

# THE BUDGET DEBATE

## MR. CHURCHILL'S SUPPORT

### DEFENCE POLICY

## GOVERNMENT AND LABOUR

WESTMINSTER, THURSDAY

The main Budget debate ended to-day when the resolutions were agreed to without a division.

The outstanding features of the closing stages were Mr. CHURCHILL'S refusal to enlist among the critics of the Government's finance (though he repeated his amazement that the Defence programme had not been started sooner), and Mr. CHAMBERLAIN'S final exposition of his motives in presenting a severe Budget. The debate was resumed by Mr. MCGOVERN in a speech which caused Mr. CHURCHILL to suggest that he would make a good leader of the Communist Party.

Mr. CHURCHILL himself then got down to business. He approved the treatment of what, with a careful slip of the tongue, he called the Raid Fund, as a pioneer in the art of appropriating money from it. He then turned to a brilliant contrast between his own last year as Chancellor of the Exchequer, in 1928-29, and 1936-37. No one could deny that Mr. Chamberlain's methods had restored strength to the national finances at a moment when that strength was most needed, and he (Mr. CHURCHILL) therefore refused to carp. But the complete transformation in the character of those finances since 1929 was significant.

### DIFFICULTIES OVERCOME

The causes were that unemployment had doubled, foreign trade had been halved, the cotton trade with India and income from foreign investments reduced by one-quarter. The result in direct taxation was that a higher rate gave a slightly smaller yield; and it might have been held that the rate should not have been increased. Nevertheless, he felt a proud thankfulness that our difficulties had on the whole been surmounted.

The story of Defence policy was different. The great effort ought to have been started at least a year earlier if the Government had not been deaf to warnings. To-day they found they could only spend £20,000,000 extra this year, because they still did not grasp the existence of an emergency. They had not met the trade unions. They had done nothing effective to check profiteering, and yet Mr. Chamberlain had confessed that they "felt the heat of the flames of international dangers on their faces."

### GERMAN REARMAMENT

Mr. CHURCHILL then produced the arithmetical background of his challenged statements about German rearmament. From the end of March, 1933, to the end of June, 1935, the German public debt had increased by £1,000,000,000. In the three years 1933-35 German capital expenditure, almost exclusively upon military preparations, had totalled £2,000,000,000. In the same period the German national income had increased, the increase going not into consumption but into constructional work, i.e., armaments.

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The figures of the increase were £100 million in 1933, £600,000 in 1934, and nearly £1,000,000 in 1935. There was thus a clear symptom of an expanding and now flourishing operating munitions industry, and he challenged the Government to deny that Germany had spent at least £800,000,000 on armaments in 1935 alone.

That, Mr. CHURCHILL concluded, was not even the most serious factor. He did not think that the cost of armaments would rise to a peak and then steady on a high level. In his view, in the lifetime of Parliament there would either be a change in international relationships which would call a real halt in the race; or there would be an explosion. He felt that a strong Britain might just swing the balance in favour of peace. Mr. Churchill sat down amid general cheers.

After a desultory debate Mr. Greenwood wound up for the Opposition with a series of gibes at the Budget (which he described as one of "bleak expectation") and a denunciation of the increase in tea duty as an imposition falling mainly on the poor.

### MR. CHAMBERLAIN

Mr. CHAMBERLAIN retorted that Labour Opposition were trying to ride roughshod over the Government in directions which were going in opposite directions. They were in favour of filling our obligations under the League but they objected to the expenditure which was needed to maintain our country's defences at the required level. New liabilities had altered the whole situation, and the Budget was admittedly dominated by Defence.

As to the Road Fund, there was no intention to abolish it, but the question whether more money should be spent on the roads would depend upon Parliament. Returning to Defence, Mr. CHAMBERLAIN asked the Labour Opposition point-by-point whether they were in favour of increasing defences of the country being put in order. Were they prepared to show Signor Mussolini and Herr Hitler that aggression did not pay? If they were, they were entitled to criticize the Budget.

Replying to Mr. Churchill, he said the Government had to bear the responsibility of taking special powers over industry in relation to Defence, but they would also be responsible if they took such powers prematurely and dislocated the country's industry and trade. The Government were watching the situation carefully, and they had reached the conclusion that it was not necessary for them at the present time to assume special powers. Finally, he told the critics who challenged the increased taxation that he had imposed it deliberately because he wished the country to realize the liabilities involved in the new programme of Defence.

The Budget resolutions were not challenged in the division lobby and were agreed to.

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