difficulties of Newfoundland in the depression following the First World War and became particularly acute by reason of world-wide depression in the early thirties.

That depressed condition, as we all know, was universal, hitting some parts of Canada just as hard as it did Newfoundland. The wide expanse and diversification of its economy gave to Canada the advantage of an averaging out and levelling off of the terrible difficulties of that time. Newfoundland, as a small, separate entity had no such advantage.

In 1931 the Newfoundland Government found it difficult to pay the normal expenses of administration, as well as to pay the interest on its bonded indebtedness. The British Government was asked to appoint a commission to survey Newfoundland's affairs and to make recommendation for future policy. Resulting from that, a commission of Government came into being in 1934 and the operation of responsible Government was suspended from that time until the Union with Canada in 1949.

I might say that the major issue at the time of the inauguration of commission of Government was the inability of Newfoundland to raise funds to pay the interest and amortization of its national indebtedness. Had Newfoundland decided simply to default, the Government might possibly have been able to raise enough revenue to carry on its meagre services, but there was almost unanimous approval of a policy to suspend responsible government. It was provided that Great Britain would guarantee the public debt, most of which was converted to sterling.

It is, I think, without precedent for a Government to vote itself out of existencee to preserve national solvency, but, while the complete loss of democratic government was regrettable, the procedure, nevertheless, reflected a widespread desire to honour obligations.

During the Second World War and immediately afterward, many factors came in to improve Newfoundland's economic position. Industry, generally, had received a great impetus and, in fact, three years after the end of the war Newfoundland's import and export trade totalled $147 million, compared with a total of $56 million just prior to the war. During that period there was a very substantial reduction in the public indebtedness.

To sum up this short review of the finances of Newfoundland at that time, I might say that immediately prior to Union there was a net public debt in sterling of about £15¼ million, which, calculated at the rate of exchange to come into effect shortly after, totalled about $45 million. This under the terms of Union was accepted as a liability by the dominion Government. A portion of the public debt of about $10 million remained a provincial liability. There was a cash reserve accumulated during commission of Government years to the amount of $40 million. This was retained by the province.

By the acquisition of the major part of the public debt of Newfoundland, Canada increased its national debt by a relatively insignificant amount. It is not unreasonable to point out that when Newfoundland became a province it, naturally, assumed its share of responsibility for the Canadian national debt which has its reflection in various forms of current taxation. Not one dollar of that debt, however, had, prior to Union, been spent in the development of the public services of Newfoundland. As some considerable portion of the Canadian national debt over the years resulted from the establishment of public services in other areas of Canada, this naturally set up a deferred liability to Newfoundland for the same purpose.

Hon. Mr. Euler: May I ask my honourable friend a question? By how much, in terms of dollars, was the national debt of Canada increased by adding to it the public debt of Newfoundland when it was taken over?

Hon. Mr. Pratt: $45 million.

Hon. Mr. Euler: My friend said an insignificant sum.

Hon. Mr. Pratt: I say it is insignificant in relation to the total national debt. Don't misunderstand me; $45 million is not an insignificant sum, but in relation to the total public debt of Canada at that time I say it might be regarded as insignificant.

I would like to bring out clearly the fact that Canada did not take over a debt-ridden province. From some of the newspaper writings of that period, and since, it certainly appears that that fact had not sunk into Canadian minds generally. While the living standards and the public services within Newfoundland were at a relatively low level at the time of Union and the responsibility was certainly in the offing for the federal Government to bring about some uniformity of citizenship status, there was no great assumption of public debt by the federal Government.

As I have said, this assumption of public debt was not great in relation to the sum total of the public debt of Canada, or in relation to, as I shall point out in a moment, the assets that Canada acquired which, had Newfoundland been a province, would over the years have cost many times the amount of the debt assumed.

Continuing with some background information on the movement for Union with Canada,