

During the next ten years the Government poured an average of \$1,000,000 a year into the Railway. The Newfoundland Royal Commission of 1933 estimated that the net cost of the Railway to the country since its inception was \$42,500,000, of which \$39,500,000 was included in the national debt. The Government had also embarked on a program of road building for which another \$10,700,000 had been borrowed. Thus in 1933 close to half the total debt was directly chargeable to railways and highways.

It was a period of easy borrowing. Between 1920 and 1932 the public debt doubled and the average budget deficit on current account was \$2,000,000; by 1932, 56 p.c. of the average revenue over these years was needed to meet interest charges. Fully 95 p.c. of the debt was held externally.

Thus when the depression struck in 1929-30, Newfoundland was in an extremely vulnerable position. In three years the value of exports dropped from about \$39,200,000 to about \$22,800,000; in two years the export prices of dried cod had been cut in half. By the winter of 1932-33 a quarter of the population was on government relief. Public revenues dropped from about \$11,600,000 in 1929-30 to less than \$8,000,000 in 1931-32. Despite heroic retrenchment the Government could not carry on financially, and its credit was at an end. In 1933, the new Government requested the United Kingdom Government to appoint a Royal Commission to investigate the financial situation and make recommendations.

Loss of Responsible Government.—Although recognizing the Island's inherent economic difficulties, the main remedies proposed by the Commission were constitutional and financial. The constitutional recommendations were that Newfoundland should be "given a rest from party politics", that the existing form of government should be suspended until such time as the Island should again be self-supporting, and a special Commission of Government, composed of six members, three from Newfoundland and three from the United Kingdom, under the chairmanship of the Governor, should be established to govern the Island under the supervision of the Dominions Office. With regard to finance, it was recommended that the United Kingdom Government should assume general responsibility for the Island's finances until such time as Newfoundland should be self-supporting again, it being understood that responsible government would then, on request of the people of Newfoundland, be restored. These recommendations were approved by the newly elected Newfoundland Legislature and implemented by the United Kingdom Parliament in the Newfoundland Act, 1933.

The Commission of Government took office on Feb. 16, 1934, and governed the Island until union with Canada became effective on Mar. 31, 1949. The Commission was faced with abnormal difficulties due to world trade conditions which severely limited the market for salt cod. The Commission's first task was to give assistance to the fishing industry by first building and later subsidizing the construction