

[Mr. Bonar Law.]

of this House, and a great majority of the people who have given any thought to this matter at all, will realise that if you are to raise the immense sums which are required for this War, and if as part of the method by which you raise them a system of loans has got to go on, there must be some limit to the amount of taxation which you attempt to raise. I do not profess to say—it would be very rash to make such an assumption—that I hitherto hit the exact means. But I am convinced that any attempt to pay the whole of it out of taxation or capital levy, or anything else, would break down our financial system, and we should not be able to get the money which is necessary to carry on the War.

There is only one other question on which I would like to say a word—and I am very glad that the Prime Minister has gone—and it is as to whether or not we should not invariably, in bringing in a Vote of Credit, try to cover the military situation. I cannot think that the House as a whole would regard that as a rule which must be obeyed. Votes of Credit have to be moved so frequently that the mere fact that the Vote of Credit was being moved would not be in itself a sufficient reason for this House discussing the whole military situation. I quite admit that in moving these Votes of Credit I have rarely, if at all, attempted to cover that ground, and I do not think I was wrong in that. I know that the House of Commons has, if I may say so, accepted the new arrangement regarding the leadership of the House apart from the Prime Minister much better than I expected when the change was made. But I quite realise that if there is anything new to be said about the War situation the right man to say it is the Prime Minister, and though the Prime Minister has not been very often present in the House of Commons that is part of the arrangement, and I think a good one. But he has come down over and over again when there was any special statement in regard to the War position to be made. Of course, the fact that the Government do not think it wise to initiate a discussion does not interfere with the freedom of the House of Commons. They can, if they choose, raise the subject, and, if they do, the Government will deal with it in the best way they can. This is the reason why

I am glad that the Prime Minister has gone. I think that on the whole the time when we are adjourning for the Recess is, as a rule, the best time for giving a review of the military situation. But as regards the present I should like to say this. I am not saying it in the least by way of praise of my right hon. Friend, for he is only doing his duty, but in addition to his other work seven hours were spent by him yesterday on one Committee and the same thing will be going on all this week, and unless there is a real necessity for making some statement of the kind, this would be a very inconvenient time to make it.

There is only one other subject on which I think it right to say a word before I sit down. The House, I am sure, has read with the deepest sympathy the account of the terrible disaster at Halifax, Nova Scotia. It is a disaster which in peace time would have filled all our minds, and even now, when other things in the devastation of the War occupy us so much, there is ground for special sympathy with the people of that city. As it happens it is a city with which I have myself very intimate relations. My mother was born there. But it is also one of the best-known cities in the Dominion of Canada. The harbour in which the disaster took place is one of the best, and one of the most beautiful in the world. The disaster is really an appalling disaster. I know that from the city of Halifax, from the beginning of the War, men came most readily and most enthusiastically to play their part in the War, and I know also that very many have fallen. In these circumstances the Colonial Secretary, on behalf of the Government, has already sent a message of sympathy, but to-day it is our intention that the Prime Minister should send, in the name of the Cabinet as a whole, a message of sympathy coupled with a donation, which will be paid for, I presume, out of this Vote of Credit, of a million sterling. Let me say also I am sure that the House has done with the utmost pleasure that a similar gift has been given by the Government of the United States. I have mentioned this with this object in view, that when we send our message it will go to the people of Halifax and to the people of the Dominion with the certain knowledge that the sympathy expressed is not that of the Government alone, but that it is

shared, and shared in equal strength, by the Members of the British House of Commons.

Mr. McKENNA: I wish on behalf of those on this side of the House to associate them completely with what has fallen from my right hon. Friend in reference to the disaster which has happened in Halifax. That disaster is one of the worst of its kind in the history of the world. It is indeed a welcome statement to us at the Government, without waiting for a Vote from the House, have accorded only an expression of sympathy, but have expressed their desire to help in a substantial way.

In introducing this Vote my right hon. Friend pointed out the necessity that we should treat the figures of public expenditure as being neither better nor worse than they are. It is certainly not my desire to treat them except as we find them. It would indeed be idle for me to attempt to draw either optimistic or pessimistic inferences from the figures. The enemy can examine the figures as well as we can. He can draw his own inferences. Anything we say must stand or fall upon the merits and upon the judgment which we ourselves are capable of forming upon the figures as they stand. We have not a further Vote of Credit of £300,000,000. This figure will bring the total Votes of Credit during the present financial year up to £2,450,000,000, an amount of £475,000,000 in excess of the Budget Estimate. It will cover the total expenditure from all sources and under all accounts up to £2,450,000,000. My right hon. Friend pointed out, and it was not only proper and necessary that he should do so, that the whole of this expenditure must not be regarded as irrecoverable. That is what I do not think that, from the point of view of irrecoverability, he should put into the same class advances to Allies and Dominions and goods which we have bought and which are to be sold. In the case of advances to Allies, we do not expect to recover the principal, at any rate for a long period, and we are perfectly aware that, in such cases, not only shall we not recover the capital for a long period, but the interest is bound to be suspended. On the other hand, with regard to the purchase of money for goods which we shall and which we shall resell, we

shall recover the money in due course. My right hon. Friend is therefore, in the case of payments of that kind, fully entitled to deduct them from the total of the expenditure. Allowing for all deductions of that kind from the figures which he has given, it seems to me that the excess of expenditure over the amount estimated in the Budget will be about £300,000,000.

Mr. BONAR LAW: Not including goods.

Mr McKENNA: The actual excess will be £470,000,000, and the true excess will be about £300,000,000.

Mr. BONAR LAW: We have only the figures for the thirty-five weeks.

Mr. McKENNA: Taking the same proportion over the whole year, it will come to an excess of about £300,000,000. I want to look at the question, not merely as one affecting our present expenditure, but also in relation to the indebtedness of the nation at the close of the financial year. At the end of September my right hon. Friend told us that our total financial indebtedness was then £5,000,000,000. Our expenditure since then, already incurred, and our certain future expenditure until the end of the financial year, will leave us with a National Debt at the end of 31st March next of not less than £6,000,000,000. Whatever we anticipate may happen in the War now, we cannot expect that the National Debt will be less than that amount on the 31st of March next. As against this debt we shall have a set-off in respect of our advances to Allies and Dominions and the balance of the Indian contribution towards the cost of the War. In September last the total of this set-off was £1,326,000,000. I am quoting the figures given by my right hon. Friend. By the end of the financial year—I am not in a position to make an exact estimate, but from the figures, so far as I can judge them—this set-off will probably amount to about £1,550,000,000. Interest on this sum will be due to us. But in existing circumstances we are bound to recognise the fact that for some time, at any rate, payment of part of this interest will be suspended. We shall have to charge our own revenue with the whole of the interest on the debt of £6,000,000,000. That will be the first charge upon our revenue, and I am going to suggest to the Committee that it would be a reasonable

[Mr. Peto.]

presents his next Finance Bill, it will be very much better to look forward to that, and to provide for it, than to have it changed at the present time from 5s. to 5s. 9d., and, on the next occasion, when a Vote of Credit is asked for, to have it put up another 1s. 3d., or some other odd figure. Of course, the Income Tax must be the main source from which this additional revenue will come, and I think the less frequent the changes are the better.

I want to ask the Chancellor of the Exchequer one question with regard to the figures he gave us. In the deduction which he made from what I may term the gross expenditure he mentioned particularly one large amount, namely, the payments we make on behalf of the Dominions for the temporary payment of their troops in this country. He told us that this was always going on. I would like to be quite sure that the figure he gave to the Committee was the net increase, and that it allowed for the repayments which must be made during the period we are dealing with. Of course, an end would naturally come to these increasing figures at some period of the War, and in all probability there will be a period when more money will be coming in than is going out, and then, of course, the calculation will be exactly the opposite. But I want to be sure as to the figures. Other hon. Members, I find, are not quite clear on the point, whether they are for food or payment for Dominion troops, or other things of that sort. I want to be sure whether it was only the net increase with which the right hon. Gentleman was dealing. If so, it is quite clear that no financial statement could possibly convey any correct meaning to the Committee or the country, if the Chancellor of the Exchequer had not very properly taken credit, as it were, for these payments, which are purely of a temporary nature and are increases over the previous period.

I think that the ex-Chancellor of the Exchequer in adjuring the Chancellor of the Exchequer to look forward to a minimum period during which the War would be likely to last must have for the moment forgotten his own tenure of office, for I remember very well a deputation going to see him very early in 1915 when we were asking for some information as to the method of financing the War, and at any rate at that time the period that he

thought was the outside period that it was necessary for him to consider was the single financial year ended in March, 1918.

Mr. McKENNA: I do not agree with the hon. Gentleman's memory as to what took place.

Mr. PETO: I am sorry that the Chancellor of the Exchequer does not remember that, but it is quite in accord, and I think he will see there is no difference between us in regard to what he said. A considerable period must always be looked forward to, but in making criticisms of the financial arrangements of the present time I do think the Committee must remember that however difficult the task of the ex-Chancellor of the Exchequer may have been the burden that rests upon the present Chancellor of the Exchequer now after three and a half years of war bears a very different proportion, and that with regard to the very liberal and easy-going proposals such as that made by the ex-Chancellor of the Exchequer, namely, put to the Sinking Fund the whole of the money we may recover as interest on advances to the Allies and Dominions—if it were impossible to do such a thing in the earlier years of the War it may now be quite impossible as a financial proposal and not for that reason helpful at the present time.

Mr. ADAMSON: I am prepared to associate that section of the House with which I am connected in the kindly expressions of sympathy which have fallen from the Chancellor of the Exchequer and the ex-Chancellor of the Exchequer in regard to the disaster which has befallen the people of Halifax. I am certain that the message which has been conveyed to our Canadian kinsfolk will be very much appreciated by them in their terrible sufferings. The Chancellor of the Exchequer introduced his Vote of Credit with a short but very interesting speech. I am sure there is not one of us who feels more keenly than he does the colossal nature of the burden which these repeated applications for Votes of Credit impose upon the people of this country. The frequency with which calls are made and the enormous debt which is piling up furnish a subject for the serious and careful consideration not only of the Chancellor of the Exchequer but of every Member of this House, and if anybody can suggest a way whereby our financial responsibility can be either partly or completely met I

think it is his duty to do so. I know that we are prone to put off the evil day, the day of reckoning, to some other and more convenient season, but I think the time has come when everyone of us should realise the enormous character of the burden which the people of this country have to pay. It will have to be faced some day. I am strongly of the opinion that we would be wise at least to try and nearly meet that responsibility now.

In the course of his speech the Chancellor of the Exchequer referred to matters which I desire briefly to discuss, and I know that in discussing them I may be on the verge of being called to order. But I have no intention of dealing with them in detail. I only desire to deal with them in a broad and general way. The Chancellor of the Exchequer said that some people think he should raise a greater proportion of our expenditure by taxation. I am one of those who believe that we should raise a greater proportion of our expenditure by taxation. The colossal debt which is mounting up represents, as the ex-Chancellor of the Exchequer has told us, an increase to our annual charges of something in the region of £25,000,000. Does anyone imagine that the people of this country are going to acquiesce calmly in the continual payment of an annual charge for interest on borrowed capital to this extent? I do not believe they will. There is at the present moment a very strong agitation for what is called the conscription of wealth, and this agitation is growing. Only the other week we had a very interesting discussion in this House regarding the responsibility of the citizen to the State, and a portion of the citizens of this country were deprived of their right to vote because they had refused to stand up to their personal responsibility as citizens.

The DEPUTY-CHAIRMAN (Sir D. Maclean): I am not sure that I quite follow the remarks of the hon. Gentleman. If he is urging the conscription of wealth as a means of finding money, I must point out that we are not now discussing means of finding the money, but merely the spending of money.

Mr. ADAMSON: I was only pointing out that there was growing up in this country a very strong agitation for the conscription of wealth.

The DEPUTY-CHAIRMAN: That is what I thought. That would be in order

on the Budget or in Committee of Ways and Means, but it is not in order in Committee of Supply.

Mr. ADAMSON: I have already informed you, Sir, that I have no intention of dealing with this matter in detail. I was only pointing out, as I have already stated, that there was a strong agitation in favour of it, and I was going on to say that, in view of what took place during the Debate to which I have already referred as to the responsibility of the citizen to the State, I do not think that the idea of conscripting at least a portion of the wealth—

The DEPUTY-CHAIRMAN: I must point out to the hon. Member that I have already given my decision, and he cannot get round it by mentioning the matter again in a somewhat different form.

Mr. ADAMSON: Well, I will not pursue that phase of the subject at any greater length. I had practically got my point made so far as the question of the conscription of wealth is concerned. The Chancellor of the Exchequer, in the course of his remarks, said that some people thought that a greater proportion of our expenditure should be met by taxation. I am one of those who believe that that course should be followed, and I think that he would be well advised to give this his serious consideration in the very near future. Wealth has its responsibilities, and it ought to stand up to those responsibilities. It is having protection—it is having the protection of the State—and it ought to bear its share of the responsibility. Whether we are prepared to face these issues or not, the people of this country—and that is the point I wanted to make—are discussing the question of the basis of taxation, and the necessity for an increase of taxation, and for at least a share of the capital of this country being taken by the State.

The DEPUTY-CHAIRMAN: Order, order! I dealt very gently with the hon. Gentleman, but I really must ask him to conform to my ruling.

Mr. ADAMSON: Well, I have finished. I have said the people of this country will be well advised to give these questions very serious consideration in the future. On the occasion that we discussed the last Vote of Credit several Members, including myself, drew the attention of the Chancellor of the Exchequer to the necessity for an observant eye being kept on