of armaments and mechanised forces. In the past the common belief was that after a comparatively short period of training new men were able to take their place in the front line, but with the altered condition of things a short period of training would be of very little benefit.

The Prime Minister had informed them that it was the intention of the Government to obtain the advice of an expert from the Old Country. Undoubtedly such advice would be very helpful, though he thought their own Staff Officers were in a position to report fully with regard to internal preparation.

The time had arrived for a complete overhaul of their defence system, and if it was put in its proper light he was confident the people would support the Government in any efforts to strengthen their powers of defence against any aggressor. In England he had seen evidence of how far the Army had advanced in regard to mechanisation. In New Zealand they had nothing of that description. To give their Forces the full advantage of training they must have them properly equipped. That meant facing considerable expenditure.

Aircraft : difficulties of securing machines.

In regard to aircraft they had not been able to do as much as they wished. Some machines ordered when he was in office had not been received yet and, according to the Defence

Report, no new machines had been received that year. At Home all the factories that turned out aeroplanes and aeroplane engines were working for the requirements of the British Government. They must therefore make up their minds what they required and get their orders in if they wished for delivery within reasonable time.

Recent happenings in the world had made it more apparent than ever that they must provide against an unprovoked attack, nor could any exception be taken to that policy, for there was no desire on their part to provoke aggression.

British armament policy.

In nearly every country in the world there was feverish activity in building up armaments. In Great Britain they had enormously expanded their Estimates and had gone in for tremendous expenditure on their air Forces, their naval Forces and their land Forces. And they had to remember that it was Great Britain that led the way towards disarmament and that there was no change of heart in that respect in Britain. Her statesmen were as keen as ever in trying to ensure that peace should be preserved, and yet the Government of the Mother-Country realised the very great responsibility resting upon them, which could only be met by making preparations to the best of their ability to protect their citizens and country.

Australia's example.

Australia's estimated expenditure upon its Air Force for 1935-36 was £1,437,000, as compared with New Zealand's £132,000. That country, similarly situated to New Zealand, was very reluctant to spend money on defence. There was the same public opinion as in New Zealand. Yet there had been a recognition of the need for strengthening the defences, so that to-day the Australian Government were spending £8,000,000 instead of the £4,000,000 they had spent in 1930. New Zealand's defence expenditure had been as follows: 1930-31, £901,000; 1931-32, £685,000; 1932-33, £725,000; 1933-34, £790,000 and in 1934-35, £1,040,000. In their Estimates for this year the Defence Vote has been increased by £60,000 only. Australia was spending £8,000,000 a year on defence, and on a *pro rata* basis New Zealand should be spending at least £2,000,000 a year on it.

The people expected the Government to do what they considered necessary to meet the changing situation, and he did not doubt for one minute that the Government would rise to the occasion. It was not his belief that the Government did not recognise their responsibilities and in making provision for an adequate Defence Force they would have the co-operation of the whole of the House.

The Prime Minister (Rt. Hon. M. J. Savage) said he quite agreed that the Government must accept some responsibility for giving a lead to the people in this matter, but it was as well to discuss the matter calmly, without getting excited about it, though he was bound to say that the state of the world to-day would justify some excitement. There was nothing to be proud of when they looked in the direction of Spain, and the general European situation was not one to make them feel that they could afford to be indifferent to defence matters. It was good to know they had a united Parliament, though it was hardly to be expected that they could agree upon details.

Need for co-operation with Britain and Australia.

He disagreed with Mr. Forbes' reference to the matter of obtaining advice from British Staff Officers. It was not merely a question of what they were going to do in New Zealand. They wanted to know what Britain was doing; and what Australia was doing, and Australia ought to know what they were doing. There should be a common policy. In the event of something untoward happening, say next month, under the system prevailing at present they would not know what Australia was going to do, what system of defence she had, or what assistance and co-operation they could hope for.

In discussing this matter with the British Government they did not omit any aspect they thought would be useful. The offer of the services of an officer from Britain was made by Britain, and the least they could do was to fall in with the idea, because here was an opportunity of getting a man who was cognisant of the latest in aviation, and in military matters generally.

Value of civil aviation for defence purposes.

Mr. Forbes had said that a civil aviator would not be much good as a soldier. But if they were training pilots in New Zealand and developing the air spirit and procuring the most modern means of transport and training men to handle those machines it looked to him that they would be providing useful raw material for military purposes.

Whether they had men-of-war in New Zealand waters or not, they must have a naval base of reasonable proportions where British naval shipping could come in. In addition, he hoped the time would come soon when New Zealand's supplies of oil fuel would be possible from New Zealand sources. He thought the time had come for a substantial development in aviation, from the civil as well as from the defence point of view.

Compulsory service unnecessary.

Mr. Forbes had referred to compulsory military training, but he (the Prime Minister) hoped they would never have to talk about that. If they made it possible for men to do the right thing they would do it. They had never failed. He remembered the battles that had taken place in Australia over conscription during the late War. Conscription had not been enforced in Australia; the people turned it down when a referendum was taken. But they did not turn down the fight. They went along just the same.

Col. J. Hargest (Nationalist, *Awarua*) congratulated the Government on extending the defence expenditure. He quoted from a speech in which Sir Archdale Parkhill, Minister of Defence for Australia, had said:

"Preparedness for war is a necessary deterrent to aggression. History has shown that right is not might, without the power to enforce it. A demonstration of pacific intentions by the abolition of armed force does not guarantee protection from violence."

Defencelessness an invitation to aggression.

He supposed there was no country in the world whose intentions were more pacific than China. Yet they had seen two great nations, claiming to be civilised, fall respectively on Abyssinia and on China, and there was a real danger that one of these two aggressors might look upon New Zealand as a victim and a prize in some future campaign. He did not say that was bound to happen. Nevertheless, they were practically in the same position to-day, with their absolute inability to defend themselves, as was Abyssinia on the one hand and China on the other.

It was extraordinary that at a time when the thoughts of serious people were turning to the possibility of a ghastly conflict in the near future, their young men were not rushing to the colours and learning to bear arms so that they might defend their homes and their country against aggression.

The Minister of Education (Hon. P. Fraser): "Could they defend them?"

Col. Hargest thought he would be able to show that they could. Had they maintained their defences as an Empire during the last decade the Abyssinian people would have been in possession of their country to-day, because Britain would have been in a position to say "No."

In addition to the case of Italy and Abyssinia, they had seen the case of Japan in China, and Germany, who, flouting all agreements, had marched back into her own territory on the Rhine. Perhaps she had had the right to do it, but she had only done it because she considered herself sufficiently well armed to be able to do it with impunity. They had proof of

the absolute failure of sanctions. Every nation was under an obligation to maintain a force consistent with its own national security. To-day there were large armies and navies in the East, while they were left unprotected by the British Navy, and without that protection they were in danger.

Weakness of Volunteer Force.

With the Prime Minister, he did not wish to see compulsory training tried at present. They ought to make an effort to prove the voluntary system a success before reverting to any other. Their establishment provided for 12,146 men of all ranks, and the present strength was 8,537, while it was estimated that only 25 per cent. of the men completed their training.

Aerial defence problems.

The Prime Minister had suggested that an adequate Air Force would provide the best protection New Zealand could have. But what was an adequate Air Force? One hundred planes would seem a great number to them, but it was only relative to the Force opposed to them. Moreover, to keep 100 planes in the air they would require about 300 on the ground, and a great increase in personnel to fly those planes, because from past experience they would expect the casualties to be very high. Their greatest security lay in the fact that to come with anything like a force a great convoy would be necessary, and a great convoy of ships was vulnerable to attack. But planes so far had not been able to stop other nations from conveying troops. They had just seen the experience in Spain, where the rebels were able to convoy troops across the Straits of Gibraltar despite the fact that the Spanish Government had a predominance in the air.

Mr. Stanley Baldwin had said the frontiers of Britain were on the Rhine, and the frontiers of New Zealand might well be the Pacific islands situated between New Zealand and the northern part of Australia. He could imagine that a powerful Air Force from New Zealand and Australia combined, based on the chain of islands from the Cook Islands to Samoa, Fiji and New Guinea, would prove very much more effective than any Force based on their own ports.

The voluntary system was not getting sufficient men, and they had either to give more inducement to the young men or adopt some other means. In South Africa they had an establishment on a voluntary basis, but when they failed to get recruits voluntarily they balloted to make up the strength. That was a form of compulsion but it was not unfair.

For many years New Zealand, as Australia, had sheltered too much under the protective wing of the United Kingdom

and the time had come when they should say to her that they would give a greater helping hand than they had given in the past.

Defence Conference.

Mr. W. T. Anderton (*Labour, Eden*) believed that they could not discuss the defence of New Zealand to the fullest degree and to the satisfaction of the Dominion or the British Empire unless they discussed the correlation of defence with every other section of the British Commonwealth of Nations, and that should be done at a conference where the whole of the Empire's defensive operations were considered. What they had first to do was to decide the best and safest means of defence. They might spend millions of pounds and yet, when the time came to use their armaments and defence units, find that the ideas and conceptions on which they were founded were impotent and useless. It would be better to concentrate on the naval and air sections of defence than on the military section, which would not be able to do much if their Naval and Air Forces failed before an enemy reached their shores.

Mr. W. A. Bodkin (*Nationalist, Otago Central*) did not agree that money spent on the development of their land Forces would be money wasted. New Zealand would never be conquered until an attacking force was actually landed in the country and overpowered the people defending it. The principal object of the Government should be to defend New Zealand from invasion rather than develop a portion of an Empire unit for service overseas.

Pay for volunteers ; Naval base without a Navy.

It was unreasonable to expect a volunteer Force to give much of its time without being reasonably rewarded. The defence of New Zealand should be everybody's job, and, if necessary, a reasonable rate of pay should be given to the men of the Volunteer Territorial Army.

The completion of the Singapore Base in itself conferred no security upon them. That Base would never be really completed till Britain could maintain in Eastern waters, or in the Pacific, a Fleet that would be capable of meeting the battle Fleet of one of the first-grade Powers. At present, if the British Navy became involved in a European struggle they would be left in an almost defenceless state.

He was in accord with the Prime Minister's statement that they should endeavour to manufacture locally the munitions of war necessary to meet their requirements. No defence system would be of any value if they did not have the munitions of war and the equipment necessary to repel an enemy.

Naval defence measures.

The Minister of Defence (**Hon. F. Jones**), in the course of a very full and detailed statement regarding the position of New Zealand's defence preparations, said that New Zealand's final payment towards the Singapore Base had been made on 31st March, 1936, and on that date the first cruiser of the "Leander" type, H.M.S. "Achilles" was commissioned for service in the New Zealand Division. The cruiser carried eight 6-in. guns in turrets, had a maximum speed of 32.9 knots and carried two three-seater Amphibian aircraft. The other vessel, the "Leander" would not arrive until August, 1937. The additional charge for maintenance of these two larger cruisers amounted to £63,000 per annum. In addition they had been faced with a reorganisation of the base at Auckland and enlargement of the Calliope Dock.

With regard to personnel, a scheme had been evolved for the entry of about 75 per cent. more recruits than hitherto and they were getting an excellent type of man. In response to the last advertisement, calling for 46 men to fill vacancies, they had received applications from over 500.

Coastal defence ; Ammunition from Australia.

As to land forces, the whole question of defence had been considered in collaboration with the British Government. In 1934, Sir Maurice Hankey had visited New Zealand to investigate the question of coastal defence and agreed with the recommendations with one slight variation. The general plan adopted by the Government covered a period of six years, at an ultimate cost of £1,000,000.

They had not only to provide the coast defences but the ammunition. Some orders for ammunition had been placed with Australia, and supplies from the Commonwealth had been cheaper than those from Britain and had certainly been up to standard. Recognising the difficulties with which Great Britain was faced in supplying her own needs, there was every reason why they should obtain their supplies from Australia, which would be a handy source of supply in a period of stress.

Territorial Force : unsatisfactory condition.

The officers and men of the Territorial Force were rendering a service and had done splendid work, but when they analysed the figures they found the training was not satisfactory. On 1st June the strength of the Territorial Force was 8,294. They lost by transfer out, discharges and death, 3,737 men, and the new enrolments were 3,411. Practically 50 per cent. of the men went out during the year and another 50 per cent. came in. They could not have a trained force under such conditions. Those who completed their camp training were

49 per cent., as against 60 per cent. in 1935. Those who completed both camp and out-of-camp training represented only 30 per cent. of the Territorial Force. No-one could say that was a satisfactory result for the expenditure of some £176,000 on the training of their Territorials.

Even if they increased the pay they had no reason to believe they would increase the numbers. Some people blamed the employers, but he did not, because he knew that quite a number of employers were quite keen about Territorial training for their men. But they were faced by the position arising from the specialisation which had taken place in industry and the minute sub-division of labour. If one took two or three men out of a factory for a week it would close down for the week and the other men would be out of work.

What they had to decide was whether a Territorial Force was necessary. If they agreed that it was, it was their duty to see that the Force was brought up to the highest standard of efficiency.

Some people reflected on the Territorial Force of New Zealand and said the rate of volunteering was very low. The latest available figures showed that in England and Scotland there was one volunteer to every 310 of the population, in Canada one to every 209, in South Africa one in 180; in Australia one in 242 and in New Zealand one in every 172. On these figures their position was the most satisfactory; but no one could say the position was satisfactory in New Zealand.

Aerial defence ; State civil aviation services.

During the year they intended spending £300,000 on their aerodromes, most of which were of value from a defence point of view. Some two years previously the British Government had invited the then Government to send New Zealand Air Force recruits to England after they had undergone twelve months' training, but that most generous offer had not been accepted because there was no equipment to train the recruits to the stage required. He was anxious to adopt that or a similar scheme for the future.

Even if they had put another £50,000 on the Estimates for the purchase of planes, the cost could not become a charge on the year's estimates because they could not be supplied for another 12 months.

He was anxious to see the Government take over the civil air services of New Zealand. He believed that no more privately-owned services should be established. It was the duty of the Government to control that form of transport,—that would be better than subsidising companies and at a later date buying out those companies. If they trained pilots and used them for civil aviation services and for defence, and if

they co-operated with Great Britain in regard to exchange of pilots, they would be working on right lines.

Raiders the greatest danger ; The "possible enemy."

One of the things they must guard against was scare-mongering. There were many people, actuated by the best of motives, who visualised New Zealand being over-run by an invader. He did not think they were in danger so long as Britain was able to hold her own in Europe. The consensus of opinion among experts was that the only possibility facing New Zealand was a raid by a cruiser or an armed merchantman or the laying of mines near their coast. They had had a raider in the last war and they must see that New Zealand was protected.

One possible enemy was persistently referred to. If they could only find the point of view of that country, they might find that that country was as fearful as other countries, and that it thought there was a possible danger—which he believed there was—that justified a greater fear than New Zealand need have.

Inter-Party Defence Committee.

Rt. Hon. J. G. Coates (Nationalist, Kaipara) said the House was indebted to the Minister for the very valuable survey of their defences. Would the Government be prepared to carry the matter a stage further and consider the advisability of forming a Committee of, say, four Government Members and two from the other side of the House, with a view of getting a clear grasp of the situation and to assist in the efficient carrying-out of whatever defence policy might be decided on? The country was entitled to look for a lead in the matter of defence, and if it could be given from that Chamber so much the better.

They had relied upon the League of Nations for a number of years; but with all the efforts that had been made, not only by the British Empire but by other fervent adherents to the League, they had had a most uneasy and uncomfortable time.

It was essential to the well-being of the community that they export their produce. Their exports had to pass through all kinds of waters before they reached the United Kingdom, and in time of war the United Kingdom would want everything they could send her in the shape of foodstuffs. It could not be gainsaid, therefore, that the Navy was their first line of defence, and in this connection they supported the Government's programme entirely. But they had to keep in mind their second line of defence—aerial co-operation with the Navy and harbour and coastal defences. Land defence, as well as coastal and air defence, was also worthy of consideration. Let them put out of their minds any thought of an Expeditionary Force.

Their immediate problem was to train sufficient reserves within the country for home defence.

Mr. W. J. Lyon (Labour, Waitemata) suggested that it was a practical impossibility for New Zealand, with her small population, adequately to defend New Zealand as an individual unit. If they were to have any defensive measures at all, those measures must be in keeping with an Empire plan, and they must depend to a tremendous degree upon the remainder of the Empire to see that they had some measure of protection. The Government were recognising that fact and were therefore collaborating with Great Britain.

The Government had already under consideration that civil aviation should be Government-owned, and if they were controlling the aircraft, surely they could easily arrange that one of the conditions of appointment of the pilots should be that they must belong to the Territorial Force Reserve, that they and their machines should be part of the Territorial Force, and that the pilots should have the necessary period of flying instruction from a military point of view to make them efficient pilots when a state of emergency arose.

Importance of good relations with the United States.

Mr. S. G. Holland (Nationalist, Christchurch N.) believed that the world's greatest hope of peace lay in the closer affiliation of the English-speaking countries, and they should do everything in their power to cultivate and encourage friendly relations between their section of the Empire and the United States. It would be well for them to bear that sentiment in mind when they were discussing tariff matters, because it was very easy to take a narrow and parochial view in these things.

Sometimes he wondered whether they had not laid too much emphasis on the military side of their training rather than on the physical side. Physical training, in preparation for military training, was the best health insurance scheme they could evolve.

Blind alley of "collective security"; Capitalism the cause of war.

Dr. G. McMillan (Labour, Dunedin W.) said that after the war the people of New Zealand and of the world had been determined that they would have no more war. But they were side-tracked into the blind alley of collective security, when they should really have attacked the cause of war, which was capitalism. The capitalistic system, demanding as it did an export market, was the cause of war in the modern world. Neither by armament nor disarmament could they gain either freedom or security. The best contribution New Zealand could make to world peace was to demonstrate the practicability and superiority of the socialistic organisation of society.

The debate was adjourned.

THE BUDGET.

(Increase in Expenditure and Income Tax ; Practicability of bi-lateral Trade Agreement with Great Britain ; Co-operation in Empire defence ; League of Nations ; Guaranteed prices for dairy produce ; Social credit ; Lack of population.)

A summary of the Budget statement by the Minister of Finance (Hon. W. Nash) on 4th August, 1936, was given in the last issue of the JOURNAL (Vol. XVII., No. 4, pp. 808-815). The following is a summary of the general debate which followed.

DEBATE IN HOUSE OF REPRESENTATIVES.

On 6th August, in Committee of Supply,

Rt. Hon. J. G. Coates (Nationalist, Kaipara) said the Government had imposed burdens upon industry which were making it impossible for a number of industries to maintain themselves. Expenditure was increasing by leaps and bounds and he believed that just round the corner inflation was in store for them. In the Budget they had an increase in expenditure from £26,000,000 to over £31,000,000.

Referring to the item in the Financial Statement reading :

"The fact that the moneys required for this financial year for an expanded programme of public works are available without any loan issue to the public is in itself evidence that the financial resources of the Dominion have not been utilised to the fullest extent."

and the statement that the estimated expenditure on such works amounted to £10,450,000, Mr. Coates asked whether this meant that the Minister was using reserves, or balances held in the hands of the Post Office or other Departments for the purpose of carrying on public works ; or was he proposing to borrow moneys Departments might require for their own purposes ?

With reference to the paragraph :

"If, however, our efficient agricultural industry is deprived of an overseas market and we cannot purchase overseas, the efficient British manufacturing industry loses its market, and trade between the two countries suffers. On the other hand, the more we can sell abroad at an economic price the more we can buy. Our efforts will therefore be directed to making reciprocal trade agreements."

was this intended as a threat to the United Kingdom ? Was it the intention of the Minister to say to the United Kingdom : "If you do not give us what we want in regard to dumping into your country exports from this country, then we are going to build our own motor cars and other things, irrespective of whether they cost more or not, irrespective of whether it does really fit in with our national economy."

The question of bi-lateral agreements had already been opened up by communications between the (previous) New Zealand Government and the United Kingdom Government. The reply, in clear and plain language, was that before the United Kingdom could consider the discussion of a bi-lateral agreement the subject must be discussed by an Imperial Conference held for the purpose of considering Empire trade questions. Then why, asked Mr. Coates, persist in these statements?

But supposing they could wipe all that out and start *de novo* to discuss a bi-lateral agreement, what was it that really counted in connection with such an agreement? Was it trade per head or was it not rather a question of the volume of trade? The volume of their trade as compared with that of Australia or of India, although New Zealand's preferences were ever so much higher than those of Australia or India, was by comparison as a drop in a bucket. The Minister had made a fetish of the idea of making a bi-lateral agreement with the Mother Country, but the thing could not be done.

Guaranteed prices for dairy produce.

In connection with the commandeering and marketing of the farmers' produce, the farmer was entitled to put up the strongest possible protest when that produce was taken out of his hands, by Act of Parliament, before ever a price had been mentioned or any bargain entered into. The Government were taking off approximately 2d. per pound from the world price to-day* and offering that to the farmers, who had been promised a guaranteed price.

Pensions ; Income Tax.

They learnt from the Budget that the additional cost entailed by the increases in pensions would be £2,280,000 in a full year. They, on their side of the House, had always endeavoured to ascertain whether their productive and national income would sustain the cost of benefits given by way of social services, but he was afraid the Minister of Finance had not taken this factor into consideration.

The table given in the Budget did not correctly represent the comparison between the income tax in Great Britain and the income tax in New Zealand. In New Zealand they paid, in addition to income tax, unemployment tax of 8d. in the £. Again it was not brought out that there was a 33½ super tax in the case of so-called "unearned" incomes. The enormous

* The London price for New Zealand butter has since fallen considerably and is now below the guaranteed price being paid by the New Zealand Government to the producers.

difference between the two systems of taxation came in, however, in connection with the tax on companies. The tax on large companies was now 7s. 6d. in the £. Adding land tax, most large companies would now have to pay the equivalent of from 8s. 6d. to over 10s. in the £ of their earned income. The progress towards industrial development and the absorption of the unemployed would be seriously hindered and many companies would go out of business as a result of the imposition of this taxation.

Defence ; League of Nations.

Mr. Coates, referring to the question of defence, asked what benefit could anything they did be to the people unless they took reasonable steps to protect the advantages their people enjoyed and those that the people of the Empire enjoyed?

They still hoped that it would be possible so to reconstitute the League of Nations that it might become a powerful factor in the settlement of international disputes. At the moment the League as a means of preventing war was useless.

They must look to the future and be prepared to play their part in a common Empire effort to preserve their national and Imperial identity, and at the same time to preserve the peace of the world. The Minister of Finance had said in the Budget: "Nations do not necessarily go to war. War now comes to the nation." And that was true. Were they prepared in case conflict did arise? The protection of Empire routes and the defence of the United Kingdom was of the utmost importance to each and every one of them. Great Britain was taking definite strides in the reconstruction and re-organisation of her Air Force, of her internal defences, of her Navy and shipping. Were they to stand by and see Britain making these preparations and not feel that there was some real necessity for it? Would it not help in preserving the peace of the world if the nations of the British Commonwealth were themselves ready and willing to do their best within their resources and take their share in maintaining the principles that every nation in that Commonwealth stood for? Did not that mean that they should co-operate with the United Kingdom and Australia with a view to evolving a common policy in regard to their air, naval and land defence?

The Prime Minister (Rt. Hon. M. J. Savage) denied that there had been any forcing of a price on the dairy-farmers. For the last eighteen months or two years he had been telling the dairy-farmers that he would see they did not get less than the average of the prices for the last eight or ten years. The price which had been made public in the Budget was a fairly liberal interpretation of that statement. In addition the

Minister of Finance had told the dairy-farmers that if there was any surplus in the fund to the credit of the dairy industry he would consult the representatives of the dairy-farmers as to what was the best thing to do with it. Most dairy-farmers had mortgage liabilities. The Government were not only fixing the price for dairy products but were also readjusting the mortgages on the basis of that price.

Redistribution of incomes ; Social credit.

There was one matter he wished to discuss for the benefit of people who were a little concerned about statements made by members of the Government Party regarding readjustment of incomes. There were people who thought that all they had to do was to get the printing machines to work and pump more money into circulation; but that was not going to solve the problem. At a certain time there was a certain amount of goods and services available, and if one man got more than his share, someone else must suffer. It was a redistribution of income that they needed. There was room for difference of opinion as to ways of arriving at it; but the objective should be clear to anyone. What they had to do was to see to it that buying power, or income, was put into the hands of the community so that they could buy to the value they produced. The benefit of machinery could only be given to the people by means of shorter hours of labour and increased pay.

Mr. Savage said he was not running away from the idea of social credit. The whole money system of to-day was built on social credit—somewhat awkwardly built, he would admit. Without social credit the money system would not exist at all. They were going to build houses for the people by using the public credit and he would like to see Mr. Coates endeavour to convince the people that the Government should not do that.

Assuming they decided to build, say, a broadcasting station, they would simply come to the House for authority to expend a certain amount—say £100,000.

Hon. Sir A. Ransom (Nationalist, *Pahiatua*): “Does the right hon. Gentleman accept any liability in regard to the amount of capital?”

The Prime Minister: “The broadcasting service of this country will pay for it, and we will not have to pay anybody overseas for something we can obtain in our own country—that is all.”

Defence.

Referring to defence, the Prime Minister said the Government were in constant touch with the British Government and were not leaving anything to chance.

On 11th August,

Hon. A. Hamilton (Nationalist, *Wallace*)* quoted the Prime Minister's statement that they required a redistribution of income and said that it emphasised quite fairly the Labour philosophy,—that citizens should receive what they needed rather than what they earned by services rendered. Should not citizens be encouraged to be assets in society rather than liabilities? When farmers produced more and exported more, and thus brought more wealth into the country, the gain they made was not made at the expense of anyone else.

The Prime Minister had also told them that he had yet to see the man who worked for pleasure. That remark also expressed the Labour philosophy—that idleness was preferable to work. That very false Labour belief was being carried out in practice. Practically all unemployed had been taken off [relief] work and given sustenance.

Social credit.

He thought the social credit idea was one of the promises that was embarrassing Labour Members, a lot of whom had won their seats by supporting social credit. The Prime Minister had told them he was going to build homes by social credit, but when he had explained the building of homes out of social credit he had practically said he was going to borrow money and pay interest as usual. Why humbug about the matter? If the Government were going to use social credit, let them say so in terms that would be readily understood.

The Budget over-emphasised spending and under-emphasised the creation and preservation of wealth. It overtaxed the industrious to keep the thriftless in idleness, but with regard to monetary matters the Budget appeared to be orthodox. The creation of money, as distinct from revenue and borrowing, was at least not visible in the Budget.

Mr. J. Thorn (Labour, *Thames*) said the Budget had shortcomings and fell short of what they had hoped would be immediately possible, but it was a step in the direction of what he had been aiming at during the whole of his political life,—the realisation of a socialist co-operative society.

Lack of population ; Uneconomic Public Works.

On 12th August,

Mr. W. J. Broadfoot (Nationalist, *Waitomo*) pointed out that taxation was now over £19 per head of the population. Undoubtedly they were paying for the amenities they enjoyed. They were suffering from the lack of population. National railways, roads and electric-power systems had been

* *Vide* footnote on p. 134.

provided which would sustain at least three or four times the present population. Public works never had and never would solve the unemployment problem. The Minister of Finance and the Minister of Public Works had talked confidently of creating national assets, but he doubted whether there would be an asset of £1 for every £1 spent. There was also the question of farm labour. Notwithstanding the statements made by the Minister of Public Works that men would not be allowed to drift from the primary industry to public works, what man was going to continue at work on a farm when he could get 16s. a day as a minimum on public works, which were in reality relief works? The scarcity of farm labour was going to have some nasty repercussions.

Payment of interest : experience of the Soviet.

Some Members of the Labour Party seemed to fancy that if only the banks were nationalised they could not merely obtain unlimited funds but could also escape payment of interest. At the Southport Conference of the British Labour Party in 1935, Dr. Hugh Dalton had pointed out that :

"The Soviet Government is still paying interest of 10 per cent. on its internal loans under the Five-Year Plan, seventeen years after Lenin's great work began."

The Minister of Finance, replying to the debate, said that under the guaranteed price arrangement the farmer would get every fraction that was realised from the sale of his products, and would get more than he got last year.

Trade Agreement with Britain.

The Government had asked him to go to Britain before the end of the year for the purpose of asking Great Britain what products of their soil would be useful to her people ; and when they had determined what were those products and what quantities of those products Great Britain would take, they in their turn would say to Britain : "Whatever you take from us, whatever prices are realised for our products, we will undertake, after negotiation and agreement with you, that the return that comes from the sale of our products shall be used in Britain,—first, to redeem the overseas debt ; and, second, to buy from Britain those goods which cannot be economically manufactured in New Zealand." When Britain understood the goodwill of the New Zealand Government, and the people of Great Britain understood the abundant resources of New Zealand from the food point of view, he had no doubt that, though it might not be within a week, the pressure of the logic and the reasonability of their case would so impress itself upon the minds of the governing authorities in Great Britain that they would get an agreement. If Britain could make an agreement with Canada in connection with pork and bacon,

she could make one with New Zealand without any breach of Commonwealth relations.

Use of bank credit and "public credit."

No one in their ordinary senses would try to destroy the savings of the people in the Post Office Savings Bank or to break the structure of their insurance policies, but if the people's savings resulted in the freezing of fixed deposits in the trading banks and the Government mobilised and used that credit, that was a using of credit in the best sense of the word. The second form of bank credit that could be more than justified was in an expanding economy, in a period when the production of a country, even with its savings, could not go to the point that it might go. It was then justifiable to find ways and means to expand credit in order to ensure expanding production. It was in that sense that the term "public credit" was used by him and by other Members of the Government. This credit should be used to bring resources that would not have been otherwise used into the form of marketable goods and services. If they issued too much credit, at that point they got an inflationary period, and ultimately nemesis came. That did not alter the fact that "too much" was never reached so long as there were raw materials in the country that could be converted by human labour into usable and marketable commodities.

The Motion was agreed to on 12th August.

PROTECTION OF BRITISH SHIPPING ACT.

(Unfair competition of subsidised ships ; Power to prohibit carriage of passengers and goods between New Zealand and Australia ; Application of Act only as last resort ; Desirability of Pacific "understanding" ; Britain's reluctance to act ; Subsidies still a possibility.)

This Act was assented to on 29th October. It provides for the protection of British shipping against competition from foreign shipping in the carriage of passengers and goods between New Zealand and Australia, if such foreign shipping is by the laws of its own country protected against competition from British Shipping.

The most important provisions are as follow :—

It applies only with respect to ships of any foreign country to which it is applied by the Governor-General by Order-in-Council, on any of the following grounds :—

(a) That by the operation of the laws of that country British ships are prohibited from carrying passengers or goods between ports of that country or between that country and any territory or territories belonging to that country ; or

(b) That by the operation of the laws of that country restrictive conditions, that are not applicable to the ships of that country, are imposed on the carriage by British ships of passengers or goods between any ports or territories of that country; or

(c) That the ships of that country receive from any source any subsidies, concessions, rebates, allowances, or other valuable privileges whatsoever which enable them to compete on unequal terms with British shipping in the carriage of any passengers or goods (*Sect. 3*).

While any such Order-in-Council is in force it shall be unlawful for a ship of the foreign country concerned to receive any passengers or goods in New Zealand for carriage to Australia, or to land any passengers or goods from Australia in New Zealand.

It is also unlawful for any person to embark in such ship for any port in Australia (whether or not such port is his final destination) or to ship any goods on such ship to any place in Australia.

An exception is made in favour of through passengers (*Sect. 4*).

Persons guilty of any offence under the Act are liable on summary conviction to a fine of £100, and, in the case of goods shipped contrary to the provisions of the Act, the goods may also be forfeited (*Sect. 5*).

DEBATE IN HOUSE OF REPRESENTATIVES.

On 27th October,

The Minister of Marine (Hon. P. Fraser), in moving the Second Reading of the Bill, said that its introduction had been preceded by lengthy negotiations, particularly with the Commonwealth of Australia. The Imperial Government had entered no objection to the form of the present legislation, though it had had ample opportunity to do so, and the Australian Government proposed, before the end of the current Session, to introduce legislation for the same purpose as the Bill, though it might not take the same form.

It would have been advantageous for the Bill to have been deferred until the report of the Shipping Committee of the Board of Trade, which had been framed after consultation with the representatives of Canada, Australia and New Zealand, had been presented to the various Governments. It was not possible for that report to be received before the adjournment, and consequently, if anything effective was to be done in the course of 1937 in the direction of safeguarding British shipping in the Tasman Sea, action had to be taken at once.

It would be idle to claim that this sort of legislation was the kind that any Government could get enthusiastic about. The only reason for its introduction was that of stern necessity.

Throughout the world, the policy of free shipping, adopted heretofore by many nations, and conspicuously by Britain, was not proving a success. To-day practically every country was subsidising their shipping. From immediately after the War of Independence to the present time the United States had

stood not merely for the subsidising of shipping but for confining American trade to American ships, manned by American seamen. It did so more exclusively and more determinedly than any other country, and in 1900 it extended its coastwise exclusiveness to Hawaii. A country that declared that ships going 2,000 miles to sea were wholly engaged on coastwise traffic could hardly logically claim that when a portion of the British Commonwealth took up a similar attitude it was wrong or unfair. There was no intention hostile to the United States of America behind the proposed legislation. Even if they had been a much more powerful country than they actually were, it would be very foolish for them to quarrel with the United States.

Desirability of Pacific "understanding."

He looked forward to one or two alternatives for the advancement of goodwill and peace in the Pacific. The best would be an understanding, in regard to shipping and other activities, right throughout the Pacific, including a peace pact making war impossible, with Japan, China, Russia, the United States of America, some other countries interested in the Pacific to a lesser extent, and Great Britain, Canada, Australia and New Zealand. That should be their ideal. If such an understanding or pact was not possible, he thought it possible for an agreement to be arrived at between the British countries he had mentioned and the United States in regard to shipping and in regard to the air. If such an understanding could be arrived at they would have something lasting and something much more beneficial than restrictions, or subsidies or retaliation.

But, while they were always anxious to be on the best possible terms with their American friends, they could not allow even their friends or their cousins to run their business in such a way as would ruin their own.

Further, there were other nations in the Pacific that were building up their mercantile marine and extending the sphere of their competition, and that had alarmed some of the European countries with interests in the Pacific—Holland for instance—to such an extent that the latter country was contemplating, if it had not already passed for application to its colonies, legislation similar to the Bill before the House.

Countervailing subsidies not desirable.

After quoting a statement made by the then Prime Minister of New Zealand in 1935,* in which he stated that "the granting of countervailing subsidies at high cost to the public purse would really aggravate instead of remove the fundamental objections to the present position," Mr. Fraser quoted

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

figures to show that the assistance granted by the United States' Government to the Matson Line was equivalent to a subsidy of some £290,000 per year.

Policy of the United States.

In March, 1935, in a message to Congress, President Roosevelt had stated that America stood four square for subsidising her ships and shipping, while in the preamble to the Merchant Marine Bill, passed in the United States in 1935, there was a declaration of the policy of the United States with regard to its merchant marine that left no doubt about the intentions of the Americans. The question arose whether they were going to allow their shipping to be handicapped, and even to be destroyed, in the Pacific through such action on the part of the United States. It was time that Parliament made up its mind whether it would support a Government that was prepared, in co-operation with the Commonwealth of Australia, and in alignment with Great Britain, to protect their shipping directly by legislation, or—what they would prefer—to negotiate with the United States and other countries in order to come to a settlement with regard to shipping in the Pacific.

In conclusion, Mr. Fraser emphasised that, if protection was given to any shipping company, strict conditions must be laid down to protect the interests of the people, and those concerned must accept these conditions, and would do so, as part of the bargain—conditions as to fares and freights, and as to working conditions and living conditions on the ships that were to be protected.

Rt. Hon. G. W. Forbes (Leader of the Opposition)* said that throughout the long series of discussions regarding this matter there had been manifest the belief and determination that the British flag should continue to fly in the Tasman Sea and the Pacific. The difficulty was to devise ways and means whereby the co-operation of Great Britain, Australia and New Zealand could best be secured. Subsidies had been ruled out because they could not hope to compete with the larger and wealthier countries in regard to subsidies, and there was considerable objection to legislation of a harsh character, such as embargoes, quotas and restrictions, because they felt that the depression they had been passing through was largely due to barriers preventing the free flow of trade. The question of shipping subsidies had been brought up at the Monetary and Economic Conference of 1933, but those discussions came to nought.

Differing viewpoints among Dominions.

The Dominions were not at one on the question of subsidised shipping. South Africa was subsidising foreign ships

* *Vide* footnote on p. 134.

for the carriage of produce, and her representatives said: "It is part of our policy and we do not feel inclined to discontinue it." One could see how difficult it was to arrive at even an Empire agreement with regard to subsidies to shipping.

Honouring the assurance of protection.

The matter had been brought forcibly before the late Government when the Union Steam Ship Company proposed to lay down an up-to-date passenger vessel and wanted some assurance that if it did it would be protected from unfair competition. That assurance was given. The Union Steam Ship Company had carried out its part, for it had put on one of the most up-to-date vessels that it was possible to employ, thus meeting the objection to anything being done to prevent unfair competition, that the Matson Line ran up-to-date boats whereas the established lines fell very much below that standard. The Union Company had earned the right to say to the Government: "We have done our part and we are asking you to do yours."

An attempt had been made recently to see whether an amicable arrangement could not be come to between the American shipping people and the Union Steam Ship Company. A conference was to have been held.

The Minister of Marine: "It was held in San Francisco in September or October of last year, but was futile."

Mr. Forbes, continuing, said that they had to remember that there was no other Dominion similarly situated to New Zealand in regard to isolation, and to prevent an up-to-date service from running between San Francisco and New Zealand was to destroy one of their links with the outside world and was a fairly big sacrifice to make. The objections in the newspapers to which the Minister had referred were no doubt based upon that. In spite of that they must see that nothing was done to drive the British flag off the Pacific and off the Tasman Sea.

The Bill was to be brought into operation by Order in Council and that would give the Government the opportunity of making another attempt to arrive at an amicable settlement.

Britain's reluctance to act.

Mr. W. A. Bodkin (Nationalist, Otago Central) recalled that this matter was one of the subjects dealt with at the conference of the EMPIRE PARLIAMENTARY ASSOCIATION delegates in 1935.* That discussion showed that Great Britain would be reluctant to take action at all, because of the fact that such a large proportion of foreign goods were carried in British ships.

* Reference is made to a Conference on "Shipping" on 10th July, 1935, when the discussion was opened by Dr. E. L. Burgin, M.P., Parliamentary Secretary to the Board of Trade of the United Kingdom.

It seemed that if anything were to be accomplished by Australia and New Zealand, it would have to be left to them to take the necessary action.

He was not optimistic about the result of the legislation. America had such an immense volume of trade protected under her own regulations that it was hardly likely she would come to an agreement that would enable British shipping to compete for that trade, which would be a large concession to make in return for a share of the trade offering between Australia and New Zealand. The United States was quite within her rights in protecting American shipping, and she could take no possible exception to this legislation, which was on similar lines.

The Bill was read a second and a third time on 27th October.

DEBATE IN LEGISLATIVE COUNCIL.

Act as last resort ; Report of Shipping Committee.

On 28th October,

The Leader of the Council (Hon. M. Fagan), after pointing out that the legislation could only be put into operation by Order in Council, said that nothing would be done until the report of the Shipping Committee of the Board of Trade in Great Britain had been received and considered, and certainly nothing would be done until the American Government had been consulted. They were much concerned that they should retain to the full the friendship that existed between the Dominion and their American cousins.

There was nothing to prevent the shipping companies from coming to a reciprocal arrangement between themselves, which would render this legislation unnecessary. Indeed that would be an ideal solution. But in the last analysis, when everything else had failed, the New Zealand Government would not hesitate to put the Bill into operation.

War-time importance of British mercantile marine.

Hon. R. Masters (Taranaki) said that, so far as peace was concerned, it was necessary to have ships for the development of their country's trade. It would be a tragedy for Australia and New Zealand to be dependent for the transport of their produce upon foreign shipping. But there was also the position that would arise in time of war. They had had an experience during the Great War of the great part that was played by the mercantile marine of New Zealand not only in the carrying of their soldiers overseas, but also in the feeding of those soldiers, the feeding of the population of Great Britain, and also the

establishment of hospital ships for the wounded. It would be a sorry position for New Zealand and Australia to be in if they found they were dependent in time of war on a foreign mercantile marine for services of this nature.

The total monetary assistance from the Government of the United States to the shipping between San Francisco and New Zealand amounted to no less than £485,321 per annum. That was apart from any capital subsidy or interest concession, and covered only mail subsidy, or alleged mail subsidy, according to the mileage travelled.

Apart from that, when they took into account the rates of pay on American ships compared with those on British ships they could see that there was a call for very serious consideration of the position by the Governments of New Zealand and Australia. Mr. Masters then quoted the following monthly rates of pay :—

	Matson Line			New Zealand			Australia		
	£	s.	d.	£	s.	d.	£	s.	d.
Oilers	11	6	1	15	3	6	14	5	9
Fireman	10	5	6	15	3	6	14	5	9
Wipers	8	4	5	13	3	6	12	9	9
Sailors	9	15	3	13	3	6	12	9	9

Objections to the Bill ; Tourist trade.

Hon. E. R. Davis (Auckland) regretted that he could not agree with the preceding speakers. What they had said was quite true but there was the other aspect of the question to be taken into consideration. In the first place, they did not know what Australia was doing or intended to do in the matter. Auckland, at present a port of call for these American vessels, was merely a point of passing on their way to a terminal port in Australia. If this Measure was passed, while continuing to call at Suva, they would omit New Zealand altogether. New Zealand was not in a position to be independent of these vessels. What would become of the activities of their Tourist Department if these vessels ceased to bring the many thousands of people they had been bringing to New Zealand in recent years ? The Matson Line had advertised New Zealand in America to a greater extent than had the Tourist Department. By all means give the Union Steamship Company all the help they could, but he did not think it right that they should throw good business away in discouraging the Matson Line from trading to New Zealand.

Hon. W. Perry (Wellington) thought the people of the United States must for some years past have regarded them in New Zealand and Australia as very stupid people because they had not taken any action to meet this competition. After all, the American was a business man. He knew who began the competition.

Mr. Perry concluded by quoting the words of Lord Jellicoe :—

“The sea is our life. By using it, the Empire was formed ; by holding it, the Empire has been preserved. If we fail to appreciate its value, the Empire will perish.”

Hon. J. McLeod (*Taranaki*) believed the reason that nothing had been done up to the present had been the fear of the British Government of retaliation in the Atlantic on the part of America. He fully appreciated that point, but the stand now taken by the Government was a logical one and came at the right time. The American was not a fool and did not expect to get more than he was entitled to get, but so long as they were willing to accept this disability the American would take up the attitude that it was their funeral and not his.

Increased nationalism ; Britain the predominant partner.

Hon. T. Bloodworth (*Auckland*) pointed out that there were grave matters of international importance wrapped up in this, which seemed on the face of it to be a comparatively simple matter. Irrespective of political opinions, they all deplored the tendency towards increased nationalism among the nations of the world. Yet by this Measure they were themselves adopting the very principle they deplored to see other nations adopting.

They must remember in all dealings of this kind that, while they had a strong desire to protect their own domestic national affairs, the predominant partner in this particular business was not New Zealand but Great Britain. The Government of New Zealand must act in this regard in accordance with the wishes of Great Britain, so long as New Zealand was dependent—as she was—upon the goodwill and power of Great Britain for the maintenance of their national independence and their national life. Some of those who had spoken seemed to have regarded the matter from a narrow, nationalistic point of view as concerning only themselves and the United States of America.

Futility of isolated action ; Subsidies.

The Leader of the Council, replying to the debate, said, with regard to the point raised as to the uncertainty of Australia's action, that the Government was in close touch with the Australian authorities with regard to this question. The New Zealand Government knew it would be futile to take isolated action. It knew exactly what the Australian Government was doing and it also knew that, while the nature of the legislation that Government would bring into operation was somewhat different from this Bill, it would have just the same effect.

If it ever came to giving subsidies, the Government knew it would be futile for New Zealand to attempt such a course alone, and that it must be taken in conjunction with Great Britain, Canada and Australia. If the subsidy proposal eventuated, the

itinerary would be from San Francisco to Sydney, calling at Honolulu, Suva and Auckland, and would be paid only to a service as good as, if not better than, any of the Matson Shipping Line.

The Bill was read a second and a third time on 28th October.

PREVENTION OF PROFITEERING ACT.

(Fixing of “basic price” ; Appointment of special tribunals ; Allowance for increased costs due to wage increases and reduced working-hours ; Prevention of price-cutting ; Fixation of minimum prices.)

This Act was assented to on 12th August. Some of the principal provisions are as follow :—

“Every person commits the offence of profiteering who, either as principal or agent, sells or supplies or offers for sale or supply any goods at a price that exceeds the basic price of those goods by an unreasonable amount.”

The “basic price” is defined as the lower of the following prices :—

“(a) The current price at which on the first day of June, 1936, goods of the same nature and quality were saleable in the same locality if sold in the same quantity and on the same terms as to payment, delivery, and otherwise ; or

“(b) The actual price at which on the first day of June, 1936, goods of the same nature and quality were sold or were offered or were available for sale by the defendant (whether as principal or agent) in the same locality, in the same quantity, and on the same terms as to payment, delivery, or otherwise.” (Sect. 3.)

Every person who commits the offence of profiteering is liable, on summary conviction, to a fine not exceeding £200, or three months imprisonment, in the case of an individual, or a fine not exceeding £1,000 in the case of a company or other corporation. (Sect. 4.)

Special tribunals may be appointed by the Governor-General to determine cases arising under the Act. (Sect. 5.)

No proceedings for an offence under the Act may be commenced except by information laid by an officer of the Department of Industries and Commerce acting by direction of the Minister.

All proceedings shall be heard and determined by a Stipendiary Magistrate alone, exercising jurisdiction in a tribunal established under the Act. (Sect. 7.)

The Magistrate may require production of books and documents. (Sect. 9.)

The Magistrate may admit and accept as sufficient such evidence as he thinks fit, whether such evidence would be legally admissible in other proceedings or not. (Sect. 10.)

In determining whether any increase above the basic price has been unreasonable, the Magistrate shall take into consideration the extent (if any) by which the expenses of the defendant have been increased since

1st June, 1936, by the operation of any amendment of the law relating to the rates of remuneration of any workers, or to the working-hours of any workers, and also the extent (if any) by which the business of the defendant has been, or is likely to be, increased by reason of increased demand due to increased purchasing power of persons requiring such goods or services. (Sect. 11.)

The decision of the Magistrate shall be final and conclusive. (Sect. 12.)

DEBATE IN HOUSE OF REPRESENTATIVES.

On 28th July,

The Minister of Industries and Commerce (Hon. D. G. Sullivan), in moving the Second Reading of the Bill, said that to a very large extent it covered the same ground as the Board of Trade Act (1919), but that, being an eminently democratic Government, they desired a fresh mandate from the House and to let the country know exactly what it was proposed to do. He questioned whether, outside the Soviet Union, there was any Government possessing wider powers than those possessed by a New Zealand Government functioning under the Board of Trade Act. That Act had been kept on the Statute-book by the Reform Government, the United Government and the Coalition Government, but nothing had ever been done consonant with the extraordinary powers provided by it.

In administering this legislation, when placed on the Statute-book, if it was necessary to take action to the extent of bringing people before the tribunal for unfair practices or for profiteering they would not hesitate to do so, but whenever it was possible to secure in a reasonable way their objective of maintaining reasonable prices without recourse to the tribunal, it was proposed to proceed in that direction. On several occasions during the past few months he had had to tell business men that they must withdraw lists issued by them and that they must reduce their prices slightly, because they were obviously excessive. The business men had met him in the matter, conferences had taken place, and ultimately a price had been arrived at satisfactory to the business men, the Department and himself as Minister.

Protection of industry against price-cutters.

The efforts of the Government had been directed towards protecting the interests of all sections, including the producers, the sellers and the consumers. They had fixed minimum prices in quite a number of industries in order to try and secure a decent return to those engaged in them. If it was right to protect sellers—and they had tried to give them a square deal—surely it was equally right and far more justifiable to try and protect the consumers.

Rt. Hon. G. W. Forbes (Leader of the Opposition)* said the Minister had admitted that they had already on the Statute-book an Act which was exactly similar and it seemed, therefore, unnecessary to bring down this Measure. However, the Opposition had no intention of opposing the Bill because they realised that the public should be protected against profiteering. But he thought it would be found that competition between traders would prevent unreasonably high prices.

Increased cost of living inevitable.

The inevitability of an increase in the cost of living, and in prices generally, was pointed out to the Government when it was bringing down its proposals earlier in the Session. That was then disputed by Ministers—by the Prime Minister in particular. In May the Prime Minister had said :—

“It was no use increasing wages and salaries if the workers were going to be called upon to pay more for the goods which they needed as part of their every-day economy. What the Government aimed at was increased buying-power and that could not be achieved if costs rose in exactly the same proportion at the same time.”

The Prime Minister (Rt. Hon. M. J. Savage) : “I stand by that.”

Mr. Forbes : “To-day we are admitting the right of the trader to raise his prices in proportion as his costs are increased by the industrial legislation.”

The Minister of Industries and Commerce : “The Clause providing for increased turnover must be taken into consideration.”

Mr. Forbes : “The same economic law will operate here as in other countries, which means that prices will always rise faster than wages or salaries.” It was the duty of the State to protect the people against monopolies but it was wise for the Government not to interfere in business unless particularly called upon to do so.

Mr. T. H. McCombs (Labour, Lyttelton) hoped that the Government would take action against hoarding and newspaper advertising “Buy now and get in ahead of the inevitable price rise.” That actually caused a rise.

Effect of increased purchasing power.

The Government were counting on the increased demand from the increase in wages and from taking thousands of men off relief and putting them at work at a decent wage on public works, which, with the increased prices overseas and the guaranteed price for butter-fat, would inevitably assist in

* Vide footnote on p. 134.

building up a bigger demand, which would require greater production. The greater production would mean a decrease in the overhead cost per article, which would go a very long way to counterbalance, if it did not completely counterbalance, the increased cost due to higher wages and shorter hours.

Hon. Sir Alfred Ransom (Nationalist, *Pahiatua*) considered that the desire to retain customers did more towards conserving the right price-level than all the Acts which might be put on the Statute-book.

Mr. F. W. Schramm (Labour, *Auckland E.*) said the Board of Trade Act, 1919, had been a dead letter for a considerable period. For some considerable time nothing had been done under its provisions to protect the public. This Bill sought to be more specific and definite in relation to time than the Board of Trade Act.

Absence of right of appeal.

On 29th July,

Mr. C. A. Wilkinson (Nationalist, *Egmont*) said he regarded the Bill as a threat to every merchant and trader in the country. It was to be in the power of the Government to appoint a Magistrate—a special Magistrate if necessary—to determine whether prices charged for goods were justifiable or otherwise, and that Magistrate would be the sole arbiter, his decision being final. Under the Bill there was no right of appeal. That was a fatal defect. In any case the Bill transgressed the whole system of British justice, because it provided that the onus of proof was on the person charged.

The Minister seemed to have changed his attitude very considerably. Only a short time previously, by Act of the Government, the price of petrol was increased—not decreased. Further, the hon. Gentleman increased the price of bread all over the country, and also the price of flour. In addition, the Government was so afraid that prices would be cut and that those engaged in that class of business would be hurt, that it prevented an English firm of chemists from opening shops in New Zealand.

The Minister of Industries and Commerce: “We are stabilising prices. We are raising some and bringing others down.”

Mr. Wilkinson agreed that that was the intention, but there were grave dangers in doing what was proposed. Were the Minister's officers competent to regulate the prices of commodities right throughout New Zealand? He had never seen a Government official capable of doing that. They did the best they could, but they knew nothing or very little about business.

The Minister of Industries and Commerce, replying to the debate, said that in cases where business men had put up prices

too high—possibly having made an incorrect estimate of the increased costs they would be subjected to—they would be given an opportunity of restoring prices to a reasonable level before any drastic action was taken. The administration of the measure would be reasonable and conciliatory.

Fixation of prices.

There appeared to be general misunderstanding in regard to the work which had been done under the Board of Trade Act. A good deal had been done under that Act during the past six or seven months. They had issued motor-spirit regulations, fixing the price of petrol at Wellington and Christchurch. Regulations had been issued fixing the price of flour and the price of bread. Other regulations had fixed the price of wool-packs and specified the maximum price which might be charged for fertilisers. In addition, there had been negotiations resulting in what might be termed “understandings” in regard to timber and cement, while inquiries were proceeding in regard to the fruit industry, coal prices and numerous other things.

Right of appeal.

If the right of appeal was given under this legislation they would never reach finality. Business men would get their protection through a fair administration of the law and an indisposition to bring people before the Court.

The Bill was read a second and a third time on 29th July.

POLITICAL DISABILITIES REMOVAL ACT.

(Civil Servants as Parliamentary candidates; Use of union funds for political purposes.)

This Act was assented to on 21st August.

It provides that a Public Servant may become a candidate for a seat in the House of Representatives, but that if elected he shall forthwith be deemed to have vacated his office in the Public Service. Provision is also made that part of the funds of societies of Public Servants, or of industrial or trade unions, may, if so decided by a majority of the members, be applied for the furtherance of political objects.

DEBATE IN HOUSE OF REPRESENTATIVES.

On 4th August,

The Prime Minister (Rt. Hon. M. J. Savage), in moving the Second Reading, said the Bill proposed to give Civil Servants the same political rights as were enjoyed by all other sections of the people. Of course, while such candidates were absent from their duties for electioneering purposes, their salaries as Civil Servants would not be payable.

Removal of disabilities.

The Bill provided for the repeal of Section 59 of the Finance Act, 1932.* Under that Section Civil Servants had not the right to do anything that might bring the Government into disrepute. A Government that deserved to be brought into disrepute, said Mr. Savage, could not very well take exception.

Clause 4 provided that certain associations might apply part of their funds for the furtherance of political objects. He did not know any one who had a better right to do that than a union or an association of any description. Quite a number of other combinations used their funds for political purposes. Why should not a union or association of Civil Servants do the same?

Rt. Hon. G. W. Forbes (Leader of the Opposition),† replying to the Prime Minister's contention that he could see no difference between a member of the Civil Service and an ordinary citizen outside, said it had always been considered that an extra duty devolved on a public servant, and that was that he should carry out his duties impartially, without ranging himself on one political side or another. He believed the majority of public servants in New Zealand were of that opinion.

Continuity of policy.

One Government succeeded another, and often carried out a policy to which its predecessor was diametrically opposed, yet, under the existing system, of which they were proud, the change-over was made without any dislocation in the Service. That was a state of affairs that was of considerable value not only to the Public Service but to the country as a whole, and anything that would destroy that would not be for the good of the country. As pointed out by Lord Blanesburgh's Committee, impartiality was an invaluable national possession, and one did not like to see a possession of that sort endangered in any way, or reduced in value.

With regard to Clause 4, when a Government inserted in a Bill a Clause permitting associations to apply part of their funds for the furtherance of political objects, the inference was there that it was more than a question of "may." Such legislation was more or less a direction as to the way in which funds should be used, and for that reason this Clause was not going to do a service to the public servant. If, for instance, the present Government went out and another came in, they might have a body of public servants who had been largely contributing to prevent them coming into office, and there certainly would not be that good feeling that had existed in the past whenever there had been a change of Government.

* *Vide* p. 166.

† *Vide* footnote on p. 134.

Mr. J. A. Lee (Labour, Grey Lynn) said the privilege of criticising the Government, either inside New Zealand or outside its boundaries, was being restored by the Bill. That right had been definitely taken away by the previous Government.

"Tammanyism."

Mr. H. S. Kyle (Nationalist, Riccarton) said that electioneering by public servants was becoming one of the dangers of the Dominion. Instead of following the sound example of the Old Country, they were running on the lines of America and bringing Tammanyism and political bribery and jobbery into the country, and they would not have the loyalty in the Public Service they had had in the past. If associations of public servants wished to give funds to any particular political Party they could do so now, without the passing of legislation.

Mr. W. J. Broadfoot (Nationalist, Waitomo) said that Civil Servants seemed to have very reasonable freedom of action. At the last election he had an opponent who was a Civil Servant. He did not think he had any trouble in getting the necessary leave. He knew for a fact that he went back to his job, in the normal course, without any trouble.

With reference to the amendment to the Industrial Conciliation and Arbitration Act made in the early part of the Session, giving a union the right to increase members' weekly contributions from 1s. to whatever amount it chose, the present proposals proved what he had always thought—that the restriction was taken off to enable unions to contribute to Party funds.

Disabilities sustained by Civil Servants.

Mr. J. Thorn (Labour, Thames) said that, in 1905, when he accepted the Labour Party's candidature he was compelled to resign from the Railway service. He did not succeed at that Election and was refused any right to rejoin the service. At the Election of 1925 four or five public servants who had the temerity to resign from the Service to stand as Labour candidates, after the Election was over and they had been defeated, had real obstruction placed in the way of their rejoining the Service, and some of them were only allowed back at a reduced status and on the temporary staff. The position since had gone from bad to worse. In 1932, because Civil Servants had the audacity to defend themselves against a Government that was pursuing a hostile policy of inflicting salary cuts, Section 59 was incorporated in the Finance Act of that year, providing that any Civil Servant would be subject to summary dismissal if he said anything likely to bring the Government into disrepute. What a monstrous piece of legislation!

It was morally bad for a nation if the Government silenced large masses of its citizens by threatening to deprive them of their livelihood.

On 5th August,

Mr. W. P. Endean (Nationalist, Parnell) suggested that the ballot with regard to utilisation of union funds for political purposes should be secret, so that members of the unions could not be co-erced. If unionism was to be compulsory there was all the more need for preserving the secrecy of the ballot.

Mr. J. B. F. Cotterill (Labour, Wanganui) said the Leader of the Opposition had stated that there were no very serious obstacles placed in the way of a public servant standing for Parliament, provided, of course, that he resigned from the Service. But that was a very serious obstacle in itself. He knew that in most cases where a man had failed to secure election he had again been taken into the Service; but in most instances he had been reduced considerably in status, and had been placed on the casual staff.

Hon. J. G. Cobbe (Nationalist, Oroua) could not see any objection to Section 59 of the Finance Act 1932 (which the Bill proposed to repeal) providing for dismissal in certain circumstances. That Section read, in part:—

"If the appointing authority is satisfied with respect to such person that he has been guilty of conduct calculated to incite, procure, or encourage grave acts of injustice, violence, lawlessness, or disorder, or that by public statements intended for publication in New Zealand or elsewhere, he had sought to bring the Government of New Zealand into disrepute, or that in any other manner his conduct has been gravely inimical to the peace, order, or good government of New Zealand."

A private employer would dispense with the services of his employees if they so misconducted themselves.

Mr. F. W. Schramm (Labour, Auckland E.) considered that if a public servant had a good position and his superannuation rights, he would be an absolute "mug" to contest a parliamentary seat. But he did not see why he should not have the right to stand for Parliament.

The Prime Minister, replying to the debate, said some one had said that the authorisation of a combination of workers to spend their money in their own way was mainly for the benefit of the Civil Servant. He did not know that that was altogether correct. There had been some doubt about the right of unions to apply their funds in certain directions. This came about as the result of certain decisions in the Old Country. This Bill made the position quite clear.

Mr. Endean: "Would the Prime Minister agree that a secret ballot should be taken in the various associations?"

The Prime Minister replied that he had no very strong feeling on the matter. If a union had a certain method by which to decide such matters he was not going to intervene and make new rules for them.

The Bill was read a second and a third time on 5th August.

UNION OF SOUTH AFRICA.

The following summary is in continuation of that given in the last issue of the JOURNAL (Vol. XVII., No. 4) and deals with an item held over from the summaries of proceedings of the Fourth Session of the Seventh Parliament which opened on 24th January, 1936, and was adjourned on 17th June. Parliament re-assembled on 8th January, 1937.

DEFENCE.

(Dangerous international situation; National defence and neutrality; The British system; Problem of the Mediterranean; A policy of security; Consultations with the British Government.)

On 14th May, 1936, in Committee of Supply on the Estimates during the debate on Vote 23, "Defence," £1,362,790, a discussion took place on matters relating to national defence.

DEBATE IN HOUSE OF ASSEMBLY.

Mr. F. C. Erasmus (Nationalist, Moorreesburg, C.P.) said they were discussing this Vote in circumstances which reminded them very strongly of 1914, and they had a Government whose defence system was in no way different from that which the Government of 1914 had put into force. This policy bound them to Great Britain and so far as their further defence system was affected it also hitched them to the British Dominions. They had only recently got away from the last war; they had paid a War Debt of £30,000,000 and they were still annually paying £600,000 in pensions. Nations were arming as never before.

National defence and the British association.

Continuing, Mr. Erasmus said that while they were the last people in the world to object to a defence system which would be adequate for South Africa, they protested against being hitched to a policy overseas. In 1932-33 they had spent £767,000 on defence. They had now increased that by £600,000. The question was: which enemy were they expecting in the Union? He asked the Prime Minister why he was sending the Minister of Defence to England* to bind them even more closely to the British system of defence? This system, which they could not get away from, meant that Great

* The Minister of Defence (Hon. O. Pirow) left for England on 22nd May, 1936. *Vide* also p. 170.

Britain's enemies were their enemies, and that if England were dragged into war with (for instance) Italy, they would be forced to take part.

"Our policy," Mr. Erasmus continued, "is the policy of the Nationalist Government, namely, a policy of neutrality . . . which the Prime Minister has thrown overboard and which he now calls foolishness."

Mr. H. G. Lawrence (United Party, Salt River, C.P.) said that although the period was not unlike 1914, they were no longer in a position of isolation and merely a geographical point on the route to India. They were within very easy reach of enemy planes, and they realised the grave warning which happenings in Abyssinia had given.

Question of neutrality ; Black armies of Africa.

But in view of the alarming position in the world to-day, did Mr. Erasmus suggest that a mere declaration of neutrality was sufficient ? Belgium had been neutral at a critical stage in history and her neutrality had been guaranteed by three of the Great Powers in 1914 ; but when the critical moment came her neutrality was a mere scrap of paper. Abyssinia had been neutral, and had wished for neutrality ; but where was Abyssinia to-day ? The Prime Minister had spoken in years gone by about the black armies of Northern Africa. Was it realised that one of the greatest menaces of the present time was what was likely to result from the conquest of Abyssinia and the mobilisation of black armies by the Italians ? One was led to the conclusion that Mr. Erasmus wanted to do nothing, to seek no alliances and no co-operation with other members of the Commonwealth.

Col. C. F. Stallard (Leader of the Dominion Party) pointed out that the position taken up by the Minister of Defence was this : that they could not and did not propose to make preparations to defend themselves against an attack by a first-class Power, and who but a first-class Power could threaten them ? The threat would come from a first-class Power, or from a combination of first-class Powers, casting covetous eyes upon the territories of the Union, or because those territories would make a useful vantage point in proceedings against any other combination. The inference undoubtedly was that South Africa's shores and territories could only be defended and preserved intact in combination with a first-class Power ; and could anybody doubt that it was only by the British Empire standing together and pooling its resources that this protection could be obtained ?

Dr. K. Bremer (Nationalist, Graaff-Reinet, C.P.) pointed out that practically 100 per cent. of Africa to-day belonged to various European countries, and this unfortunately made

it practically a part of Europe. It was of great importance to take account of the possible orientation in the future of the European nations which were in possession of large territories in Africa, since they could no longer have great expectations from the League of Nations and they could not depend on Great Britain alone. It might come to this in the future—that they would say to the East and to other sub-Continents : "Hands off Africa," and that Africa and Europe would act jointly.

The Mediterranean position.

Mr. P. O. Sauer (Nationalist, Humansdorp, C.P.), who agreed with Col. Stallard's statement that South Africa ran no danger except in connection with a Great Power, referred to the Mediterranean position, and said that in the event of trouble between England and Italy the Mediterranean Sea would become a French-Italian sea, and the English sea communication with the East *via* Suez would be closed. It would be necessary for the English to seek communication with the East *via* Cape Town, and accordingly they were now busy fortifying Cape Town as never before. This was part of the defence scheme, not against ghosts but against two possible countries in case of war. Now it was going still further. In case of war Kenya, Uganda, the Mandated Territories, Tanganyika and other British Territories south of the Lakes, including Northern Rhodesia, would be exposed to attack from the Belgian Congo and the French and Italian Territories in Africa.

Mr. D. C. Burnside (Labour, Durban, Umbilo, N.P.) said it was rather a waste of time to be discussing neutrality, because in the event of a European war South Africa would not be consulted as to whether she would remain neutral or not. He held, however, that when any great country decided to re-arm on any considerable scale it had made up its mind that war was inevitable.

Dr. the Hon. D. F. Malan (Leader of the Opposition) said he thought the prevailing opinion in South Africa, especially since the Status Act was passed, was that they had broken with the Empire as a political unit ; but while that idea had gone into the background, more and more there had come into the foreground the question of the Empire being a military unit because they needed allies and could not stand on their own feet. If the Minister of Defence was going overseas to study military systems in order to make their defences in South Africa as thorough as they could, no one would have any objection to that. They were so situated that they could not know what the most effective means of defence would be without learning from others.

A policy of security.

With reference to the war in Abyssinia, Dr. Malan said it was not South Africa's concern whether Abyssinia was dependent on Italy or not; but it was a matter which affected England, because the Mediterranean Sea, the Sudan and Lake Tana were involved, and because the cotton production was at stake.

Continuing, Dr. Malan said that although England had a foreign policy, South Africa had not, and he regretted that they had made no progress in this connection. They must aim at a position under which the African races should stand under the rule of the white races of Europe and be preserved for the western civilisation. The quarrels of the nations of Europe in regard to their possessions in Africa did not concern them. They must not make enemies of the Christian countries of western Europe because all were needed for the civilisation of Africa; and if they all agreed to look upon matters in that light, it would be possible to keep the black nations out of the quarrels of the white.

Consultations with the British Government.

The Minister of Defence (Hon. O. Pirow) gave quotations from the Reports of the Imperial Conference including one which stated that

... arrangements were ... made by the Chiefs of Staffs of the three Services in the United Kingdom and representatives of the Dominions and India to meet together to discuss matters of common interest.

That had always been their policy and it was so to-day. They had the fullest freedom in right and in practice to decide whether they were going to take part in a war or not; but after the Nationalist Party had come into office the Union Government had taken over the policy of consultation.

The Minister of Defence said he was not only going to England in connection with defence matters, but in connection with traffic questions which would probably be of advantage to South Africa in relation to her harbours. He had emphasised that they were not dealing with an Imperial Conference and that it was exclusively a South African concern.

Dr. N. J. Van der Merwe (Nationalist, Winburg, O.F.S.) asked whether the Minister of Defence would communicate to them what agreement had been come to with the Imperial Airways. They had an amount on the Estimates, and there was an indication that a new contract had been concluded with the Imperial Airways. He was informed that it would run for 15 years and that they were going to pay £20,000 a year.

Looking to England.

Brig.-Gen. H. N. W. Botha (United Party, Frankfort, O.F.S.) said that they would be very anxious about England

if she went to war, but England would be able to stand her ground. The Union was a long way behind, and, he asked, how were they going to defend themselves and who was going to help them? They were too small a nation and had too little capital to defend themselves, and he welcomed the fact that the Minister of Defence was going to England to see what could be done. The English were old enemies against whom he had fought, but they were prepared to join hands with that old enemy who had done good acts to them, and they would rather deal with people whom they knew than people they did not know.

He thought there was no immediate danger of war, but they should be prepared to defend themselves if it came. He admitted their sovereign independence; when that was violated, it was the duty of every upright man to defend it. They did not need to be anxious about England but about their own country in case they were attacked. When he saw what had happened to Abyssinia, he was still more concerned. He was certain that when they [in the Union] got into difficulties the first question would be for England's Fleet to come and assist them.

Mr. J. G. Derbyshire (Dominion Party, Durban, Greyville, N.P.) said the amount spent by the working man of Great Britain on Empire defence should make them realise their responsibility as a member of the British Commonwealth of Nations. South Africa should do more than she was doing at present and should not cavil at the amount set down on the Vote for her defence. They were getting off very cheaply to-day, but the time was rapidly approaching when the Vote would have to be trebled, at least, if they wished to remain a sovereign independent State.

Mr. S. P. Le Roux (Nationalist, Oudtshoorn, C.P.) said they could not help seeing they were becoming more and more linked up with the defence system of England. They had recently noticed that Mr. Thomas had said that the Governments of the Dominions had given their approval to all schemes of defence, and that they would assist in the matter. In view of this it was madness to talk about neutrality because their Government had also promised to stand by England when she was at war. When they could trust their Government with a South African defence policy, they would like to see them going much further and protecting them better than to-day. They were in a position to establish a good Air Force.

After further debate the Vote was put and agreed to.

IRISH FREE STATE.

The following summary deals with proceedings of the Session of the Dáil which re-assembled on 4th November, 1936, and of the Emergency Meeting summoned for 11th December to consider the Abdication of King Edward VIII, etc. Further proceedings of the Dáil which are likely to be of special interest to Members of the Parliaments of the Empire will be summarised in subsequent issues of the JOURNAL.

RELATIONS WITH SPANISH GOVERNMENT.

(Opposition's demand for recognition of General Franco ; Government's reasons for declining recognition.)

On 27th November, 1936, in the Dáil, on the Motion for the adjournment until 3rd February, 1937, Mr. Cosgrave moved an Amendment that the Dáil should adjourn until 2nd December.

DEBATE IN THE DÁIL.

Mr. W. T. Cosgrave (Leader of the Opposition) asked the House to express the view that the Government should take the necessary steps leading to the recognition by them of General Franco's Government in Spain. "Recognising fully that the matter is delicate," he said, "we are taking this action because, in the circumstances in which the Opposition finds itself placed by the continued silence of the Government, no other course is open to us." They had waited vainly for any explanation, public or private, from the President on the position in Spain as it affected the fundamental principles upon which they were all agreed. They were taking this action now with a full sense of responsibility. It was impossible to look on Europe without being acutely conscious of the vital character of the struggle now being waged in Spain.

The fate of European civilisation—and not only the fate of the glorious civilisation of Spain—was at stake. For almost twenty years they had seen that civilisation gravely threatened by the Soviet State which had been hostile to every form of religion. It had put atheism in the forefront of its programme and trampled underfoot every right of the individual and every right of conscience. It had recognised no other standard of conduct, no other guide of its public activities, no other measure for its actions than their usefulness in promoting the victory of the Communist cause. Many statesmen in Europe had probably solaced themselves in recent years with the assumption that the Soviet Union had apparently settled down within its own borders, content to

take its place in a normal fashion amid the other States of Europe. But it must now be clear to everyone that the causes of the Caballero Government and of the Communist International were identical. Moscow, Madrid and Barcelona formed a common front. Victory of the Communist cause in Spain would probably be a deciding factor for the fate of Europe.

Communism versus Christianity.

"The war in Spain," declared the Deputy, "is a war for the victory or defeat of Communism and all it stands for, with its denial of Christian principles, individual liberty and democracy." He did not see how a country with their traditions and ideals, moral, religious and political, could fail to withdraw recognition from a Government standing for everything they abhorred, and accord it to a Government fighting the greatest enemies they had to combat in Europe now or in the future. He did not suggest they should abandon the policy of non-intervention. The Opposition fully approved that policy. They believed that the intervention of outside Powers would almost certainly lead to a general conflagration. He could see no better method, considering the present position in international affairs, than non-intervention to prevent such a catastrophe. Intervention might do irreparable damage, but recognition of General Franco's Government did not run contrary to that policy of non-intervention to which the Government was rightly committed. Their material resources were comparatively slight, but their influence in world affairs could not be measured by material strength. It would indeed be a pity if, in this present struggle for and against Communism, it should seem to be left to those States which boasted their non-democratic character to take the step of recognising as a Government that party in Spain which was fighting their most deadly foe. A step of such paramount importance should transcend all party issues. Their national honour, and more than that, was involved.

Mr. F. MacDermot (Independent, Co. Roscommon) thought that, as between the Governments of General Franco and Senor Caballero, very few people in Ireland did not sympathise with General Franco. But the test was not merely their sympathies. At what moment was it proper to recognise a revolutionary Government instead of the previous Government? The test generally accepted was whether or not the new Government had obtained *de facto* control of the country of which it claimed to be the legitimate Government. So far the Governments which recognised General Franco were the Fascist group and countries controlled by them, such as Albania. But the world in general had adopted the course for which President de Valera was being censured by the Opposition.

Attitude of other countries.

Was it suggested they should recognise General Franco without consulting the other Governments of the British Dominions? Had they faced the difficulties of the constitutional position which would be created if the King and his Ministers in the Saorstát were to recognise one Government in Spain, and the King and his Ministers in other parts of the Commonwealth were to recognise another Government in Spain? Was the Saorstát to pay no heed to the attitude of such countries as the United States, or the Scandinavian countries or Belgium? The Deputy believed that General Franco's ultimate victory was pretty certain, and that the Saorstát Government would be among those most ready to recognise his Government when the right moment came. He suggested that it was better to act in concert with the general body of countries other than the Fascist countries.

The President of the Executive Council (Mr. E. de Valera) said that Deputy MacDermot had expressed the right and proper point of view. There had been a long Press campaign to make it appear that the Government, in regard to Spain, had been lacking in public duty or were not representing the views of the majority in the country. The question was not of sympathy, but of what was the usual practice, and their right and duty in this matter. If General Franco became the head of a *de facto* Government in Spain, he must immediately receive *de facto* recognition from those who had interests in Spain. These grounds of prudence were self-evident to everybody. There had been no attempt to show that this recognition would have helped General Franco. If the cause of Christianity demanded it, why had not the Pope deemed it prudent or right to accord recognition? Germany and Italy had accorded it for very clear and immediate political motives. The general principle, said the President, was based on this: that peoples and States ought to be allowed to get that form of Government which they themselves were prepared to accept. Unless the Government were prepared to go very much further, they could not in wisdom give any recognition until it was quite clear that there was a position in Spain likely to last.

Mr. P. McGilligan (United Ireland Party, National University) asked whether the Saorstát representative accredited to Spain would continue to be so accredited?

The President of the Executive Council: "Our representative is not in Spain at the present time. We do not propose to make any change at the moment."

The Amendment was defeated by 65 votes against 44.

SAFETY OF IRISH NATIONALS IN SPAIN.

(Tribute to British Fleet and Consulates.)

On 18th November, in the Dáil,

Mr. P. S. Doyle (United Ireland Party, Dublin City S.) asked the Minister for External Affairs to state what steps he had taken (1) to secure the safety of Irish nationals in Spain; (2) to secure the safe conduct of Irish nationals to leave Spain; and to state if assistance in this matter (a) had been sought by him from or (b) had been given by any other country; the nature of such assistance, and what financial liability, if any, was involved.

The Minister for External Affairs (Mr. E. de Valera), in reply, said: "All Irish citizens who were in Spain at the beginning of the civil war and with whom contact could be established were warned to leave that country as it would be impossible to afford them protection if the fighting became general. Through the good offices of the British Naval and Consular Services, a number of our citizens were evacuated from Spain, and I am glad to have this opportunity of expressing publicly our appreciation and thanks for the work done on our behalf by those British services. Any expenses incurred have been refunded by the Government of Saorstát Éireann. It is not possible at the moment to state the amount of the financial liability as certain sums of money have still to be refunded by some of those repatriated."

Mr. F. MacDermot (Independent, Co. Roscommon): "Is it a fact that even Mr. George Gilmore did not disdain the assistance of the British Navy for the purpose of escaping from Spain?"

ABDICATION OF KING EDWARD VIII.

(Emergency meeting of the Dáil; Necessity for immediate legislation; Effect upon relations with British Commonwealth; Attitude of Labour Party.)

The Dáil assembled on 11th December, 1936, in response to a notice issued by the Speaker on 10th December which stated that at the request of the President of the Executive Council he summoned the Dáil to meet the next day for the purpose of considering, in connection with the proposed abdication of His Majesty King Edward VIII, proposals for the amendment of the Constitution and other legislation.

DEBATE IN THE DÁIL.

On 11th December,

Mr. W. Norton (Chairman of the Parliamentary Labour Party) asked why the Dáil had been convened with such haste.

They were being asked to deal with legislation arising out of an event in another country. The people should be given an opportunity of studying the position which had arisen so that they could consider it dispassionately, and more particularly from an Irish and not a Commonwealth standpoint.

The President of the Executive Council (Mr. E. de Valera) said that if no action was taken there would be an anomalous situation. There was no question of rushing the Irish people or the Dáil in the matter.

Mr. Norton said the Government had nothing to do with bringing about this situation. The Dáil should not be asked to enact legislation which would provide for the appointment of a successor to the abdicating King, without the people having an opportunity of knowing what precisely the Legislature was doing.

The President of the Executive Council replied that, as everybody knew, this was not a question purely external to their law. It affected their law immediately and directly as well as indirectly. The Government had been informed that H.M. King Edward VIII desired to relinquish the Throne and he had forwarded to the President a signed and witnessed Instrument of Abdication. There would be an anomalous legal situation until that matter was cleared up. They would hold that legally and constitutionally King Edward VIII would continue to be King in the Saorstát until his abdication had been decided upon by Parliament. Besides, if they were to remain associated at all with the States of the British Commonwealth, it was evident that common action of some kind, or rather concerted action, should be taken in the matter. The Government had come in with well-defined objectives and with a definite policy clearly understood by the people. They assumed office under certain conditions which imposed certain responsibilities and a certain obedience to the Constitution.

On 11th December, before the Second Reading of the Constitution (Amendment No. 27) Bill was taken, a debate took place on the Government's Motion for allocation of time, which provided that the Committee stage be concluded at 10.30 p.m., and the final stages be taken immediately after without amendment or debate; and that the Executive Authority (External Relations) Bill be taken on the following day subject to a similar time limit.

No time for consideration.

Professor J. M. O'Sullivan (United Ireland Party, County Kerry) said that many Deputies had been unable even to see the Bills before arriving at the House and having to vote on them. Did anybody think that the situation created by King Edward's abdication was all that was involved in the Bill?

Why was it not a simple Bill to acknowledge or ratify the abdication? "Does the President think," Prof. O'Sullivan said, "that he is to remain in community with Canada, Australia, New Zealand, South Africa and Great Britain when our Government have no interest in what these nations solemnly declare, and what their whole policy makes clear is the view of the link that binds these nations together? The Irish people had no time to consider this legislation, and the President had no time to consider what were the views of the members of the Commonwealth. The Dáil was therefore left in complete ignorance of what the effect would be on the interests of the Irish people, or their status and their relations with the Commonwealth States.

Labour Party's attitude.

Mr. William Norton (Chairman of the Parliamentary Labour Party) said they were being asked in the second Bill to appoint a King of Saorstát Eireann under a guillotine motion. Nothing the President had said so far justified the assumption that there was any real reason, so far as the Saorstát was concerned, for appointing a successor to the King who had abdicated. What need was there for haste? The President was apparently going to swallow by this legislation not merely the King, whom Britain appointed, but all the trappings associated with that Monarchy. Under the Act of Succession the British Monarch was obliged to take an oath which was offensive to the religious susceptibilities of the Irish people. The King they would appoint under the guillotine would take that oath.

Professor W. E. Thrift (Independent, Dublin University) welcomed the President's statement that the Government's introduction of these Bills was a mark of their desire to co-operate with the British Government and the other members of the British Commonwealth. Even now he appealed to him that today he should simply make effective the sentiments enshrined in those words. If he attempted to carry measures which were not all concerned with the immediate crisis in Great Britain, he would be acting contrary to the wishes of the whole Opposition, of the Independents and, he hoped, of Labour Deputies.

He protested strongly against the measures themselves and against the way they were being put through the House. Revolutionary legislation, which scattered to the winds all care or forethought for the wishes of the minority, was being introduced under the plea of urgency and under the ægis of a crisis in Great Britain.

Mr. F. MacDermot (Independent, Co. Roscommon) said the Motion was absolutely indefensible. The Bills were measures of the utmost seriousness, and might be fraught with

the most disastrous consequences to the country. They did not appoint a new King, but under Bill No. 2 it was proposed that the King, recognised by the other members of the Commonwealth as the symbol of their co-operation and association, should have delegated to him by the Executive Council, as and when it saw fit, certain duties. There was no word of his being recognised by them as King in any capacity at all for external or internal purposes. They just laid down that they proposed to use him in this particular way.

The Motion was carried by 71 votes to 55.

CONSTITUTION (AMENDMENT No. 27) ACT.

(Refusal to declare a Republic for 26 counties ; A new Constitution in preparation ; Intentions already communicated to Great Britain ; Functions of the King ; Office of Governor-General to be abolished ; Relations with British Commonwealth States.)

The Bill for this Act was introduced in the Dáil on 11th December, by the President of the Executive Council. It received assent the same evening.

Its title is "An Act to effect certain amendments to the Constitution in relation to the Executive Authority and Power and in relation to the performance of certain executive functions." Its general purpose is to remove the King from the Constitution in regard to all internal affairs, to eliminate the Governor-General, and to substitute other methods for the performance of functions affected by these amendments.

The main purposes of the Act are to abolish the Governor-General ; to empower the Chairman of Dáil Eireann to certify assent to all legislation ; and to empower the Executive Council to nominate diplomatic and consular agents without requiring the approval of the Representative of the Crown.*

DEBATE IN THE DÁIL.

On 11th December,

The President of the Executive Council (Mr. E. de Valera) moved for leave to introduce the Bill.

Mr. W. T. Cosgrave (Leader of the Opposition) asked whether, before the Bill was debated, the President would answer a few questions. Did the Executive Council intend, in these Bills, to sever the connection of the Saorstát with the Commonwealth of Nations ? Had the Government considered whether the Bill severed or jeopardised their membership of the Commonwealth ? Had there been consultation with all or any of the

* In the debates on this Bill and on the Executive Authority (External Relations) Bill (*vide* p. 183), the President of the Executive Council explained that a new Constitution would be introduced early in 1937.

other States members of the Commonwealth of Nations as to the effect of the proposed legislation on relations with them ?

The President of the Executive Council replied first, that there was not in this Bill any proposition to sever the connection with the States of the British Commonwealth. Article 1 of the Constitution remained untouched. Next, that what they proposed was to bring the law and the Constitution into accord with the actual facts of the situation, which would be reflected in the Constitution when these amendments had been effected. Next, regarding consultation with the Commonwealth this was a matter affecting themselves alone. It was a purely internal matter and no other State was interested in, or had a right to be interested in, what mechanism they had in the Saorstát for giving effect to the will of their own people and their own Parliament.

As far as Great Britain was concerned, he had a considerable time ago indicated quite clearly that the new Constitution would be one in which there would be no reference whatever to the King—the King would not appear in their new Constitution—and that any relations which would exist between their State and Great Britain, so long as the people willed to have that connection—would be maintained by the fact of co-operation and would be regularised, so far as that was concerned, by law. That had been only indicated informally, and as a matter of courtesy, because they had no right to interfere in any way with what the Saorstát might do in this particular matter.

Concerted action by Commonwealth countries.

In the present circumstances there was no opportunity to give any specific communication. A general desire had been expressed by the States of the British Commonwealth that there should be concerted action as quickly as possible. Canada, Australia, New Zealand and South Africa were arranging for simultaneous action by means of assent to British legislation.

But the Saorstát Government was not prepared to give any countenance to the idea that the British Parliament could in any way legislate for them. This thing had to be done by their Parliament and by it alone. But so long as there was any association at all it was obvious that they ought to do their part to facilitate the action of other countries in dealing with this situation.

It had already been implied that the question of succession was a matter in which nothing definite should be done unless all the States who were associated would co-operate in doing it. The Saorstát had not had the opportunity of giving information of this action formally—and they would not do it informally—to the British, and they had not communicated its terms

to any of the other States. Time did not permit. It was, however, a matter concerning themselves alone which it was quite proper for them to determine in the Dáil, and his reason for summoning the Dáil at such short notice was that the situation should be dealt with as quickly as possible.

Mr. Cosgrave asked if the Dáil would get the correspondence in connection with the informal notification between all the members of the British Commonwealth.

The President of the Executive Council denied that he had said it was done informally. He did not know that it was done by correspondence, but it was possibly done by the High Commissioner.

The Bill received its First Reading without a division.

On 11th December, in moving the Second Reading of the Bill,

The President of the Executive Council said that a very abnormal situation had arisen, for which no special provision had been made in advance. It had to be dealt with. Some people undoubtedly thought they should remedy the situation by declaring a Republic for the 26 counties. Whatever might be said for that solution the President could see no argument whatever for leaving the situation in the form in which it would be if they did nothing. The effect would not be in their favour, but altogether against it. Australia, Canada and New Zealand had to face a somewhat similar situation and they had decided that legislation would be necessary in order to maintain their status. They did what they wanted to have done by requesting and assenting to legislation to that effect in the British Parliament. That was the one thing which the Saorstát Government certainly could not consent to, and which he thought no Government in the Saorstát would be willing to consent to. They therefore had to regularise the situation.

"I did not propose," said the President, "to use this situation to declare a Republic for the 26 counties. Our people at any time will have their opportunity for doing that. We are putting no barrier of any sort in the way. They can do it, if they want to do it, at any time. I have indicated already that that is not our policy, that what we want ultimately is to see a Republic for the whole 32 counties of Ireland." Continuing, he declared that this would not be the occasion either for declaring a 26-county or a 32-county Republic, or for introducing a permanent Constitution.

A new Constitution in preparation.

They had intended at one time to continue constitutional amendments, like those put through in the old Constitution, to bring the law in the Constitution into accord with the practice and the real position. But after some time he had

satisfied himself that this instrument, scored through in several places, was no longer a fit instrument or a fit document to be regarded as the fundamental law. The time had come when they ought now, with full freedom of action in regard to it, to consider what should be, in their own circumstances, their own Constitution. If there were any truth in the liberty of action and freedom which nations enjoyed while retaining membership of the British Commonwealth of Nations, they should be at liberty at least to make a Constitution which would accord with their own aspirations and desires.

It was clearly necessary to bring in some Bill by which any ambiguity that might possibly be imported into the situation would be completely and thoroughly cleared up. He would not be responsible for introducing such a measure as the second Bill unless it were made clear what the true situation was. Instead of being regarded as some trick to secure advantages by some side-wind, the introduction of these two Bills side by side should be welcomed by everybody sincerely anxious about the constitutional situation, as showing clearly what the true position was.

Notice given to Great Britain.

Under King Edward VIII the President said he had indicated quite clearly that he proposed in the new Constitution to make the position of the King roughly as it was in the old Constitution with these deletions. He had informed the British Government informally, and as a matter of courtesy, because he had hoped that these were matters of their own domestic concern and that they were not obliged to get the consent of any of the other States in the British Commonwealth to do what they proposed to do. The fundamental position was now being made clear in practice.

"Those who take responsibility for any action and decide the policy in regard to it," said the President, "even where the King is the final instrument by which effect is given to it, are the Executive Council. They have, in fact, the authority, and as they have authority, it is right that it should be fully and formally expressed here on the face of the document, so that there may be no possible misrepresentation or misunderstanding. We propose to continue the King for the functions which he in fact directly exercises and for these only. The functions provided for here are the very functions which in fact the King exercises. We are providing for the continuance of these functions on the advice and authority—as in the past and in the future—of the Executive Council. We are clearing up the political constitutional situation. We are making clear to everyone what the situation is and we are removing fiction. Whatever justification there might be in British history or

British constitutional theory for such fiction, there is no justification in our case.

Functions of the King.

"What is happening, then, is that from the King are being taken away any functions internal, either direct or indirect, in the administration of the Government as in the internal executive of the country, and we are retaining the King for those purposes for which he was used hitherto. He is being retained for these purposes because he is recognised as the symbol of this particular co-operation in the States of the Commonwealth. If the Irish people do not wish to continue him for these purposes they can end that by legislation. They can end the whole situation by law, or limit the exercise of these powers by law. What is given in the Bill is permission to continue to use the same instrument. . . We are administering no slap in the face to anybody, but we are asserting our right, and so we are doing this positive act of our own, and doing it under certain conditions, clearly setting down what those conditions are, so that there can be no misrepresentation."

Governor-General to be abolished.

Concluding, the President said the effect of the Bill was simply to eliminate the King from all those Articles of the Constitution which seemed to give him functions in the internal affairs of the Saorstát. They were taking these out. In the case of the Governor-General the appointment and executive powers provisions were being deleted. Whether the office of Governor-General was immediately ended by that was another question. The amendment did not expressly state what functions in connection with legislation disappeared. Certain statutory functions would have to be cleared up by a consequential Act. There did not appear to be urgent need for that, and the situation could rest at the moment.

Mr. P. McGilligan (*United Ireland Party, National University*) complained that the House was told that the President had communicated informally with the British but was not told whether there had been any reply. Was no external repercussion possible from this first Bill? They had now reached a situation with one House to govern the country and a Constitution so flexible that it could be moulded under a guillotine resolution in about five hours.

Membership of the Commonwealth.

The President said that he had still left in the Constitution Article 1 :—

The Irish Free State is a co-equal member of the community of nations forming the British Commonwealth of Nations.

But would it remain so? Could they, by an Act of the Dáil, say that they would be a member, even a co-equal member, of that association? Would nobody else have a say in that? Were the things they did, even in regard to their internal relations, going to preclude them from that association? Did the President think that a matter not worth considering? There was a reaction not merely on Great Britain but on the other members forming the Commonwealth. The Saorstát had achieved a particular status under the Treaty. The Treaty was still the foundation of the State, and breaches of the Treaty were serious matters.

Supposing this machinery did operate, and that some sort of unsettled condition was maintained for a period of years as between themselves and Great Britain, what was to replace what had been removed? Was there to be always in the Saorstát a single House, with no check either by way of judges or any other revising Chamber or any other group or individual? Would there be nothing to coerce or restrain from time to time the majority view of one single Chamber?

The Second Reading was carried by 80 votes to 54 and the Third Reading by 79 votes to 54.

EXECUTIVE AUTHORITY (EXTERNAL RELATIONS) ACT.

(Appointment of Diplomatic and Consular Representatives; Treaty-making power; Association with members of the British Commonwealth of Nations; Effect on Northern Ireland.)

The Bill for this Act was introduced in the Dáil by the President of the Executive Council on 11th December. The Second Reading and all subsequent stages were taken on 12th December under the Special Resolution imposing a time limit. It received assent on 12th December. Its provisions, as amended in Committee, are as follow :—

1.—(1) The diplomatic representatives of Saorstát Eireann in other countries shall be appointed on the authority of the Executive Council.

(2) The consular representatives of Saorstát Eireann in other countries shall be appointed by or on the authority of the Executive Council.

2.—Every international agreement concluded on behalf of Saorstát Eireann shall be concluded by or on the authority of the Executive Council.

3.—(1) It is hereby declared and enacted that, so long as Saorstát Eireann is associated with the following nations, that is to say, Australia, Canada, Great Britain, New Zealand and South Africa, and so long as the King recognised by those nations as the symbol of their co-operation continues to act on behalf of each of those nations (on the advice of the several Governments thereof) for the purposes of the appointment of diplomatic and consular representatives and the conclusion of international agree-

ments, the King so recognised may, and is hereby authorised to, act on behalf of Saorstát Eireann for the like purposes as and when advised by the Executive Council so to do.

(2) Immediately upon the passing of this Act, the Instrument of Abdication executed by His Majesty King Edward the Eighth on the 10th day of December, 1936, (a copy whereof is set out in the Schedule to this Act) shall have effect according to the tenor thereof and His said Majesty shall, for the purposes of the foregoing subsection of this section and all other (if any) purposes, cease to be King, and the King for those purposes shall henceforth be the person who, if His said Majesty had died on the 10th day of December, 1936, unmarried, would for the time being be his successor under the law of Saorstát Eireann.

DEBATE IN THE DÁIL.

On 12th December, in moving the Second Reading, **The President of the Executive Council (Mr. E. de Valera)** explained certain Sections. Regarding the Act of Succession, he had been advised that that Act, in so far as it would be held not to be in conflict with the Constitution, was taken over by Article 73 of the Constitution. Accordingly it made provisions with regard to succession which were the law of Saorstát Eireann. Though not a lawyer, he would say that the parts of it which would be repugnant to the Constitution would disappear, and the parts that would not be repugnant, or directly repugnant, would remain. They must leave it to the lawyers to argue out any narrow points that might be raised, but he was advised that sub-Section (2) did what they wanted to do. He did not see how any ambiguity could be left if they passed it.

Mr. W. Norton (Chairman of the Parliamentary Labour Party) said that in so far as the Bill took the King and the Governor-General out of the Constitution he was satisfied that the President was moving in the right direction. What need was there to-day to appoint a successor to the abdicating King?

Mr. James Dillon (Deputy Leader of the Opposition) said that the fact that the Bill, in its entirety, regulated things that stood in need of regulation made it essential that it should pass. The United Ireland Party for that reason would not vote against it.

Regarding consultation with the Commonwealth States, he asked how any rational man could suggest that it would in any way derogate from the national status, or the sovereign independence of the Irish Free State, to take the ordinary prudent precautions that any State would take to ascertain what the likely consequences of its action were going to be. The position to-day was exactly what it was before, because the thing removed was the instrument of the people's will and

had no function whatever that it could exercise except under the guidance and control of the Dáil, representing the Irish people. But it had been removed in the knowledge that some of these symbols which had no positive effect on the everyday life of the people might very well mean the destruction of their membership of the Commonwealth of Nations.

Mr. J. Costello (United Ireland Party, Dublin Co.) said that Labour Deputies had protested against these Bills, yet they had followed the Government in voting for them. He entirely disagreed that they were to-day in a hurried fashion electing the British King as King of Ireland. They were doing something in the exercise of their sovereign rights which they were entitled to do and ought to do, but the Bill should have dealt solely with the situation created by the King's abdication. This Bill proposed in addition to confer authority on the new King and his successors to act in international affairs on behalf of the Saorstát. He was not at all sure that Section 3 would not have the effect of giving them instead of half a Crown, no Crown at all.

The King's external authority.

The phrase which purported to confer functions on the King in external affairs might have the effect of there being no King at all in the Saorstát, because the authority conferred upon the Crown by Section 3 (1) subsisted only so long as the King, recognised by these nations as the symbol of their co-operation continued to act on behalf of each of these nations. They were only authorising the King to act on their behalf so long as the nations of the Commonwealth recognised the King as their symbol of co-operation. Once these nations ceased to recognise the King as their symbol of co-operation, the authority of the Crown to act for them would automatically cease by statute. The nations of the Commonwealth had never recognised the King as the symbol of their co-operation. The Bill as it stood purported to state a fact which had no existence either in law or fact.

The Imperial Conferences of 1929 and 1930 had recognised the Crown as the symbol of the freedom of their association as sovereign independent States. The Deputy believed there was not one State-member of the British Commonwealth which would accept this statement now pushed upon them without consultation.

The President of the Executive Council, concluding the debate, denied that this had been a heaven-sent opportunity for doing something nationally, which they had not availed themselves of. To do nothing would, in his opinion, mean that they were continuing the Monarchy with King Edward as Monarch. The Government had come into office with a certain

policy which they had honestly pursued the whole time. "I am anxious," declared the President, "to see a condition established here in which the people of this country can be on friendly terms with the people across the water. But I know it cannot be done without satisfying the aspirations of our people. . . What I am trying to do in this, and will propose to do in the coming Constitution, is to get nearer to a position which will satisfy their aspirations. I have said many a time that the foundation on which friendly relations between the two countries can really be established will not be reached until it is reached on the basis of a united Ireland."

Effect on Northern Ireland.

He had not lost sight of that for an instant, but he had to balance two things—the sentiments of a certain minority in the North which had caused them to adopt a certain position, and the sentiments of the majority of the people in the Saorstát who wanted a different position. How was that to be done? "Clearly you have to ask yourself," said the President, "is there any point at which you will reach something with which the majority of the people are likely to be satisfied and which will at the same time possibly satisfy the other section. . . The majority have the right to claim that their view ought to prevail. But we have a practical situation, not one which can be solved or settled by legal technicalities, unfortunately. It has to be solved by facing hard facts. In doing what we are doing we are working along to a position where we hope ultimately we will be able to satisfy the interests and the aspirations of the majority of the people to the point, at any rate, that they will say 'we are prepared to sacrifice some of the rest in order to get a united Ireland' That has been the basis all the time. . . One thing is certain, that you must, to a certain extent, at any rate, satisfy the aspirations of the majority until they say: 'Well, having got to this particular point we are now prepared to make concessions to the minority.'"

Continuing, the President said that the purpose of the Bill was to remove the King from the exercise of any functions whatever internally. As to external functions, they were concerned to make as clear as they could what the external position was going to be, and on what conditions the King who was being substituted for King Edward VIII would exercise his functions. He would not have introduced the second Bill with all the ambiguities and misunderstandings without the first one. He thought by doing this they had done two very big days' work. They had no other way than to summon the Dáil so rapidly.

The Second Reading was carried by 93 votes to 6. The final stage was carried on the same evening by 81 votes to 5.

THE ECONOMIC WAR.

(Motion for a Committee of Inquiry ; Tariffs and trade relations.)

On 4th November, in the Dáil, Mr. Bourke moved a Resolution proposing that a committee of eleven Deputies be set up to make recommendations—

(1) As to how the land and interests of the nation could best be preserved and assisted during the economic war, and (2) as to how the economic war can best and most expeditiously be brought to a successful conclusion.

DEBATE IN THE DÁIL.

Mr. James Bourke (United Ireland Party, Cork) said the Motion was directed firstly towards securing some relief for the agricultural industry which was, and must remain, during the continuance of the economic war, the principal sufferer. He believed it was generally admitted that the wheat-growing policy could be no substitute for the live-stock export trade. The Government was spending about £8,000,000 a year in subsidising agriculture. In the agricultural industry alone production had fallen in recent years by a total of £25,000,000, and, on top of that, taxation under the Fianna Fáil Government had gone up by about £4 per head of the population. The economic war was apparently a war on two fronts, the political and the economic. On the economic front they had apparently been unable to hit back, and on the political front they were apparently giving the British every assistance in their power, at Geneva and in regard to Spain. If they were not to have a real war and fight it seriously, there was no reason why they should not make peace. He appealed strongly for co-operation among all parties.

Mr. F. MacDermot (Independent, Co. Roscommon) asked what was the sense in calling it an economic war at all? He was aware of no hostilities whatever on their side; and the British had confined themselves to revenue-producing tariffs and had aimed at getting from them the exact amount, as nearly as possible, that they claimed was due to them. Economic relations with the alleged enemy were more intimate than with any other country in the world; the value of trade with that country was still immensely greater than with any other country; and the total value of all trade agreements with other countries was insignificant compared with the value of the Coal-Cattle Pact and the Trade Agreement of 1936 with Great Britain. It was fantastic to talk about an economic war when in fact, subject to the collection by Great Britain of a certain fixed amount of revenue by tariffs, the two countries were doing everything they could think of to expand their trade with each other and to improve their economic relations. But while

there was no economic war, there was an exceedingly damaging financial dispute and there was dislocation of Saorstát trade with Great Britain.

The Minister for Education (Mr. T. Derrig) said the Government could not agree that the proposed committee would serve any useful purpose, although they welcomed co-operation.

The Motion was withdrawn.

FINANCIAL DISPUTE WITH GREAT BRITAIN.

(Suggestion of compromise.)

On 18th November, in the Dáil,

Mr. F. MacDermot (Independent, Co. Roscommon) asked whether the Minister for External Affairs had at any time offered to compromise in the financial dispute with the British Government by offering to pay a proportion of what the British Government claimed and was at present collecting by tariffs?

The Minister for External Affairs (Mr. E. de Valera) said that the answer was in the negative.

PARTITION OF IRELAND.

(Evil results of partition ; Conciliation of Northern Unionists ; Obstacles to reunion ; Position of Northern Nationalists ; Effect on relations with Great Britain ; Friendly feelings in Ulster.)

On 18th November, in the Dáil, Mr. MacDermot moved the following Resolution :—

“That in the opinion of the Dáil the Government has not given adequate attention to the problem of Partition.”

DEBATE IN THE DÁIL.

Mr. F. MacDermot (Independent, Co. Roscommon), in moving the Resolution, said that he did not desire to strain unduly the case against the Government. He realised that the immense difficulties of the question had actually been increased by the adoption of some of the suggestions pressed upon the Government by certain Northern Nationalists and by certain supporters of their own. The task of abolishing Partition could not be accomplished by a Government alone. Individuals and organisations all through the country must take a part in

it. But on 1st March, 1933, almost immediately after the last General Election, the Dáil had unanimously agreed to the proposition that a reunion of the Irish nation, founded on good will, should be the primary object of Government policy, and that every other constitutional issue should be subordinated thereto. It was not unfair or unreasonable, after nearly four years, to inquire whether the Government had lived up either to the letter or to the spirit of that resolution which they had accepted.

Evils of partition.

Partition, the Deputy declared, was an evil from the point of view of all concerned, doing harm to everybody affected by it. Anybody was living in a fool's paradise who imagined that the people of Ireland would ever reconcile themselves to Partition or that good relations between the Irish Free State and Great Britain would ever be possible on the basis of Partition. It was vital to the whole question of their relations with Great Britain. It was an evil from the British point of view, and from the Northern Ireland point of view, and not only for the Northern Nationalists. The spirit of bigotry and ascendancy was an accursed thing, degrading and demoralising not only its victims but those who exercised the ascendancy. In his view there was only one way of getting rid of Partition and that was to gain the good will of the Northern Unionists. To gain that good will was not necessarily an impossibility.

Continuing, the Deputy contradicted the theory that if matters were allowed to drift, justice would be done automatically. He denied also that the problem could be solved by the British Government alone, or that it could abolish Partition to-morrow and that nobody else could do anything about it. The Deputy believed that if the British Government were, to-morrow, to withdraw British forces from Northern Ireland and leave the Northern Unionists to depend upon their own resources, they would defend themselves and their territory they occupied with the same embittered resistance now being exhibited in Madrid. But any British Government which proposed to do such a thing would lose the support of almost everybody in Great Britain. Regarding the suggestion that the British Government should stop subsidising the North, the Deputy said it was not easy to say whether in fact the North was being subsidised or not. But even if the Northern Government was reduced to a state of financial collapse, was there any reason to suppose that this would result in the entry of the North into a United Ireland? He believed that, on the contrary, the Northerners would go back, lock, stock and barrel, to Westminster and would simply become a part of England.

Their die-hard attitude had been persisted in because they had been for years assured by men of light and leading in England that they were noble patriots showing a spirit of devotion and attachment to the Crown and Empire. But if they began to be regarded as unreasonable in Great Britain, would their resistance to any sort of accommodation be as embittered as it had been in other circumstances? The Deputy believed that Great Britain, while not having the power to solve the problem, could give some assistance if that assistance was made possible by establishing the preliminary conditions.

Obstacles to reunion.

Substantially, he believed, it was the Saorstát's job and nobody else's. But they must do more than merely express a wish to see Partition ended. They must win the confidence of the Northern Unionists, by enlisting them in a fight against what was worth fighting—poverty, class-hatred, racial hatred and war. But certain obstacles must be removed. What were they willing to offer to safeguard the Northern shipbuilding and linen industries, or Northern agriculture in the British market? Republicanism in the Saorstát, declared Mr. MacDermot, was a sham, because a Republic for 32 counties was obviously impossible, and practically nobody wanted a Republic for 26 counties. But the profession of republicanism was an obstacle to union with Northern Ireland. Public opinion in the Saorstát on this matter must be educated and led in the right direction. Gaelicisation was also an obstacle; because the Northern Unionists would not have the Irish language rammed down their throats and would not come into union with the Saorstát if compulsory Irish was enforced on them, or if they were to be barred from every sort of advancement for their lack of the Irish language.

Fundamentally, said the Deputy, it was a racial problem, which must be overcome by their ceasing to be racial themselves. If partition was abolished to-morrow there would be 45 new Members of the Dáil from Northern Ireland, of whom 30 would be devoted supporters of the connection with Great Britain. "If we really care about Partition," he said, "we should want to have their people here in spite of and even because of their differences from ourselves, and we should delight in seeing the State enriched by that difference in racial outlook and character." They should have an abundance of faith, hope and charity.

On 19th November,

Mr. W. Davin (*Labour, Leix-Offaly*) said that Mr. MacDermot's speech was a blot on the records of the House, and could very properly be delivered in Stormont or London.

He had urged them to go cap in hand to the Six Counties and surrender every national right and claim in order to win the confidence of the Six Counties and then live in hope that they would join the Saorstát if they got a dominating influence in the institution which would be responsible for the future government of Ireland. Mr. MacDermot had said nothing about the persecution of Catholic Nationalists in the Six Counties. It was the first duty of the British Government, said Deputy Davin, to take their own forces away from those parts of Ireland which the Irish people never gave them the right to occupy. If they had any right under the Treaty, or any subsequent legislation, to occupy the six northern counties, then it was their duty to protect the Northern Catholics and Nationalists from being murdered and their houses from being burned.

The Northern Nationalists.

The Deputy held that the Saorstát Government had not used the international machinery at their disposal, through the League of Nations, to advertise to the world the terrible atrocities being committed in Belfast and the Northern Counties. He believed it would have been right and proper for the Saorstát Governments to raise this question openly at the League of Nations. Their representatives had been members of Minority Commissions set up by the League of Nations to deal with allegations of persecution of minorities in other countries. It was true that they must win the confidence of the Northern Unionists. But there was no part of the world where a minority had been treated better than the Unionist minority in the Saorstát. One of the ways they might induce the Six Counties to come into an All-Ireland Parliament was by providing the better social services advocated by the Labour Party.

The President of the Executive Council (Mr. E. de Valera) protested against the suggestion that people in the Saorstát were responsible for Partition or could reasonably do anything more than they had done to show their willingness to end it. "Surely it is an absurd position to take up," he said, "that the majority of the people of this country must surrender everything that they think right and proper in order to bring the minority into what should be for them, as for us, a common nation." The supporters of this Resolution had not even shown that, even if they were willing to surrender most of these things, it would bring in the minority. The President declared that he and his Party had always admitted, since 1921, and before that, that for the Saorstát to compel the minority by force to be part of the whole country was out of the question. They had simply said that Partition was unjustifiable, and that no case

had ever been made for the separation of the Six Counties from the rest. Only a very small group in the neighbourhood of Belfast could even be called a homogeneous community; and there was no case for the minority, where it seemed to be homogeneous in the neighbourhood of Belfast, compelling those in the hinterland to be cut off, though they wished to be united to the rest of the country and would unite with it if they were given an opportunity of expressing their votes.

Effect on relations with Great Britain.

Continuing, the President said that the majority of the people of Ireland as a whole had shown themselves to be people who desired unity; who had tried to make no difference, and had always admitted the minority to full equality, but had said they were not entitled to privilege. He thought that such Motions as this did a great deal of harm. He agreed with Deputy MacDermot's statement that anybody was living in a fool's paradise who believed that the people of Ireland could reconcile themselves to Partition or that good relations between the Free State and Great Britain would ever be possible on the basis of Partition. In every case when the Government could take action it had done so. Regarding the League of Nations, certain minority questions did not come up for discussion and could only be discussed when they involved the disturbance of the general peace of the world. In such cases it was a question of whether it would be useful or the reverse to raise such questions.

Mr. James Dillon (Deputy Leader of the Opposition) said the President now told them he had turned his back on the problem of Partition because he believed it insoluble, and that he would ignore the situation in Northern Ireland in the conviction that he could do nothing to ameliorate it. The late Kevin O'Higgins had been negotiating for bringing the Six Counties into a United Ireland the very week before he was murdered. President de Valera was primarily responsible for identifying independence exclusively with the republican form of Government. Some of his followers now saw that effective independence was available to the people without the tag "republic," and that the immense advantage of a united Ireland was receding from their grasp largely because of the Fianna Fáil Party propaganda. Partition was never consented to [by the Irish Nationalists] in the Ulster Hall in 1916. Permanent Partition was rejected by the leader of the Irish Party in Buckingham Palace in 1914, and was rejected categorically in the Ulster Hall in 1916. The proposal made by Mr. Lloyd George for submission to the Belfast Convention was that Home Rule should be put into force for 26 counties for the duration of the War and that after six years the

Six Counties should come in automatically by operation of law.

Good neighbours in Ulster.

As a Deputy for an Ulster constituency [County Donegal] he declared that the vast majority of Protestants and Catholics in it were on the relations of good neighbours. The plain people on both sides did not hate each other, and they should try to spread this spirit of good feeling among the politicians. He believed the President could get from the British Government a declaration that in their judgment the best service that Northern Ireland could do for the British Commonwealth of Nations as a whole would be to join with Saorstát Eireann in establishing a free and independent Ireland within the Commonwealth. That would be a very valuable contribution towards the slow process of persuading the people of Northern Ireland to throw in their lot with them. The Deputy did not want national reunion except on the basis of conciliation. If they could employ British bayonets to drive the Ulster people into Saorstát Eireann he would not let them do it. He did not want Great Britain to interfere in Irish domestic affairs.

President de Valera had, he believed, a better opportunity now than anyone in the last 20 years for expediting the reunion of Ireland. They had absolute independence, more effective than almost any small nation in Europe enjoyed, as was evidenced by the President's declaration that he proposed to enact in the Dáil a Constitution for Ireland, drafted as if Great Britain were a million miles away. Compare that with the ability of Austria or Hungary to act in internal matters. Having that, they had also the immense material advantages that they could get readily in association with the British Commonwealth of Nations. Was that to be thrown away for the name of a republic which would not be a republic?

Mr. MacDermot, replying to criticisms, said he believed the debate would do good, in spite of some of the speeches made in it, because it must make Deputies think about the problem. It was not a question of sacrificing things that were valuable and cherished, but of taking a wide view of the Irish nation as a whole.

The Resolution was defeated by 67 votes against 34.

INDIA.

The following summary is in continuation of that given in the last issue of the JOURNAL (Vol. XVII., No. 4) and deals with a matter discussed during the Fourth Session of the Fifth Legislative Assembly which opened on 31st August, 1936, and adjourned on 30th October; and with some of the proceedings of the Eleventh and Twelfth Sessions of the Third Council of State.

LEAGUE OF NATIONS.

(Indian membership: proposal to withdraw; Motion to consider reduction of amount of contribution carried.)

On 22nd September, 1936, in the Council of State, Mr. Hossain Imam moved that the Council

“recommends to the Governor-General-in-Council to give notice of withdrawal from the League of Nations on behalf of India and to stop forthwith payments of annual contribution.”

DEBATE IN COUNCIL OF STATE.

Hon. Mr. Hossain Imam (*Bihar and Orissa: Muhammadan*), in moving the Resolution, deprecated the idea that India did not believe in the ideal of world peace and security. But it was one thing to believe that, and another thing to trust that those persons who were carrying on this work were doing it rightly and with good intentions. The ideal of the League of Nations, if it had been honestly carried out and followed up in a spirit of sacrifice, would have really outlawed war, as the Kellogg Pact had tried to do; but from its very conception the difference between the ideal and the actual had begun to take shape. The League of Nations Commission (1919) had intervened at every stage to change the picture as drawn by Mr. Woodrow Wilson, until they had the finally approved plan as now existing.

Objectives of the League.

There were two features of great importance. When France proposed that the League should be endowed with an international army, the European *bloc*, with the exception of Great Britain, was in favour of it, and Great Britain, in the person of Lord Cecil, prevailed upon Mr. Woodrow Wilson to veto this proposal. The result was that the League, when it took shape, was an ineffective body.

Another question, which Japan brought forward, was the recognition of the equality of nations. A majority was prepared to adopt this, but Great Britain alone vetoed it.

The Imperialistic Powers who had the shaping of things in their hands tried from the very beginning to make the League and the Covenant indefinite, flexible, diplomatic and experimental instead of definite, logical and rigid.

Dealing with the main objectives of the League—disarmament, the prevention of war and the settlement of disputes between nations, the safeguarding of minorities and Mandates—Mr. Hossain Imam gave illustrations to prove his contention that in regard to all of these the League had been a failure. It had been a success in one respect alone—in social and economic welfare under the International Labour Organisation. This Organisation, he pointed out, was not dependent on membership of the League. Germany had been a member of it for six years before she joined the League, and if India resigned from the League there was no reason why she should secede from the Labour Organisation.

India's contribution.

Hon. Sir Phiroze Sethna (*Bombay: non-Muhammadan*) moved an Amendment recommending that steps should be taken to have the amount of the annual contribution to the League “substantially reduced and preferably from this year.” The war between Italy and Abyssinia, he said, had brought into prominence the question whether the League should be continued or not. India had been a Member of it ever since its inception and had co-operated in all its activities. Her large contribution to the expenses had placed an additional burden upon her comparatively limited financial resources, and there was a feeling that it must be considerably reduced, for the advantages they had gained or would gain were not in keeping with it.

Although an original Member of the League, India had never been one of the non-permanent Members of the Council, nor had any Indian, so far, been appointed to a post of control or direction.

Sir Phiroze said he was against the abolition of the League, for although it had failed in recent years in its main purpose of preventing war, it did not follow that it would continue to fail in the future, and efforts were being made to place it on a proper footing. It would be more advantageous to have a League rendering efficient services in directions other than the prevention of war than to have no League at all. Further, it was not easy to become a Member, so that if they withdrew it would be very difficult to re-enter.

Regarding the contribution, India till recently had paid 1,670,670·85 gold francs; and as the gold franc was about 14 annas, their contribution amounted to more than Rs. 14½ lakhs per annum. Out of more than 50 Members only four

others made larger contributions—*i.e.*, the United Kingdom, who paid the equivalent of Rs. 24 lakhs; France and Russia, about Rs. 21 lakhs each; and Italy, whose contribution was about Rs. 18 lakhs. Each Member paid a certain number of points or units out of a total of 931; and India's share, which used to be 56 points, had been reduced by the Assembly in 1935 by one point, which was insignificant. Lord Lytton, who had led the Indian Delegation at the Ninth Assembly in 1928, had said in a speech on the League Budget, that

India was probably the country whose Government found the most difficulty in justifying the contribution due from her. The proportion of the League's work which could be represented as being of benefit or interest to India was far from corresponding with India's share in its expenditure, which was higher than that of any State not permanently represented on the Council.

Pointing out the necessity for economising their financial resources, Sir Phiroze Sethna said that the saving of even a few lakhs by a reduction of their contribution to the League could be more profitably spent in India.

Advantages of membership.

Hon. Pandit P. N. Saprū (*United Provinces Southern: non-Muhammadan*) said that while he agreed with most of the criticisms of the League, its establishment showed that an international consciousness was growing. They were living in a very imperfect world, and the reality was sometimes ugly. The real point was: would they be helping the cause of international co-operation and goodwill by withdrawing from the League at this juncture? It was a wise move on the part of Mr. Montagu* to have found in it a place for India. Situated as they were, their international status was bound to have repercussions on their domestic status, and their membership of the League was valuable from that point of view.

Further, it had enabled their statesmen to come into contact with some of the international figures of the world, thus helping them to broaden their outlook and to enlarge their knowledge of foreign affairs. Withdrawal would not help them to obtain control over their own foreign policy if they continued to be dominated by the British Foreign Office, and they would deprive themselves of such opportunities as the League offered of co-operating in its social and humanitarian work.

Democracy and the League.

With reference to the revision of the Treaty of Versailles, they must refuse to consider that question until they had a

* The Rt. Hon. Edwin Montagu, M.P., former Secretary of State for India.

new Germany and a new Italy to deal with. The future of democracy was very dark and [with regard to the war in Spain] the position was a difficult and complicated one; but they had to reform the League, and the danger of withdrawal was that this would make them forget the ideals for which the League stood. It had been said that it was an instrument in the hands of Imperialistic Powers. In this connection he thought the real responsibility rested, not primarily with Britain, but with Italy and Germany. His criticisms of the National Government's policy would be identical with those of Major Attlee, Sir Herbert Samuel or Sir Archibald Sinclair; but if there was war in the future it would be the Fascist countries, not Britain, that would be responsible for it.

Withdrawal inopportune.

The Secretary, Legislative Department (Mr. G. H. Spence) pointed out that the League was not a species of benefit society which they joined in the hope of getting an adequate return. That great international organisation had been created, in the words of the preamble of the Covenant,

"in order to promote international co-operation and to achieve international peace and security";

and it would be simply contemptible if India withdrew from it merely for the sake of economy.

He asked Members to preserve a sense of proportion regarding the size of their contribution. A country which for the purposes of representation in the governing body of the International Labour Office had been included among the Members of chief industrial importance could not, in the nature of things, expect to be assessed at anything but a very substantial contribution. There was not the smallest reason to suppose that the recent Allocation Committee had approached India's case with any feeling of prejudice whatsoever. Moreover, India's position in this matter had progressively improved. She had originally been assessed at 65 and later at 60 units. The revised scale of 1925 allotted her 56 units out of a total of 937. The distribution in 1934 of surplus units accruing from the entry of Russia into the League had given India a reduction of one unit, leaving her assessed at 55 units out of 931; and if the Allocation Committee's Report was approved, she would be assessed at 53 units out of 935.

The contribution for 1936, Mr. Spence continued, was a *fait accompli*. In regard to the future, he pointed out that while it would be prejudicial to India to agitate for further reduction in the period intervening before general revision was undertaken, the Government did share the Council's

view that India's contribution was too large, and would use their best endeavours to secure further reduction.

He was prepared to adopt the Motion if the Mover would agree to omit the words "and preferably from this year."

Sir Phiroze Sethna indicated that he agreed to this.

Failures and successes.

The Secretary, Legislative Department, continuing, said that although he admitted that many failures could be charged against the League, a case for withdrawal on these grounds was not sustainable. In the Italo-Abyssinian affair it had exhibited nothing but sheer futility; but it was possible that the historian of the future would find the primary significance of this painful episode not in the final failure, but in the fact that for the first time in the world's history some 50 countries did combine to take certain measures detrimental to their individual interests to implement a decision of the League. Of the 57 States who were Members of the League at the commencement of the Abyssinian crisis (excluding Paraguay, who had given notice of withdrawal before) three States only—Guatemala, Nicaragua and Honduras—had given notice of withdrawal. But was there any reason for India to take a line from these particular countries? No Member of the Council would deny that an effective League of Nations would be an inestimable boon to the world, and at no time had there been a greater need for an effective League than now. If they withdrew the world would say that India was repudiating the ideal of an effective and universal League.

It was an indisputable fact that India's membership of the League, derived from her naming in the Annexe to the Covenant, had resulted, despite the fact that she had not then or now attained self-governing status, in her achieving an international position which she could not otherwise have had.

Eve of Egypt's entry.

The Leader of the Council of State (Hon. Kunwar Sir Jagdish Prasad) asked why India should leave the League at a time when Egypt, who had just achieved her independence, was about to join it? The League had been formed about 18 or 19 years ago in very difficult circumstances. Could they say that the experiment of 18 or 19 years was decisive, especially in regard to one of the greatest experiments that the world had undertaken to get rid of war?

Regarding Abyssinia, was it not likely that, had it not been for the League, their consciences would not have been stirred and they would probably not have known that Abyssinia had been invaded? Many countries in the past

with greater civilisations, with a more ancient history, had been conquered; but had the world been stirred to its foundations as it had been over Abyssinia?

After further debate the substitute Motion was adopted on a division by 35 votes against 6.

GENEVA CONVENTION IMPLEMENTING BILL.

(Use of Red Cross Society emblem.)

This Bill proposes to ratify the Geneva Convention of 1929 which prohibits the use of the Red Cross emblem by societies or firms not associated with the Red Cross Society.

On 12th October, in the Legislative Assembly, the Secretary of the Defence Department moved: "That the Bill to implement Article 28 of the Geneva Convention of the 27th day of July, 1929, be taken into consideration."

IN THE LEGISLATIVE ASSEMBLY.

The Secretary, Defence Department (Mr. G. R. F. Tottenham), said that as a result of the Geneva Convention of 1906, an Act of Parliament of 1911 had prohibited the unauthorised use of the emblem of the Red Cross. The provisions of the Act had been applied to India by Order-in-Council, which allowed other persons, or societies or firms to be authorised to use the emblem.

Mr. Tottenham, having read Article 28* to the House, said that the Indian Red Cross Society had done excellent work in peace as well as in war. The Bill would not impose a hardship on anybody in India, for as far as Government knew, there was no firm in India which was using either the Red Cross or the White Cross as a trade mark.

The Motion was adopted.

The Bill was passed in the Council of State on 15th October.

REDUCTION OF HOURS OF WORK CONVENTION.

On 26th March, in the Council of State, discussion took place on a Resolution moved by the Secretary of the Industries and Labour Department proposing that the Council should recommend the Governor-General-in-Council not to ratify the Convention adopted by the Nineteenth Session of the International Labour Conference concerning the reduction of hours of work to 40 a week.

* Article 28 forbids the use of both the white cross on a red ground, as the Swiss Federal colours, and the red cross on a white ground to anyone apart from the Red Cross Society.

DEBATE IN COUNCIL OF STATE.

The Secretary, Industries and Labour Department (Mr. A. G. Clow) pointed out that the Washington Convention for a 48-hour week had not been ratified by the majority of countries. Its purpose had been to prevent excessive hours of work. The basic motive underlying the present Convention was the hope that it would reduce unemployment. It was looking rather to men out of work than to men in work, and the idea with which it started was that if hours were spread more men would be brought into employment. There was no insuperable difficulty in most cases for employers to do that. But to call on the employer to pay the same wages for 40 hours that he had been paying for 50 or 60 hours was an entirely different proposition. The biggest difficulty of all was that they were asked to apply the principle first to one industry and then to another. He failed to see how that could be effected.

Hon. Pandit P. N. Saprū (*United Provinces Southern : non-Muhammadan*) moved : "That to the end of the Resolution the following be added, namely :—

"but that he [the Governor-General] do take such steps as may ultimately enable, by gradual stages, the Convention to be ratified."

He did not argue that a 40-hour week was immediately practicable. But he thought that on humanitarian grounds it was necessary that workers should not be made to work long hours. The question was not one of profit but of humanity. The new social order would be achieved not by a process of revolution but through gradual stages.

Hon. Mr. Hossain Imam (*Bihar and Orissa : Muhammadan*) supporting the Amendment, said that human labour was being replaced by machines, and that, with efficient organisation by employers, a 40-hour week would soon be possible. They could find out a formula by which there would be mutual adjustment in the case of increased efficiency on the one side, and decreased hours on the other, so that a reduction of about 10 per cent. in wages would about compensate.

Hon. Mr. Shantidas Askuran (*Bombay : non-Muhammadan*) opposed the Amendment. He compared the labour charges for the production of cotton in India with those obtaining in Japan. The labour charges for manufacturing a certain type of cloth was 2 pies a yard in Japan against 7 pies in India. In spite of reducing hours of work last year, the cost of production in labour alone had gone up by 5 to 9 per cent. in Bombay. If the 40-hour week were accepted, he did not know what would be the fate of the textile industry in India.

Hon. Rai Bahadur Lala Jagdish Prasad (*United Provinces, Northern : non-Muhammadan*) asked why they could not wait

till their industries were able to hold their own in the industrial world. He considered the Amendment premature.

The Secretary, Industries and Labour Department, regretted his inability to accept the Amendment. He explained that a Convention such as that under discussion could not be ratified by gradual stages. It must be ratified once and for all, and in ratifying these Conventions even reservations were not allowed.

The Amendment was defeated and the Resolution was adopted.

COTTON INDUSTRY.

(Motion to postpone effect of Tariff Board recommendations pending new Agreement with British Government.)

On 7th October, in the Council of State, the Hon. Rai Bahadur Lala Mathura Prasad Mehrotra moved :—

"That this Council recommends to the Governor-General-in-Council not to give effect to the Recommendations of the Tariff Board on the cotton industry till a suitable agreement has been arrived at between India and Great Britain."

DEBATE IN COUNCIL OF STATE.

Hon. Rai Bahadur Lala Mathura Prasad Mehrotra (*United Provinces Central : non-Muhammadan*) said that the Board had been appointed in September, 1935, to recommend the level of duties necessary to afford adequate protection to the Indian cotton textile industry against imports from the United Kingdom of (a) cotton piece goods, (b) cotton yarn, (c) fabrics of artificial silk, and (d) mixtures, fabrics of cotton and artificial silk. The Government had hurriedly given effect to the Board's Recommendations by executive order at a time when a new agreement with the British Government was under consideration.

The Board, presided over by a British business man, had recommended a reduction of the duties from 25 to 20 per cent. This would cause loss not only to the industry, but also to the poor agriculturists, and although they had no ill-will against Lancashire, when there was conflict between the interests of Lancashire and those of India the latter should prevail.

The Secretary, Commerce Department (Mr. H. Dow), in reply, pointed out that the Government had already given effect to the Board's Recommendations and that nothing further remained to be done. It was an integral part of the Government's policy that protection should be not more nor less than was necessary. He would, however, accept the Resolution with the insertion of the word "further" before the word "effect."

This was agreed to, and the Resolution was adopted.

UNEMPLOYMENT AND COMMUNISM.

(Problem of Indian poverty ; Viceroy's Report on agriculture ; Recommendations of the Sapru Committee and Labour Commission ; Government action against Communism in India ; Previous social welfare activity ; Montagu-Chelmsford Reforms ; Ideal of the liberal democratic State.)

On 28th September, in the Council of State, a discussion took place on the following Motion, moved by Sir Phiroze Sethna, which was adopted :—

“ This Council recommends to the Governor-General-in-Council that, in order to prevent the growth of communistic ideas advocated and propagated by the President of the Indian National Congress and others, well-considered Measures should be adopted as early as possible for relieving unemployment particularly among the educated lower middle classes, and for reducing poverty and distress in the vast agricultural and labour population and for promoting their welfare generally.”

DEBATE IN COUNCIL OF STATE.

Hon. Sir Phiroze Sethna (*Bombay : non-Muhammadan*) drew attention to certain ominous portents on the political horizon. Socialistic and communistic ideas, he said, had recently received an impetus from the vigorous propaganda carried on by Pandit Jawaharlal Nehru, President of the Indian National Congress. The influence of the Socialist Party within the Congress was steadily growing, and its Leader seemed confident that the Congress would become a Socialist organisation in the near future. Communism, also, though perhaps not so active, was capturing the minds and hearts of an increasing number of young men.

Growth of Socialism.

The tendency to-day was to sympathise with and to commend the social purpose of Socialism, which he endorsed. There was no doubt whatever that Indian society must be so improved and reconstructed that poverty might, at least, be reduced by individual or collective efforts. The functions of the State had necessarily become much wider and included several which, if rightly analysed, were socialistic ; but Socialists and Communists went very much further, and maintained that almost all the activities of life must be subject to a severe and complete regimentation and that society should be class-less. To this they were opposed, because it would lead to a state of society in which individual liberty, initiative, sense of responsibility, etc., would become extinct.

Did they think, Sir Phiroze Sethna continued, that the ancient culture and traditions of India could be so completely wiped out as to give place to such an alien ideology ? They

could improve the past but they could never cut themselves entirely adrift from it. The rise and growth of these ideas in India was, no doubt, partly due to the impact of Western thoughts and influences. Many felt a great fascination for Western thought and institutions, and were so much intellectually and emotionally enslaved by communistic and socialistic ideas that their sense of historical perspective was almost lost.

Problem of Indian poverty : recommendations of Sapru Committee, etc.

The vital causes of the growth of these ideas were to be found in the increasing unemployment referred to and in the dire poverty and distress of the vast population. Government only recently seemed to have awakened to the deep seriousness of this problem. The situation, however, was not yet hopeless, and could be brought under control by the adoption of proper and prompt measures. The United Provinces' Government was entitled to gratitude for appointing a Committee to consider the question of unemployment. The Punjab Government had set about creating an unemployment bureau, and the Governments of other Provinces should follow suit.

Fortunately they had at the head of affairs a Viceroy who took a keen interest in the material welfare of India, and whose one ambition seemed to be to raise the standard of life of the people. His Report on agriculture when he presided over the Agricultural Commission was a monumental document ; and if measures were taken in accordance with its recommendations and those of the Sapru Committee, and if the recommendations of the Labour Commission were also carried out, the country was confident that within a short time socialistic and communistic ideas would die an inevitable death.

Repression, Sir Phiroze Sethna said, by and in itself, would simply result in bringing more recruits to the ranks of the Communists and Socialists. His Resolution gave a friendly but a serious warning to the Government that if they neglected these questions any longer they would do so at their peril, and with dire consequences to the future of the country.

Hon. Diwan Bahadur Sir Ramunni Menon (*Nominated non-Official*) said they had to recognise that a Communist Society actually existed now in a very large country which in area covered a sixth of the habitable surface of the globe, with a population of 160,000,000. That country had established international relations with other countries and was a Member of the League of Nations. But while this was certainly a great achievement for Communism, the opposition which was shown by other nations to the introduction of communistic ideas into their territories was a fair measure of

the dangers inherent in Communism, which arose not so much from its ideals as from the revolutionary methods, suppression of individual liberty, massacre, cruelty and persecution by which the Communist sought to impose his system on society.

Antidotes to Communism.

In regard to the problem of unemployment among the educated classes, the Central and Provincial Governments had already shown their concern; but the measures proposed were, at the best, palliatives. The only effective antidote to Communism was a thorough-going social and economic readjustment, based upon a democratic political foundation; and in this process the possessing classes would have to make much greater sacrifices than they had made in the past.

Hon. Khan Bahadur Dr. Sir Nasarvanji Choksy (*Nominated non-Official*) pointed out that if communistic ideas were adopted in India, the country would be governed not by Governors nor Councils, but by secret cliques. There would be no Gazettes, and no Orders passed for the information of the public, and only those within that small clique would know the secret edicts. To assist it there would be the most ruthless organisation that the world had ever known, namely, the secret police.

Describing the general conditions in Russia, Sir Nasarvanji Choksy spoke of the prospects for the peasantry in India under Communism, and asked, in regard to the ruthless destruction of the Russian intelligentsia and bourgeoisie: "Does India want its lawyers, merchants, doctors, scientists and others to be wiped off the face of the earth?" Now, he added, Russia regretted her great loss, and was re-creating the very classes she had destroyed.

There were also other very important factors, *i.e.*, religion, and the laxity of the moral code. All the old civilisation of India would disappear under Communism, and they would be put back into the dark ages without happiness and liberty. Anybody who urged such ideas among immature or half-educated youths was not a lover of India.

Hon. Mr. V. C. Vellingiri Gounder (*Madras: non-Muhammadian*) moved

that after the words "the growth" the words "novel socialistic" should be added, and that the words "advocated and propagated by the President of the Indian National Congress and others" should be omitted.

Promoting social welfare.

The Secretary, Industries and Labour Department (Mr. A. G. Clow) said he was sure Sir Phiroze Sethna would be the first to recognise that they had started on the task of promoting social welfare and social justice long before Communism was heard of, and that they would have gone on with it even if

Communism had never appeared. There were much better reasons for pursuing these aims than the danger of Communism, and justice pursued for its own ends afforded a valuable insurance against the spread of subversive ideas.

In regard to unemployment and the welfare of labour, the recommendations of the Sapru Committee were receiving earnest examination. Labour welfare was a Provincial subject, and under the new Constitution it would remain so; but the Central Government would to some extent retain responsibility for labour legislation.

Sixteen years ago, when the last Session of the Imperial Legislative Council was held in that Chamber, they had a Factories Act which allowed a 12-hours day, they employed children in large numbers from 9 years of age in the factories, they had no regulation of hours in the mines nor any prohibition of child labour there. Now child labour was excluded from the mines and largely excluded from the factories. At that time they had no such thing as workmen's compensation, no law of trades unions, nothing dealing with trades disputes, nor were they within sight of that important charter, the Payment of Wages Act. That, for the period of the Montagu-Chelmsford Reforms, was a very creditable record, and he hoped and believed that under the new reforms, when the Provincial Councils would be strengthened by Labour Members and Members of the Depressed Classes, matters would not remain stagnant.

Mr. Clow pointed out, however, that the power of legislation was very limited, and that it was to employers and labour, particularly the co-operation between them, that they must largely look for labour welfare. That co-operation would never be secured so long as employers acted, as some in India to-day wanted to act, simply as dictators, and so long as labour was to a large extent illiterate and unorganised. There was a tremendous need for the collective expression of labour's needs, and for its consideration, and if a healthy trade unionism could be developed it would be, as in England, one of the strongest bulwarks against Communism.

Ideal of the Liberal Democratic State.

Hon. Pandit P. N. Sapru (*United Provinces Southern: non-Muhammadian*), who opposed the Motion, said the social and economic question was fundamentally an ethical question, and he disagreed with the point of view of the Mover, who based his case merely on the ground of opposition to Communist ideas.

With regard to the ideology of the respected Leader of the Congress Party, which was not his (Mr. Sapru's), the forces of the right were gathering strength everywhere, and talk of the

character in which some of their more ardent Socialist friends indulged only strengthened them further. They had to work for the establishment of the liberal democratic State at a difficult period in the history of democracy, and it was incumbent on those who believed in the policies of the left to do nothing which would strengthen the forces of Communism and reaction.

He himself rejected Communism because he did not believe in the materialistic interpretation of history; but there were certain fundamental ideas underlying Socialism with which, as a good Liberal, he had sympathy. The phrase "communistic ideas" in the Resolution, however, was very vague, and another reason why they must oppose it was that it was not the business of the Council to condemn individuals. They could discuss Communism as a social fact, but not individuals who were not present to defend themselves and whose ideology they might not be representing accurately.

Hon. Sir David Devadoss (*Nominated non-Official*) spoke of the problem of the Untouchables, and asked what would be the state of India if Communist ideas spread among them? There were millions of them, and unless their conditions were improved the state of India would be very unhappy indeed.

Government action against Communism.

The Secretary, Home Dept. (Mr. M. G. Hallett), speaking of the methods by which the Communist Party of India sought to achieve their objects—including strikes, a combination of strikes and armed demonstration, and, finally, the general strike conjointly with armed insurrection against the State power of the bourgeoisie—showed that the programme laid down was the overthrow of the existing order of society and Government by force. That being so it became the duty of Government to deal with it, which they did in 1934, when they proclaimed the Communist Party of India as an unlawful association. Since that date they and the local governments had been continually taking action against that Party or members of it, and to prevent the importation into India of literature from foreign countries advocating pure Communist doctrines.

Mr. Hallett amplified the statement of **Mr. Clow** in regard to measures undertaken by the Government, irrespective of the menace of Communism, dealing specially with measures to improve the lot of the agriculturalists, beginning with the period when Lord Curzon started the co-operative movement. During recent years some 30 Acts had been passed by local Legislatures in connection with the problem of rural indebtedness, the effects of which were being carefully watched; and they had granted liberal remissions and suspensions of land revenue,

established conciliation boards to settle debts between debtors and creditors, etc. He also referred to the use which was being made of the Finance Department grant for village uplift.

Montagu-Chelmsford Reforms : benefits to agriculturalist, etc.

The Leader of the Council of State (Hon. Kunwar Sir Jagdish Prasad) said there was no dispute about the question of poverty being one of the fundamental problems in India. It had not come into existence during recent times; but, he asked, how was it that suddenly all of them—landlords, capitalists, Socialists and others—were thinking of it so seriously and constantly?

One of the reasons why the agriculturalist had not come into his own in the past was that their politics had taken more or less an urban complexion, politicians being generally men from the towns. One of the great changes that came was owing to the Montagu-Chelmsford Reforms when, for the first time, the vote—he agreed only to a very limited extent—was given to the rural areas, and for the first time nation-building Departments—Public Health, Education, etc.—were handed over to the charge of Ministers responsible to the Legislatures. Now the House was entitled to ask, had the Ministers been able to make the life of the agriculturalist happier, to put a little more money into his pocket and to improve his health? In dealing with this problem they had to remember the great physical calamities like floods and earthquakes which had strained the resources of the Government, and had made it impossible for them to carry out their well-laid plans.

Sir Jagdish Prasad pointed out that it was the Government which had appointed the Royal Commission on Agriculture; they had established an Imperial Council of Agricultural Research, and had given over Rs. 2 crores for rural reconstruction and 15 lakhs to encourage the better administration of co-operative societies in the Provinces.

He entirely agreed that they must adjust themselves to changing circumstances and do their utmost to improve the lot of the tenant in the villages. They were alive to the necessities of the situation and in his Province, the United Provinces, landowners fully realised that they could not expect the old order of things would remain.

The Motion was adopted.

SOUTHERN RHODESIA.

The following summary is in continuation of that given in the last issue of the JOURNAL (Vol. XVII, No. 4) and deals with further proceedings of the Second Session of the Fourth Parliament which opened on 11th February, 1936, and was prorogued on 12th June.

GENEVA CONVENTION ACT, 1936.

(Use of Red Cross Society emblem.)

The effect of this Act to take effect on 1st August, 1936, is to ratify the Geneva Convention of 1929. After receiving assent, the Act was promulgated on 26th June.

The object of the Convention, which has already been ratified by Great Britain and the Colonies, is to prevent the use of the Red Cross emblem by societies or firms not associated with the Red Cross Society. Exception is made in respect of trade marks registered before the 23rd December, 1931.

The penalty for an offence under the Act is a fine of ten pounds and forfeiture of any goods in connection with which the emblem might be displayed.

TOBACCO MARKETING ACT.

(New system of marketing ; Exclusion of new growers ; Quotas and prices ; Protected and foreign markets.)

This is an Act to regulate the sale and export of tobacco. After receiving assent, the Act was promulgated on 10th April.

The Act provides for the establishment of a board to be known as the Southern Rhodesia Tobacco Marketing Board, consisting of six members,—one (the Chairman) a senior Member of the Public Service, three representing growers, and two representing buyers (Sects. 4 and 5).

Every buyer shall apply to the Board for a buyer's licence (paying for each licence a fee of £1), and a buyer's licence may be issued in the name of a company or partnership ; but such company or partnership shall register with the Board the name of every person authorised to buy tobacco in the Colony on its behalf, who shall be deemed to be duly licensed for the purposes of the Act (Sect. 10).

Such premises (or auction floors) shall be licensed by the Board as it may deem suitable for the sale of tobacco by auction ; and no tobacco, as defined in the Act, may be sold or bartered within the Colony except by written permission of the Board, or through any pool arranged by it, elsewhere than on auction floors (Sects. 11 and 13).

A register of growers must be kept (1). Application for registration shall be made in the manner prescribed ; but no person other than an applicant who during the crop year 1935-36 grew tobacco on the farm in respect of which he applies for registration, and whose name has not been lawfully erased after previous registration, shall be registered except upon the written authority of the Minister (2) (Sect. 17).

Beginning with 1936, to every registered grower who applies for it there shall be allotted a share (sales quota) in the tobacco requirements of the local and protected markets* for the current season. To provide a basis for determining sales quotas, the Minister shall allot to every registered grower on registration a basic quota, which may be amended, or cancelled, by him on certain conditions (Sects. 18 and 19).

The power of appeal is given against a decision of the Minister, appeals to be heard in a Court, constituted by the Governor, consisting of a president (either a Judge of the High Court or an advocate of the High Court of not less than ten years' standing) and two members selected by the Governor (Sect. 22).

* "Protected markets" mean the United Kingdom, the Union of South Africa, and such other countries as the Minister may by notice in the "Gazette" declare to be such for the purposes of the Act.

The Act provides for the fixing of a ratio between basic and sales quotas, and for the issue of sales quotas certificates (Sects. 23 and 25).

Tobacco may not be exported except under permit and neither export to protected markets nor sales when a sales quota is completed can be carried out without the permission of the Board (Sect. 31).

The Board has power to arrange, when it sees fit, for the collection of surplus tobacco into pools, and its disposal through the Board (Sect. 34).

Additional powers are given to the Board, subject to the approval of the Minister (Sect. 35).

DEBATE IN LEGISLATIVE ASSEMBLY.

On 17th March,

The Minister of Agriculture and Lands (Capt. the Hon. F. E. Harris), in moving the Second Reading, said the Bill had been re-drafted because after its publication it had been again considered by the Council of the Rhodesia Tobacco Association and the Tobacco Trade Committee of the Salisbury Chamber of Commerce and certain amendments had been agreed to.

Former pool system : new methods of marketing.

Their past system of selling tobacco had not given satisfaction either to the growers or to the manufacturers. In 1930, a Tobacco Control Act had been brought in, and tobacco which went into the Union pool was dealt with under the Board. After a few years the surplus of this pool, after the Union's requirements had been supplied, reached a very large amount, and in late years many millions of pounds of tobacco had remained unsold after the pools were closed. By that time the buyers had bought their supplies for the season, and the only method they had of disposing of this surplus was by selling it in bulk quantities to brokers who purchased the leaf at a lower price than the balance of the tobacco had been sold for. That tobacco could and would be dumped on the United Kingdom market and would upset the whole of the marketing arrangements.

The Bill made it possible to bring in a new system of marketing which would be under the control of the Tobacco Marketing Board. The only tobacco which would be outside the Board's control would be that consigned by a grower, which he would have the right to send Home. The Board would also advise the Government on the quantity of tobacco which the market was able to absorb so that quotas could be set accordingly. The members would represent both sides of the industry ; they would all know what was going on and would be able to see that a fair deal was given.

While the Bill would not limit the quantity which any man might wish to grow, he would only be able to put a certain quantity into the protected market, i.e., the market of Great Britain, that of the Union of South Africa and the local market in Rhodesia.

Growers' quota.

The growers' basic quota, the Minister continued, had been based on the crop, 1933-34,—one of the best years which Southern Rhodesia had ever had for tobacco,—and the growers had been given a quota on that year's production less 20 per cent., which would still stand. The aggregate of all quotas in a good tobacco year was estimated to produce some 22,000,000 to 23,000,000 lbs. of tobacco ; this year their protected market would be able to take something like 15,000,000 lbs., and the grower would be able to sell in that market the percentage which he would be granted as quota tobacco and for which he would be given a sales quota.

Clause 17 gave power to the Minister to exclude new growers. They did not want inexperienced men coming into the country putting down large acreages to tobacco and growing a bad quality which would become a drug on the market and give Rhodesian tobacco a bad name.

The Bill had been agreed to by the Council of the Rhodesia Tobacco Association representing the growers and by practically all the buyers who had discussed it. But it was not, the Minister added, the Bill that mattered so much as the spirit behind it. It was the determined effort of both growers and manufacturers to put this important industry on a satisfactory basis. The export of tobacco in a good year amounted to over a million pounds, and it could be grown at a price which could help to make the industry a very great one.

Amendment.

Mr. H. H. Davies (Leader of the Opposition), moving that the Bill be referred to a Select Committee, said it was a principle that whenever they were going to enact unusual legislation which would impose an undue burden upon one section of the community and would, perhaps, give other sections undue benefits, it was necessary that every Member should be in possession of such evidence as to enable him to come to a clear conclusion. The Labour Party had not had an opportunity to examine the evidence leading to the introduction of this Measure and he moved that it be referred to a Select Committee.

The Prime Minister (Hon. G. M. Huggins) said that by the appointment of a Committee Members would only get the view of scattered individuals to a very great extent totally opposed to one another because their interests were different.

The Minister of Agriculture and Lands said that no object whatever would be served in sending the Bill to a Select Committee and therefore the Government were unable to accept the Amendment.

On 23rd March, on a division, the Amendment was negatived by 18 votes against 7.

A "square deal" for the Rhodesians.

On 23rd March,

Mr. D. Macintyre (Labour, Bulawayo Central), referring to Clause 17 (2), pointed out that the one thing required above all others in Southern Rhodesia was a substantial increase in the white population; yet it was suggested that white people should be debarred from entering into what, after all, was the only thriving industry in agriculture at the moment. He wondered what would have happened to it if they had had such a law in the early days.

Sir Hugh Williams (Reform Party, Gwanda) said it was the bounden duty of this or any other Government to see that their people first got a square deal. Their tobacco could be expanded on the London market if they set about it in the proper way. All they had to do was to raise their price to the buyers in Southern Rhodesia in the protected market and try to put more on the English market.

Capt. R. E. Downes (Reform, Hartley) said that the argument they were listening to to-day, if it were only discussed on a fundamental basis, would resolve itself very closely into an argument as to whether the R.T.A.—a democratic body of producers—should control the industry, or whether the mechanisation which was being introduced by the Minister should do so. His contention was that either of these methods could be used, but at present the industry was being destroyed by mixing up the two principles.

Foreign markets.

On 25th March,

The Prime Minister said that almost every market in the world had been sampled and they roughly knew which markets were profitable and which were not; it only remained to see if by trade arrangements or persuasion through Government circles they could get into the market where they saw a reasonable chance of profit.

Referring to conditions in the United States and in Canada and other Dominions, he pointed out that the enormous internal markets in the United States and in Canada alone made it worth while for the Governments there to fix a local price, because the exports were only a drop in the ocean. To-day New Zealand and Australia were importing very large quantities of American leaf because they only grew a small fraction of what they consumed. If that were the position in Southern Rhodesia, of course, they could do exactly the same thing but the whole position was reversed. In Canada the internal consumption of their crop was between 60 and 75 per cent.; in Southern Rhodesia it was about 800,000 lbs. out of a crop which one year ran to 26 million lbs.

On 27th March the Bill was read a second time.

OLD AGE PENSIONS ACT.

(Provision of non-contributory old age pensions for white and coloured people over 60 years of age.)

The Bill for this Act, which provides for the payment of old age pensions to persons of 60 years of age and over who are domiciled and resident in the Colony, was introduced in the Legislative Assembly on 14th April by the Minister of Finance and Commerce.

Pensions are not to exceed £48 per annum in respect of white persons and £24 in the case of coloured, nor must their total income exceed £96 and £48 respectively.

The Governor is to nominate a Commissioner of Pensions, and pension officers are to be appointed in every district to receive and investigate applications. These officers are empowered to subpoena and examine witnesses on oath for the purpose of enquiring into any matter falling within their functions.

After receiving assent, the Act was promulgated on 26th June.

DEBATE IN LEGISLATIVE ASSEMBLY.

On 16th April,

The Minister of Finance and Commerce (Hon. J. H. Smit), moving the Second Reading of the Bill, said that it was proposed to put into operation a non-contributory old age pension scheme. He felt that this was not the last word,—that they would follow it up sooner or later with an insurance scheme.

The proportion of old people in the Colony was small. The Treasury officials had estimated the cost of the present scheme at £75,000 in the case of white people and at £5,000 in the case of coloured people, but he would not vouch for any figures. Until they had further information they could not arrive at anything like a near figure as to the ultimate cost.

Mr. H. H. Davies (Leader of the Opposition) congratulated the Government on the Measure, but complained that the pensions were inadequate, and deplored the distinction between white and coloured people.

At the conclusion of the debate the Motion was agreed to and the Bill was read a second time.

CEYLON.

The following summary is in continuation of that given in the last issue of the JOURNAL (Vol. XVIII., No. 4) and deals with further proceedings of the First Session of the Second State Council which opened on 17th March, 1936.

UNEMPLOYMENT.

(Unemployment among Ceylonese; Proposed repatriation of non-Ceylonese.)

On 18th November, 1936, in the Council of State, a debate took place upon the following Motion of Mr. A. E. Goonesinha (*Colombo Central*),

"That in view of the thousands of Ceylonese that are suffering great hardships owing to unemployment, steps should be taken to introduce legislation to repatriate non-Ceylonese who, by securing for themselves employment which Ceylonese are capable of undertaking, have caused unemployment among Ceylonese."

DEBATE IN COUNCIL OF STATE.

Mr. K. R. Natesa Iyer (*Hatton*) said he wished the repatriation of estate labourers because they had more labour than was actually required in the planting areas. Every day some estate was closed down and labourers were thrown out of work. It did not stop there. The labourer had no place to go to. If he stayed on the estate the employer charged him with trespass and he was sent to jail. He supported the Motion because he wanted the labourers to be repatriated.

Mr. G. E. de Silva (*Kandy*), who said he felt very much the same as Mr. Natesa Iyer, said in some cases 100 and 150 labourers were given notice at once. They could not get employment in another estate and the only way they could be repatriated was to prosecute them in the police court as vagrants.

If these people had no employment they competed with Ceylonese labourers. If they could not get employment on the same terms as Ceylonese they would say to the employers: "You are paying a Ceylonese labourer 50 cents. I am starving here. Give me 20 cents and I will do the work that a Ceylonese will do."

The Minister of Labour, Industry and Commerce (**Hon. Mr. G. C. S. Corea**) said he agreed that although the matter did not legitimately come within the scope of his Ministry, every effort should be made by him to see that every facility was given to such of those [Indian labourers] as desired to be repatriated as soon as possible.

The Acting Chief Secretary (**Hon. Mr. M. M. Wedderburn**) said the trouble Mr. Natesa Iyer had referred to was being attended to. He hoped there would be some simpler method of ascertaining what unemployed Indian labour there actually was and a simpler method of getting it repatriated.

He thought he might ask Mr. Goonesinha to withdraw the Motion because it really fell within the question which was being considered by the Immigration Commission. The Motion was that legislation should be introduced to repatriate non-Ceylonese in employment, or hoping to get employment and thereby supplant Ceylonese. If legislation was to be

introduced to deal with immigration it appeared to him that at the same time any legislation which was necessary in regard to repatriation could be conveniently brought in. For that reason he suggested that the question of further legislation regarding repatriation might await the Report of the Commission.

The Minister of Agriculture and Lands (**Hon. Mr. D. S. Senanayake**) said they had a Vote for repatriating people who came from India, and if repatriation was a function that should be undertaken by the Government with the sanction of the House, there was no reason why there should be any delay in accelerating the speed at which they repatriated.

He suggested that the Mover withdraw his Motion for the reason that it called for legislation, but the matter was so urgent that it could not even wait for legislation and it must be on the understanding that the Chief Secretary would take the necessary steps for repatriation and if necessary come before the House for more money.

It was just as well that they should try their best to have these people sent away immediately.

Mr. B. H. Aluwihare (*Matale*), opposing the Motion, said if it meant anything it meant that they must make an effort to oust every non-Ceylonese from his post by legislation and put in Ceylonese instead. It was not a Motion asking for the repatriation of indigent labour. He asked Members not to pass a Resolution such as that under discussion which was merely meant to hit Indians. He admitted that the presence of Indian labour did oust a certain amount of Ceylonese labour; but this was not a question which troubled that part of India alone—there was Assam and also Bengal.

Mr. A. E. Goonesinha (*Colombo Central*) said it was never his intention to be anti-Indian or to start an anti-Indian campaign in Ceylon.

There were hundreds of Ceylonese out of employment. In order to secure them employment and to see that their interests were safeguarded, and that the capitalist class of the country did not exploit the country by bringing out Indians by false promises and then keeping them in Ceylon enslaved, he had introduced the Motion. The capitalist class was bringing these labourers from abroad to undercut the Ceylonese labourers.

The question of restriction of immigration was not connected with Indians. He had dealt before with a particular kind of Indian, the Malayee, because he definitely undercut the Ceylonese labourer. There were 495 Chinese in the City of Colombo hawking goods; more than 100 of those had come within the last month. Italians were coming to Ceylon. Ceylonese cooks had been ousted by Italian cooks.

To deal with the restriction of immigration a Commission had been appointed. The Labour Party had prepared a memorandum on the subject and they were out to see that justice was done to the people. The question of repatriation should also be taken up by the Commissioner. If that was possible he did not want to embarrass the Commissioner by pressing the Motion.

The Acting Chief Secretary said the terms of reference included "what form such restriction or control should take."

Mr. Goonesinha then withdrew his Motion.

BAHAMAS.

The following summary is in continuation of that given in the last issue of the JOURNAL (Vol. XVII, No. 4) and deals with the Governor's Speech at the opening of the Session which commenced on 4th November, 1936.

GOVERNOR'S SPEECH.

(Effect of Tariff increases ; Increased employment ; Industrial development ; Tourist traffic ; Public health ; Currency system linked to sterling ; Steamship and air services ; Financial situation.)

On 4th November, 1936, the Legislature was opened by the Governor (Hon. Sir Bede Clifford, K.C.M.G., C.B., M.V.O.). The following is a summary of His Excellency's Speech :—

EFFECT OF TARIFF INCREASES.

His Excellency stated that when he had last addressed the Legislature he had observed that tariff increases agreed to last Session should strengthen the financial position of the Colony sufficiently to enable the Government to embark on a more progressive policy, to inspire confidence in the future of the Bahamas, and to relieve unemployment. It was with feelings of satisfaction that he was able to inform them that that policy had been amply vindicated.

There had been a rapid expansion in private enterprise. The outcome of this had been the creation of employment, the circulation of money, increased imports and revenue, improved living conditions for the people and better business for merchants.

INCREASED EMPLOYMENT : NEED FOR LABOUR LEGISLATION.

The increase in employment had emphasised the need for labour legislation, and he felt sure that if the Minimum Wage Bill introduced by the Government during the past Session had not been confused with a private Bill which had not commended itself to the Legislature, many of the provisions of the official measure would have received sympathetic consideration. The Bill had provided, *inter alia*, for the appointment of Boards to investigate labour conditions in certain industries and make recommendations for their improvement. The Bill would be placed before the Legislature again during the present Session.

INDUSTRIAL DEVELOPMENT.

Native industries were expanding slowly in response to efforts of the Government and the Board to foster them. About £1,500 worth of agricultural material had been distributed, and further efforts would be made to improve livestock. Schemes regarding the canning industry were under consideration as it would seem that there were possibilities of increasing the local consumption of native canned products, and, owing to conditions in Spain, of sharing the English market. The sisal industry seemed to have the most promising future and much had been done by the Board to educate the people in methods of growing, harvesting and treating sisal. The development of the salt industry at Inagua was proceeding energetically.

AFFORESTATION.

Dealing with afforestation, the Speech stated that it was proposed to allocate Crown funds next year for a survey of the hardwood supplies of the Colony and for their cultivation, as this very important native timber appeared to be rapidly decreasing. In 1937 it was proposed to hold in Nassau an exhibition of Bahamian marine and agricultural resources.

TOURIST TRAFFIC ; PUBLIC HEALTH ; ETC.

The Speech also referred to the dependence of the Colony on the tourist, who probably contributed directly or indirectly to the wealth of the Bahamas about

three-quarters of a million pounds annually. Much could yet be done to make the Islands still more pleasant to live in. Certain public health problems needed attention ; and the House would be asked to deal with matters relating to the water supply.

League of Nations and Empire research emphasised the increased difficulty, owing to the advent of air transport, of controlling the spread of mosquito-borne diseases. The Government proposed, therefore, to take energetic steps, in co-operation with the transport companies, to supervise immigration more thoroughly and to give very special consideration to sanitation problems.

The Speech referred to negotiations regarding the leases of the golf course and the Colonial Hotel, which had been remodelled and renovated.

CURRENCY SYSTEM.

The currency system of the Colony was now on a sound basis and had acquired world-wide prestige by being linked with sterling.

STEAMSHIP AND AIR SERVICES.

Arrangements had been made with the Cunard-White Star Line for the extension of the Winter service, and the Clarke Steamship Co. would again operate the extended service of last year.

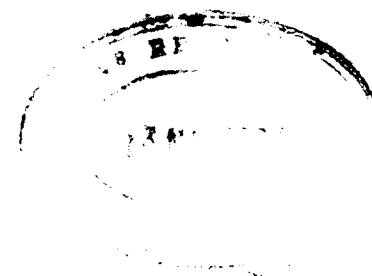
The Colonial Secretary had discussed with Pan American Airways in Miami plans for improvement of transport with Florida ; and negotiations were proceeding for an Out Island air service.

FINANCIAL POSITION.

The Revenue for the nine months of the financial year was estimated at £233,000, and it was expected that this figure would be slightly exceeded. The total Expenditure was estimated at £237,600, but certain unexpected items brought the estimated expenditure up to approximately £240,000. The deficit which was estimated at about £4,000 might be very slightly increased. The Revenue for the six months from April to September exceeded that for the same period of last year by £18,000. The market value of the capital investments of the Colony showed a credit balance of £200,000.

JAMAICA.

The Legislature was prorogued on 25th June, 1936. Proceedings of the present session which opened on 10th November will be given in subsequent issues of the JOURNAL.



MAURITIUS.

The following summary is in continuation of that given in the last issue of the JOURNAL (*vide* Vol. XVII., No. 4) and deals with further proceedings of the Council of Government which opened on 31st March, 1936.

THE BUDGET.

(Estimates for 1936-37 ; Financial position : question of retrenchment ; Attitude of Unofficial Members ; Condition of sugar industry : need for help from Great Britain.)

On 16th June, 1936, in the Council of Government, the Acting Colonial Secretary laid on the Table various papers relating to the draft Estimates for the financial year 1936-37.

DEBATE IN COUNCIL OF GOVERNMENT.

The Acting Colonial Secretary (Hon. A. M. Dryburgh) moved that the Council go into Committee on the Estimates.

Hon. T. Mallac (*Rivière du Rempart*), in opposing the Motion, drew attention to the figures of Rs. 15 million for public Expenditure out of a national income of Rs. 25 or 26 million. He complained of the increase in official salaries as compared with what was sufficient in 1914, and, as a protest against the extravagance of the Government, he announced his intention of voting against the Budget and of withdrawing.

Hon. R. Rivet (*Port Louis*) said that the Budget followed the example of those of recent years in providing for the maintenance of the Administration in a way suggesting prosperity, while the people became increasingly impoverished. It was the Government in Great Britain who were responsible for the crisis in Mauritius.

Hon. S. Fouqueraux (*Pamplemousses*) quoted the Report of the Royal Commission of 1909 and considered that the Governor should give effect to its Recommendations for the re-organisation of Government offices and general retrenchment. Mr. Fouqueraux then left the Council Room.

Hon. P. Hugnin (*Plaines Wilhems*) said that sugar represented 98 per cent. of the exports of the Colony, and that no other part of the Empire depended to such an extent on a single industry. In 1934 the Secretary of State for the Colonies had told them to "put their house in order." Mr. Hugnin then gave instances of abuses which, he argued, showed that the Government had not done their share to this end, and complained that their Officials took no real interest in the welfare of the Colony. Following the example of Mr. Mallac and Mr. Fouqueraux, he then left the Chamber in protest.

Hon. R. Hein (*Savanne*) criticised the Government for their repeated failure to reduce expenditure. The opportunity for reducing the salary of the Postmaster-General had been let slip, and there were altogether too many highly-paid posts in the Colony.

Hon. J. Leclézio (*Moka*) examined the various items of Budget expenditure, and suggested that reductions could best be made in salaries. There were posts, such as that of Second Pathologist, which were unjustifiable luxuries. Expenditure should be in accordance with income. They had been going on too long in the hope of assistance from the Government in Great Britain. He could not understand why sugar from Cuba, Java and elsewhere should be allowed to be sold in the English market at less than cost of production.

Hon. J. A. Raffray (*Grand Port*) said that he felt obliged to vote against the Motion for the third time. The figure for Expenditure of Rs. 15 million was too high and no relief of taxation was afforded. While the financial position of the Government had been actually strengthened, the economic position of both planters and labourers was still parlous. Mr. Raffray remarked that he had very much missed the Budget statement.

Hon. M. F. Brickdale (*Nominated*) supported the Motion. He stressed the importance of the Colony's credit, and opposed the appointment of a committee of retrenchment, which, while reducing expenditure, would create unemployment.

Dr. the Hon. E. Laurent (*Port Louis*) regretted the refusal of the Government to adopt the suggestions of Unofficial Members. The Recommendations of the Financial Commissioners had not been applied to the higher Government posts. By ignoring their advice the Government had lost the confidence of the Unofficial Members.

Dr. Laurent said he was not hostile to the Constitution but he thought that closer co-operation should be forced on the Government.

Hon. R. Gujadhur (*Nominated*) drew attention to the impoverished condition of all classes engaged in the production of sugar. The Government in Great Britain should help to make the industry profitable.

The Officer Administering the Government (Hon. E. W. Evans) said he was sorry that three Members had thought it their duty to leave the Chamber. He had refrained advisedly from making any written Address because he felt that the present Budget did raise a crucial, practical issue which had to be faced.

He contended that the fact of the Budget's being a mere reproduction of its predecessors was largely due to the Elected Members themselves. After last year's Budget these Members had presented a Memorandum which had been forwarded to the Secretary of State for the Colonies. This document had embodied their views on the reduction of Expenditure. In reply, the Secretary of State had stated that he doubted the possibility of effecting any large or immediate saving, but he was prepared to examine any detailed proposals. The Unofficial Members had since then been silent and were now confronted by a *status quo*.

In conclusion, the Officer Administering the Government said that a retrenchment commission was not desirable, and that by cutting down salaries they would save only Rs. 250,000 at most—an insignificant amount in a Budget of Rs. 15,000,000.

The Motion was agreed to and the Council went into Committee.

**TOBACCO PRODUCTION AND MARKETING (AMENDMENT)
ORDINANCE.**

(Disappearance of tobacco bonus ; Better prices for growers.)

The Bill for this Ordinance, which amends the Act of 1930, was introduced in the Council of Government, on 31st March, by the Acting Procureur-General, and the effect of its provisions was explained in his speech on the Motion for the Second Reading on 9th June.

IN THE COUNCIL OF GOVERNMENT.

On 9th June,

The Acting Procureur and Advocate-General (Hon. J. M. de Comarmond), moving the Second Reading of the Bill, said that it was proposed very soon to embody all the changes introduced since 1930 in a consolidating Ordinance. As time pressed, however, they could not wait for that Ordinance and the Bill had been brought in to alter the existing state of things with regard to the payment of bonus. At present, at the end of every financial year, 50 per cent. of the profits were distributed to the growers as bonus and the remaining 50 per cent. to a reserve fund.

The Tobacco Board had appointed a Committee to look into the price of leaf [tobacco] and the area to be planted during 1936. One of the Committee's most important recommendations was that the prices paid to the tobacco growers for their leaf might be adjusted with an upward trend and that the bonus should disappear. The new Article would give effect to that.

It was important to pass the Bill before the end of the financial year so that from then on there would be no bonus paid. Growers would receive a better price for their leaf.

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

In Committee an additional Clause was added to the Bill in order to make the financial year of the Tobacco Board coincide with that of the Government. The Bill was then reported and read the third time.



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