

States free of duty), had not yet been forgotten. The financial crisis was finally averted through the successful placement of a long-term loan in London by Sir Robert Bond, Newfoundland's Colonial Secretary (who had earlier saved the Savings Bank by pledging his personal credit for a temporary loan of \$150,000). Rising world prices and the effects of railway construction produced a gradual revival of prosperity in Newfoundland.

The First World War

Newfoundland's economic fortunes had greatly improved by 1914. With increasing development of forest and mineral resources, and with growing outlets for fish products, the total value of exports had nearly tripled since 1894. War brought increasing prosperity, due to a rapid rise in the price of fish and freedom from competition in the Mediterranean markets. Filled with confidence, the people of Newfoundland gave unstinting aid to England: about 8,500 were enlisted (of whom some 2,900 were casualties, including nearly 1,500 dead) and the government undertook financial responsibility for Newfoundland's troops overseas.

The total military costs during the war were about \$13 million, of which \$10 million was added to the public debt. The provision of pensions was a continuing burden: by 1940, the total war cost, excluding interest on war debt, exceeded \$27 million--equal to about one-third of Newfoundland's total debt.

Boom and Collapse

In the decade following the war, when the value of Newfoundland's exports were more than doubled (from \$19.1 million in 1922 to over \$39 million in 1930), the government, reflecting the prevailing economic confidence and finding it easy to raise funds in the money markets of London and New York, greatly increased its financial obligations. The railway, taken over by the government in 1923, cost an average of \$1 million annually. A highway development program was financed by further government borrowing. During the period 1920-30, the average budget deficit on current account was \$2 million. By 1932, 56% of the average annual revenue was required for interest payments.

With all its major industries dependent upon foreign markets, and with credit resources exhausted, Newfoundland was exceptionally hard hit by the world depression after 1929. The value of exports fell sharply, and by the winter of 1932-33, one-quarter of the population was on relief. Government revenue, derived largely from customs and excise, fell off rapidly with the decline of domestic purchasing power. By 1933, the deficit on current account was nearly \$3.5 million. Faced with imminent default, the government requested that a Royal Commission be appointed to investigate the situation and to recommend a course of action.

Two principal recommendations were made by the Amulree Commission: first, that the United Kingdom assume financial responsibility for Newfoundland until it might again become self-supporting; second, that powers of government be vested in the Governor and a commission of six--three from Newfoundland and three from the U.K.--appointed by the Dominions Office. Newfoundland's government and legislature, as well as the Parliament of the United Kingdom, approved the findings: the Newfoundland constitution was accordingly suspended, and the Commission of Government took office in 1934.

The Second World War and After

Upon the outbreak of war in 1939, Newfoundland, because of its highly strategic position on the sea and air-lanes from North America to Great Britain, became a key point in the continental defence system.