

SECOND LEGISLATIVE COUNCIL

(Constituted under the British Guiana (Constitution) (Temporary Provisions) Orders in Council, 1953 and 1956)

Tuesday, 17th March, 1959

The Council met at 2 p.m.

PRESENT :

Speaker, His Honour Sir Donald Jackson

Chief Secretary, Hon. M. S. Porcher, acting

Attorney General, Hon. A. M. I. Austin, Q.C.

Financial Secretary, Hon. F. W. Essex.

} *ex officio*

The Honourable **Dr. C. B. Jagan**

Member for Eastern Berbice
(Minister of Trade and Industry)

„ **E. B. Beharry**

Member for Eastern Demerara
(Minister of Natural Resources)

„ „ **Janet Jagan**

Member for Western Essequibo
(Minister of Labour, Health and Housing)

„ „ **Ram Karran**

Member for Demerara-Essequibo
(Minister of Communications and Works).

Mr. W. O. R. Kendall

Member for New Amsterdam

„ **F. Bowman**

Member for Demerara River

„ **L. F. S. Burnham**

Member for Georgetown Central

„ **S. Campbell**

Member for North Western District

„ **A. L. Jackson**

Member for Georgetown North

„ **S. M. Saffee**

Member for Western Berbice

„ **Ajodha Singh**

Member for Berbice River

„ **R. E. Davis**

Nominated Member

„ **H. J. M. Hubbard**

Nominated Member

„ **A. G. Tasker, O.B.E.**

Nominated Member

Mr. I. Crum Ewing—Clerk of the Legislature

Mr. E. V. Viapree—Assistant Clerk of the Legislature.

ABSENT :

The Hon. **B. H. Benn** — on leave

Mr. R. B. Gajraj — on leave

Mr. R. C. Tello—on leave.

Mr. B. S. Rai

Mr. Jai Narine Singh

Mr. A. M. Fredericks.

The Clerk read prayers.

MINUTES

The Minutes of the meeting of the Council held on Friday, 13th March, 1959, as printed and circulated, were taken as read and confirmed.

ANNOUNCEMENTS

DISTURBANCES IN NYASALAND

Mr. Speaker: Hon. Members, I have a letter from His Excellency the Governor, dated 16th March this year, in which he acknowledges the letter conveying the Resolution passed by this Council concerning disturbances in Nyasaland, and states that a copy of the Resolution is being transmitted to the Secretary of State for the Colonies.

LEAVE

Mr. Speaker: The hon. Nominated Member, Mr. Gajraj, has asked to be excused from this meeting, as he is at a meeting of the Rice Marketing Board.

PAPERS LAID

The Attorney-General (Mr. Austin): I beg to lay on the Table the

Report of the Supreme Court Registry and Deeds Registry for the year 1957.

DEATH OF MR. E. A. LUCKHOO,
O.B.E.

Mr. Kendall: Mr. Speaker, before the Order of the Day is proceeded with, I crave your indulgence and that of the Council touching on the death of a former Member of this Council, and to move a motion of sympathy, in terms of Standing Order No. 24.

Mr. Speaker: Yes.

Mr. Kendall: Before reading the Motion, I would like to say that I have known the late Edward Alfred Luckhoo for a number of years. A son of New Amsterdam, he was a Member of the New Amsterdam Town Council for over

20 years, during which period he was Mayor of New Amsterdam for a dozen times. His public service should be an inspiration to all who aspire to this field. He served both his Town and his country well.

He entered the Legislative Council as the Elected Member for Eastern Berbice, and he was elevated to the position of a Member of the Executive Council. He is from a very respected family and was the father of distinguished children. I know that this Council will agree with the passing of the Motion which I am about to read, and which I now move

"Be it resolved, That this Council records its profound regret at the death of Mr. E. A. Luckhoo, O.B.E., and pays tribute to the long and devoted service rendered by him to the Colony as a former Member of the Legislative Council, and directs that an expression of its sympathy be conveyed to his widow and children."

The Attorney-General: It is the usual qualification for paying tribute to a man who has passed on that one has personal knowledge of him, as the hon. Member for New Amsterdam has in this case. I regret, however, that I never had the privilege of meeting Mr. E. A. Luckhoo, but as it is said, by their deeds ye shall know them, I claim, on that basis, to be in a position to second very sincerely the Motion which has just been moved.

In the short experience I have of local affairs I have heard of the deeds of E. A. Luckhoo, and they were good. He was a child of three years when my father was born in Wakenaam, and he was distinguished in many facets of life. He was admitted a Solicitor at the age of 21, in 1899, and he enjoyed a very wide practice in that branch of the profession. I believe he entered into Municipal politics in 1906 as an Elected Member in the New Amsterdam Town Council, and in addition to the long and distinguished record of being Mayor many times and a Councillor for over 30 years, he was also, I believe, a Member of the Court of Policy; and after the Constitutional re-

forms of 1928 he sat for many years in this Chamber. He was also a Member of the Executive Council and he served faithfully on many Committees.

A man of his quality can ill be spared. I say that sincerely because we need all the wisdom and experience possible to guide us in these fast-moving, but challenging and great days. He belonged to a passing generation, but I have no doubt he will be remembered for the work he did in this Chamber, laying the tradition which stands and which I feel supports us as we serve in our time in this Chamber. I believe that he enjoyed a good reputation and he was admired by all who knew him; I therefore feel it a privilege to be able to second the Motion.

Mr. Speaker: Hon. Members, I wish to endorse all that has been said in tribute to the late Mr. E. A. Luckhoo. Members will please stand while I put the Motion and remain standing for one minute after it has been passed.

Motion put and carried unanimously, Members standing.

ORDER OF THE DAY

TAX (AMENDMENT) BILL

Mr. Speaker: Council will now resume the debate on the Second Reading of the Tax (Amendment) Bill. At the adjournment on Friday last the Minister of Trade and Industry (Dr. Jagan) was speaking.

The Minister of Trade and Industry (Dr. Jagan): At the adjournment on Friday evening I was making the point that in a country like ours it is necessary to channel savings as far as practicable in the right direction for development purposes. We are all aware of the position in our country today. Those Members who have spoken on the Bill have referred to the serious unemployment problem which is facing our country.

Some of those Members asked whether the Government had any sym-

pathy for the people who are today suffering privations of one kind or another, but the question should be asked: why is it that the Government is imposing further taxation on the people of British Guiana at this very crucial juncture? We are all aware of the fact that because of external factors there has been a serious drop in the revenues of this country, and not only the revenues of the Government but also in the wages of individuals who have been employed in industries — the bauxite industry and the timber industry, to name only two.

Last year the bauxite industry exported about one-third less than its normal exports from this country, and between 20 and 25 per cent. of its labour force was laid off. The same thing happened in the timber industry. Obviously, the Government does not like to see unemployment in the country, and wishes to take steps to make more employment opportunities available, not only to those who are unemployed or who have been retrenched, but to those who are coming out of schools seeking employment. It is known that every effort was made by the delegation which went to the United Kingdom to seek an expanded Development Programme, realizing the problems which are confronting this country. If Your Honour will permit me I should like to read a statement which was made by Sir Jock Campbell during the time we were in the United Kingdom, immediately after the negotiations. He said, and I quote:

“This immediate loan clearly falls short of the urgent needs of the Government and people of British Guiana not only for development but to maintain the present low standard of living there, and to relieve the appalling unemployment. But taking into account the present unimaginative attitude of the United Kingdom towards developing and sharing the common wealth of the Commonwealth, I think Dr. Jagan did remarkably well to get as much as he has.”

I am not going to claim the credit for getting what we got, or for being the first country in the Commonwealth to get an Exchequer loan, but the clear implication, which is recognized not only by our

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side but by independent people like Sir Jock Campbell, is that our problems are many and we need more money to solve some of those problems.

Some Members of the "Opposition" tell us that we must not tax the people. At the same time every effort that this Government makes to save money, to cut down expenditure, is being thwarted and being opposed. How can one get more money if one wants to throw it away at the same time? We have seen that this year the Government has to spend money in certain sectors for the benefit of the people.

On the last occasion I mentioned the subsidy in respect of coconut oil which amounts to over \$100,000. We have seen in the Development Programme an increase from roughly \$250,000 to nearly \$700,000 for a rural pure water supply, for the extension of well pipes, the erection of overhead tanks and the sinking of new wells. We have also seen that some minor drainage and irrigation works are to be carried out. Those are not necessarily works intended to provide unemployment relief. However much they will provide relief they are meant to meet the distinct social needs in our community.

Again I must ask: where is the money to come from? We have not been able to get the money from the United Kingdom Government. We have not been able to get the U.K. Government to guarantee the loan which we were fortunate to negotiate from the Swiss Bank Corporation, a sum equivalent to £7 or £8 million. We were able to interest the World Bank to send an economic expert to British Guiana, and as a result of his investigations we are told that a Mission is to visit British Guiana shortly. But we have not only to meet the deficit this year but we also have to think in terms of the future. The Financial Secretary in his Budget Statement showed us that if the loans which we are now raising are fully sub-

scribed we will only be able to get about \$16½ million for our Development Programme. In the original plan a sum of nearly \$21½ million was earmarked. Clearly there is right there a deficit which we are hoping to meet when the Government sends another Mission to London later.

How is the Government to meet this present problem at the moment except by measures of taxation? Not only do we want to solve the problems this year but we also want to think in terms of the future. Today this country is saddled with the heavy burden of finding \$5 million for the purpose of financing loans previously raised. Hon. Members will recall that on his return to the Colony His Excellency the Governor, referring to the Swiss Bank loan, pointed out that if we were to borrow sums of money amounting to £8 million or £10 million we have to provide additional sums of money to service such loans. On this point I wish to quote from His Excellency's broadcast interview —

"I think they offered £10 million at 5¾ or 6 per cent. repayable over 18 years. That would cost B.G. about \$4.5 million a year. H.M.G. had no objection to British Guiana accepting such a loan if they wished to on their own credit-worthiness, but they pointed out that, if H.M.G. guaranteed the loan, money would have to be committed just as much as if H.M.G. had made the loan itself."

£10 million is equivalent to about \$50 million. We are all appreciative of the fact that to have a large development plan as this country needs we must provide the basis to raise the money from some source unless we can get it for nothing.

Hon. Members will recall that when the Mission went to London I said that British Guiana should have an expanded programme, if it is to solve all of its problems. I gave a rough figure of approximately \$200 million. If we look at some of the items in these programmes we will see that the East Coast Road alone is estimated to cost nearly \$30 million; our drainage and irrigation

schemes, over a period of five years, are estimated to cost nearly \$58 million. We have to build several roads and not only one. We have other sectors of the problem which are vitally necessary both for providing employment to people immediately, and also to increase our national income.

These taxes will certainly put this Government in a position to resolve two problems at the same time. Firstly to meet a deficit which we are faced with this year—not because of something which the Government has done, but because of external factors over which it had no control. These taxes will help the Government to finance a larger development plan. I think this is something with which we must be most concerned. Is it too much to ask the people to pay a little more for beer or rum, so that this country will be in a position to raise a larger loan and be able to finance it?

\$2 million a year can provide us, over a period of five years, with sufficient money to meet the charges for a substantial loan. That is what the Government is at the moment trying to do. This Government does not want to be in a position, when dealing with this new development programme, to be told "You want a big loan, but you are unable to meet the charges for it".

That was the implication of the Governor's statement when he returned from London. It is true that at the time we were not in a position to pay such large interest. However, it must be said that we could have borrowed a part of that amount which was available if the British Government had agreed to guarantee the loan. The clear implication is that unless you are in a position to pay your way, you are not going to be in a position to get loans even if the money is available.

At this point, perhaps, we should recall the words of the Secretary of State for the Colonies, because we are all as-

piring to independence within the shortest possible time. He made the point that Colonies should have only those services which they can afford to maintain out of their own resources. At a subsequent stage the Secretary of State said that one of the prerequisites of self-government is that the Government can stand on its own feet economically and financially, conduct its own affairs, and be able to assume responsibility for its own defence and international relations.

I have referred to the Secretary of State's remarks, because this Government should not put itself in a position where the Colonial Office or the British Government can say always that we are asking for charity. We have to assume responsibility for our own financial affairs, and the quicker we are able to do this the quicker we will be in a position to qualify for what the Secretary of State seems to think is one of the necessary qualifications for self-government.

With regard to the tax on Banks beer, some hon. Members say that it is a breach of faith. The propaganda has been spread all over the country, but the issues have not been put very clearly to the people. Some Members talk about the Elected Members being bamboozled by the hon. the Financial Secretary. We accept full responsibility for this, because we feel that it is the correct thing that should have been done in the circumstances.

Government has not gone back on its promise, regardless of what has been said by some hon. Members. The Income Tax Holiday is still there, and it has not been withdrawn. However, some people have been given the impression that Government has fallen back on its promise.

Some of the hon. Members who are talking about breach of faith should recall that they were the ones who were pressing Government to abrogate the agreement with Radio Demerara. I

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agree that today Radio Demerara is making a fabulous profit at the expense of the taxpayers of this country, but certain hon. Members have been urging Government to commit a breach of faith by cancelling the subsidy which has been given to Radio Demerara—given by a previous Government which committed the country and this Legislature for three years.

There is certainly a vast difference between the two things. On the one hand a specific agreement was arrived at, and the Government committed itself for a period of three years. Nevertheless, some hon. Members want us to abrogate that agreement.

On the other hand in the case of Bank Breweries, the Income Tax Holiday and the duty free concessions on raw materials are still there. This Company has a great deal of money. Several other Companies have not been getting duty free concessions on raw materials imported into the country.

Mr. Kendall: All pioneer industries get them.

Dr. Jagan: It is not true to say that all pioneer industries get them. The point to be noted is that this Government has not committed any breach of any agreement. It must also be noted that Bank Breweries have very little to complain about. The hon. the Financial Secretary has spoken very fully on the taxation proposal and particularly on the tax on beer, but I would like to re-emphasize the point which he has made. We are not out to break the Company. Some Members are giving people the impression that this Government is out to destroy local enterprise.

For the information of these hon. Members who feel that way, I should like to refresh their memories regarding another local enterprise, the Plyboard Company. In the case of the Plyboard Company, the Minister of Natural Resources and myself were invited to

speak at the inaugural meeting at the Town Hall. I was advised not to speak at that meeting because it was felt, possibly rightly, that if we appeared on the platform it might be taken as giving political support to the Company, and that if the Company failed that might cause political repercussions to ourselves. We were not mindful of that advice. We spoke at the meeting and we asked Guianese to support the local enterprise which was started by Guianese. I cannot see therefore how it can be said that we are out to destroy local initiative and local enterprise.

This Government is saying that in the light of the large consumption of alcoholic beverages in British Guiana, the people should make a bigger contribution to the development of this country if they want to see it developed. If they have so much money to spare, then they should contribute a little more towards the development of the country.

British Guiana, like most undeveloped countries, has many drawbacks. The national income of the country is low. This is not only common to British Guiana; it is common to many backward countries. I have a book here called "The Problems of Capital Formation In Underdeveloped Countries" which is written by Professor Ragnar Nurkse of the Columbia University. At page 63 he shows the distribution of national income in different countries. For instance, in the high-income countries it is roughly \$915 per head; in the middle-income countries about \$310 per head, and in the low-income countries \$54 per head.

We can put ourselves in the category of middle income countries. But what is alarming is the comment that,

"It appears that two thirds of the world's income goes to the top 18 per cent. of the world's population."

That is a very significant comment, for it simply means that countries which have the largest population have the least amount of money available for develop-

ment. Professor Nurske has not only given the income per head but also the distribution of population. The lower income countries have an income of \$54 per head and 67 per cent. of the world's population, as against the upper income countries which have an income per head of \$915 and only 18 per cent. of the world's peoples.

It also means that the ability of those countries which fall into the categories of middle income and lower income to develop depends, first of all, on their capacity to save, and next, how they utilize their income — how they spend that income after the basic needs are met — food, clothing and shelter. We have to decide whether we want development either in the form of direct investment in the country or in the form of financing a development loan — or whether we will spend our income on alcoholic beverages, cigarettes and what have you.

I regret to say that in the case of Banks beer a great amount of publicity has been given to the campaign against the increased tax, not only inside this country but, unfortunately, outside its shores. We are not against other people's politics and prejudices, but certainly there must be a reasonable campaign if there is to be one. We find that even journals and organizations outside of British Guiana have been alleging that there has been a breach of faith on the part of Government.

The Financial Secretary took great pains to give this Council the benefit of information concerning all the stages of negotiations with Bank Breweries Ltd., and it is regrettable that in spite of that the campaign still goes on all over this country, and outside.

Some Members were saying that although the Government stated that the increase in duty was a consumer tax, we are actually trying to penalize the Company. If the facts as I have put them in an article are studied carefully, one would see that there is no such intention.

We have made the point that if this consumer tax is going to have the effect of a drop in sales, as the Company has claimed, then the Company is still in a position to absorb the taxation. Not only was there a margin for the drop in sales in the original prospectus of the Company, but we have been fortunate to see the first financial statement of the Company and from that document we feel that even if there is a drop in the sales it would not ruin the Company. It was not originally expected that the concern would sell so much beer.

We see from the balance sheet that the Company has made possibly over \$34 million in one year. That is an equivalent, I understand, of about 60% return on capital invested. Nobody begrudges the Company making profits, but what is indeed alarming is that the Company intends to spend \$½ million outside this territory and, may I say, Sir, that this decision was not made because of the tax. That is the implication being bandied around but the proposed investment outside was part of the plan. The balance sheet was published since early December, and the plan to export capital was made long before the tax was ever dreamed of; so that anyone who peddles the propaganda that Bank Breweries Ltd. would be taking money out of the country because of the taxation proposals should reconsider how and when that propaganda started.

This Government is giving protection to local capitalists, and we hope that local capitalists would not follow what has been the traditional pattern responsible for the backwardness of backward territories, that is, the exporting of capital from those territories. Whether it is in British Guiana, the Middle East or Latin America, that is what accounts for the poverty of so many countries.

To illustrate my point, I would just like to make a quotation. To my mind it shows how certain factors operate to keep backward territories backward. Referring to capital taken out of countries,

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"The Economic Journal" (No. 267, September, 1957), at page 438, states:

"The classical view cannot, as we have seen, be applied to deficits of private-enterprise economies. Looking at the matter from the point of view of the lending countries in the nineteenth century, Imlah's statistics show that Great Britain made no sustained real transfer on a significant scale on visible and invisible trading account after 1825. At that date her stock of foreign assets is put at less than £100 million. The subsequent growth of this stock to £4000 million by 1913 resulted from a *partial* re-investment of interest and profits due to Britain, and show the power of compound interest. Keynes was, as usually, on the right track when he calculated that taking Drake's treasure at compound interest, it would accumulate to something close to £4,000 million by 1913."

We have other examples in other countries, like the Anglo-Iranian Oil Company putting a total of £20 million in Iran and taking out a total of £400 million in 50 years; and the fact that in Latin America in the period 1945-55 \$2 billion worth of capital was put in and \$7 billion taken out. That is the history of these territories—capital outflow was less than capital inflow, and we are hoping that in this country people would reinvest capital here.

If the reference in "The Economic Journal" is to a country where we find imperialists, then how unpatriotic it would be in British Guiana for local capitalists, whom this Government is trying to encourage, to take out substantial profits made here and to invest them outside. They not only take money out of the country but slander the good name of this country outside. No wonder that Governments sometimes get very harsh, and there is little wonder that they do such things because of sharp practices such as this. A campaign was organized in this country to collect signatures and what not: I think we should organize a campaign to see that the \$¼ million which was made in profits by this Company is left right here and invested right here to provide employment for those thousands of Guianese who have con-

tributed to those profits. We should see to it that such a campaign is started in British Guiana.

Our country has to be developed. We are on the threshold of a new era, and let us make no mistake about it, certain things have to be done. All the economic experts, whether they are Marxists or non-Marxists, are agreed on one thing—that in backward territories we have to do certain things, to save and to see that those savings are put in the right direction. On the last occasion I quoted from Dr. Myrdal, the Swedish economist, and I think the point needs to be re-emphasized. I quote :

"There is no other road to economic development than a compulsory rise in the share in the national income which is withheld from consumption and devoted to investment. This implies a policy of the utmost austerity — quite independently of whether the increased savings are engendered by high levels of profits to be ploughed back in industrial expansion or by increased taxation".

To companies which are making large profits I say "Good luck to them". They have, we hope, the patriotism to plough back those profits into the development of this country. About 80 per cent. of our labour force is presently working while 20 per cent. is starving, but even the 80 per cent. do not work full time. Unlike most countries, we have the larger proportion of our population in the youthful and non-working age. We also have too many people becoming prematurely old, who either cannot find work or are unable to work. Therefore it is only just and right that those who are fortunate in finding employment should make some contribution so that those who cannot work may get a bite, and that the young people who are coming up may get a proper education, so that tomorrow they will become useful and productive citizens of this country.

Not only has this expert said so, but other experts who have studied the problem have also advised in this way. In his book "Development of Free Asia"

Maurice Zinkin reiterates the same point. Referring to the backward countries in the Far East he says :

"These examples illustrate a very important side of Asia's problem. If Asia is to develop it must have investment, investment in things, investment in people. It must have railways and factory hands, power stations and atomic scientists, packing machines and peasants who can read instructions or a promissory note. Before there can be this investment, somebody must do without his amenities, somebody must save, either actually in money or by giving up leisure. It is not, however, enough for there to be saving; the saving must be properly directed. Much of Asia's saving today goes, directly or through a loan by the saver, to someone less provident, to unproductive purposes, to hoarding and jewellery, ceremonies and festivals, display and the buying of existing assets, especially land. If all Asia had a living tradition as austere as Japan's, the amount available for investment would double even in India; in Ceylon or Thailand, it might considerably more than double".

What applies to India, Ceylon and to Thailand applies with equal force to our country which has more or less the same problems. We see today that we are part and parcel of a world problem of under-development. Capital is scarce outside. Some Members drag in the red herring of ideology, but so far as foreign investors are concerned they are more concerned with stability than with ideology. People from the World Bank and others have said so. That is not the reason why we do not have foreign investors in this country. The fact that there is depression and under-employment is part and parcel of a world system under which we are only a small part.

We have right now to lay the foundation for economic development. Members have noted the vast improvements which have been made in certain countries, the U.S.A., Japan and Germany, but those countries have had a head start, and they are today in a much more fortunate position. We have not been so fortunate, and in my opinion we have to tread the hard road in the same way that some of those countries have had to do at the beginning.

Referring to the early development of Japan which today is a highly developed country, this is what Professor Nurkse has to say, and I quote from page 148 of his book "Problems of Capital Formation in Under-developed Countries".

"Once more, look at Japan. In the initial period of development, especially in the 1870s and 1880s, the state dominated the scene in providing capital for public works and industrial expansion. How was this financed? By stiff taxation, especially of the agricultural population; occasionally by forced loans imposed on the commercial middle-classes in the towns; and also by credit expansion, which was not inflationary in so far as it reflected an increase in the monetary sector of the economy. People who had not used money before performed saving in the very act of building up their cash balances. Japan achieved her industrial growth without much inflation". The outstanding instrument of forced saving in Japan was the traditional land tax, which was drastically tightened up and reassessed in the 1870s"

He goes on to say that it brought in about four-fifths of the Government revenue. That was the hard road which Japan, a country which is today highly industrialized, had to tread initially so as to become a highly developed country as we would like ours to become. Not only are we having financial difficulties but we also have political problems. As we in British Guiana are aspiring to independence we must show that we are able to stand on our own feet. We must be able to direct the little money we have into proper channels, so that we make the best use and secure the greatest return for the sums invested. Independent countries today have a hard enough task to solve their economic problems, and our problems are therefore graver in view of the political restrictions under which we are working today. We are a dependent country; we are not as free as India, Ghana, Ceylon and many other independent countries which can obtain loans and technical and other experts practically for nothing. We have seen that some of those countries have been able to negotiate loans at 2 per cent. interest.

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India, Afghanistan, Ceylon, Egypt have been able to go to the East and to the West, and have been able to negotiate loans at low rates of interest; they have been able to get agricultural and industrial machinery on credit to be paid for over a long term period; and they have been able to dispose of their products on the basis of barter agreements. No such avenues are open to us. In the special circumstances we find ourselves left with no other alternative.

The Party that I represent is particularly aware of the difficult position in which it is placed today. It is aware that, in a country such as this which has inherited so much backwardness, it is not possible immediately to resolve all of the difficulties with which it is confronted. It is aware that its hands are tied. This Government is not supposed to do certain things, but we cannot find the solution to our problems. One is told that one must provide employment. One is asked in this Council, "Where is one's sympathy for the working class people and the masses?"

When I was in the United Kingdom, at a Press Conference which I held after the talks with the Colonial Office and the British Government, I was able to put forward for the consideration of the British people the serious problems which confront the people of British Guiana. The Members of this Government are aware of these problems, but having been placed in this difficult position we have to act like responsible people. We are aware that if we took the irresponsible road, as suggested by some Members of the Opposition, then there will be no solution to the problems of this country. We realize that we are in a vortex at the moment. If we do not tax the people or agree to increased taxation we will not solve any of our problems, because the British Government says "we have not got any money; we are not going to guarantee any loans". This is one side of the vortex in which we are caught. On the other side if we agree to

taxation — taxation which will provide the necessary monies to give us a proper development programme which is in keeping with our needs — then we are told that we are doing the wrong thing, and are taxing the people into starvation.

I realize that some of the working class people will have to pay a few cents more, but there are large numbers of people who are above the minimum wage level. We know that a large number of people can very well afford to spend a little less on non-essentials, so that we can have our drainage schemes, public works schemes, schools and so on. We cannot have it both ways. We have been criticized every time we attempt to save money.

I should like to inform hon. Members that Professor Nurske says this at page 151 :

"We can readily concede that public finance has only too often been distinguished by waste in such forms as overstaffed services, ostentatious buildings and military establishment".

We know this is very true about British Guiana. We are trying to hold down expenditure. The hon. the Financial Secretary said that ever since he has been here he has endeavoured to hold down public expenditure, and we will continue to do so regardless of what the Opposition says because we feel that, putting political opportunism aside, which is good for the next elections, we should be concerned with economic factors. Like private enterprise, which is said to be efficiently run, Government wants to know that all of its undertakings are carried out efficiently.

There must be some dislocation. Anyone who does not want dislocation is reactionary, because if you have no dislocation in British Guiana today you will have a *status quo*. Everyone in this Council knows that a *status quo* will never solve our problems and headaches.

We have tried to cut down over-staffing in Government Departments. In my Department and the Co-operative Department we have been able to cut down the staff by four officers, who have been sent back to the Department of Education from which they were seconded. We are now carrying out an investigation to see whether Departments such as the Social Welfare, Co-operative, Community Organisers, School Organisers, School Attendance Officers, Government Information Officers and so on can be integrated so that we may have one or two officers doing the job more efficiently. As soon as we try to do these things, we are told that we are creating unemployment. We do not want to create unemployment; we want to have efficiency — efficiency sometimes means some dislocation. Other jobs will have to be found for the people who are retrenched.

I would like to close my remarks by making an appeal to hon. Members. We are at a critical juncture in the history of this country. I have always taken the line that British Guiana at this stage cannot afford partisan politics. That is why I have always taken the line that a united front is in the best interest of this country in the present phase of our history. What may be good enough for England in her stages of development might not be exactly good enough for British Guiana.

The U.S.A. and the U.K. may be champions of free trade, and it may be a good thing for them. When England was mistress of the seas she was advocating free trade because nobody else could compete against her. Today, when the U.S.A. can almost outsell anybody when it comes to products produced in industries in the U.S.A. or industries planted in any other country, the U.S.A. is the champion of free trade. We will have to adopt methods to suit the peculiar conditions in which we find ourselves. We will use protection, if necessary.

A great deal has been said when we were discussing conditions in connection

with the Tax Bill, and something was said about losing our goodwill with Canada. On this point I think that Professor Myrdal's statement is very apt. Speaking on the backward countries' need to protect their industries and to put up tariff walls, if necessary, he says:

"The under-developed countries have rational grounds for asking the developed countries to liberalise their trade unilaterally. They need to be staunch free-traders, and even preserve for themselves the right to give export subsidies, so far as advanced countries' imports from them are concerned, but restrictionists in respect of their own imports. And they have valid arguments against anyone who would call their attitude logically inconsistent".

We have to adopt means and methods where applicable and suitable to our peculiar conditions. I appeal to hon. Members that, in the interest of the people of this country, we should not be playing partisan politics at the moment. Regardless of who sits here in these seats, what we are trying to do today will have to be done. The quicker the "Opposition" realizes this, the better.

I am therefore hoping that in the future we would not have endless repetition but rather we would have Members of the "Opposition" getting up and praising the Government for the courage it has demonstrated in taking the bull by the horns, so that this country's future can be assured in the shortest possible time.

The Chief Secretary (Mr. Porcher, acting): Before the hon. the Financial Secretary replies I would just like to say one thing. I have been very pleased to hear Members on both sides of the Council objecting to ridiculous assertions that have been made that the Financial Secretary was responsible for the tax proposals.

I do not know if it is necessary for me to say anything more on that account, but there is one more point I would like to emphasize, because it has been touched upon. The Managing-Director of Bank Breweries Ltd. did launch a

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vicious attack upon the personal reputation and integrity of the hon. the Financial Secretary. He called him unethical—he at any rate implied that he was not a man who dealt fairly. These accusations have been made at Bourda Green and repeated many times in the Press.

I happen to have known the Financial Secretary for some 17 years. You, Sir, and Members of this House have known the Financial Secretary for a shorter period, but I am sure it is not necessary for me to tell you, Sir, or hon. Members of this House, and other people in this country who have known him for shorter periods, that it would be extremely hard to find a more honest man, a man who sticks rigidly to principle, than the hon. the Financial Secretary.

However clear one's conscience may be, it is not particularly pleasant to read and hear about this type of accusation, but I am very concerned with the effect the accusations might have on the country and not only on the individual. We who know the man realize how completely unfounded and ridiculous these suggestions are, but there are other people who do not know the man, and I am thinking particularly of overseas investors who read that a responsible member of the community has called a very senior Official in the Government unethical, a man who does not deal fairly. Unless those accusations are soundly quashed, those people will believe that that is the way Government runs, that is the way Government behaves and that is what the country as a whole is like. British Guiana's reputation and credit abroad will be in disrepute.

I hope as a result of this debate all persons who are inclined to indulge in these mud-slinging attacks and tactics will realize how much harm they do a country in the process, and would in future desist from it.

I would be the last to wish to muzzle criticism: if something is done, particularly at the national level, with

which others do not agree, by all means let them say so, let them use all legitimate means of criticism, and let them say what alternative things should be done. But I do earnestly ask everyone in the future to desist from personal abuse or attempting to discredit the personal reputation and integrity of individuals.

The Financial Secretary (Mr. Essex): Sir, I feel rather embarrassed at this juncture of my reply. But I would begin by saying that I am grateful to Members of this Council for whatever support they have given me and who have said that they were sorry for the sort of campaign that has been carried on.

I did give a full statement of the Government's case as regards this taxation, particularly that which affects Banks beer, when I introduced the Motion for the Second Reading of the Bill, and I do not think any Member has done anything to answer the points I made. I said, for example, that the main fallacy in the case against the tax was that it had been strongly represented to the previous Government that an excise tax of no more than 50c was possible if 360,000 liquid gallons of beer were going to be sold in the first year; but as I said, 900,000 gallons were sold in 1958, and the original estimate on which the excise tax was based has been demonstrated to be quite wrong. It is now quite fair and charitable to assume that if the consumer can pay for beer something up to \$3½ million, he can pay a little more to the revenue of his country.

No Member took me up on another point I made, and that was, that the industry itself right from the beginning had found it quite possible to pass on one cent to the consumer — through the advantageous means of a change of the basic coinage to a decimal system. I said that at the moment many retailers can sell this beer not at the "magical" figure of 25c, but at 23c and even less. I said that the Government's point of view was that consumption was unlikely

disastrously to fall, even if the 2c were passed on — actually, only 1½c — to the consumer, and I have no doubt 2c could be passed on. Certainly the industry's position would be better than we had even expected, and no doubt beer can still sell at 24 cents.

I said last week that we were handicapped by not knowing what the Brewery's operating results were in the first year — not because we wanted to tax its profits but because it would give us some information, such as, what the price of the beer ought to be in the event of a change, and if the Brewery were terrified about the effect of a change, if it could do something about meeting the difference out of its profits. Since last week one has had the opportunity of looking at the balance sheet of the Company. Some of it is rather strange to me, and I do not at the moment understand all that it represents, but one thing is perfectly clear, and that is the set of figures in the profit and loss account. After allowing for depreciation of \$225,000 on assets which cost \$2,286,000, and after paying preliminary expenses of \$39,000, the net profit was \$717,000. The balance has only recently been certified by the auditors, on the 3rd December and was recently approved.

As I said, although I know it has been twisted, we were interested in the profits not to see whether they should be taxed, but to see how well the brewery had done, and what it could do to absorb some of the tax if it felt that by passing it on its interests would be jeopardized. We still do not think they would be.

The hon. Member for New Amsterdam (Mr. Kendall) returned to the charge with his accusation that it was the brewery which was being taxed. He said that the great thing was that the brewery had made the country self-sufficient in beer. It certainly has. In 1958 duty was paid on 906,000 liquid gallons of locally made beer, for which the community paid \$3,480,000. In 1956 we imported 278,000 liquid gallons of beer and ale, so I think it can be said that we made ourselves self-sufficient

in beer. The imports, which were 278,000 gallons in 1956, dropped to 87,000 gallons in 1958.

The hon. Nominated Member, Mr. Tasker, dealt with the revenue position and pointed out that rum consumption was going down. He started off by saying that this was due to successive additions to the taxation of rum, and he gave as his opinion that we had now reached the point of diminishing return of tax, which I think may be so. But then I waited to hear him say that of course the big reason for the lack of increase in consumption of rum is because people are spending very much more money on beer. But he did not say that; I do not know why, but I can guess. The other thing that he did not say, though I think it is one of the reasons, is that there was a tremendous removal of rum from bond in the last weeks of last year and the first week of this year because the Budget was coming. There is usually a rush because, as the hon. Member for Georgetown Central says, the Government has no imagination. It always taxes rum, and so the dealers take rum out of bond. That is why the consumption and the sales from bond in the first two months of this year have gone down so considerably. But they are now picking up again. We are back again to \$64,000 or \$65,000 in duty per week on rum.

The point I was going to make about rum was that this 5 per cent. drop in consumption between 1957 and 1958 must be explained by the tremendous and well deserved success of locally manufactured beer. The switching from rum to beer is, I think you will agree, socially desirable, but it is not necessarily economically desirable at the present time. We have to remember that rum is a very important export, and it is necessary to have a reasonably large domestic consumption as a support to that export trade.

Another thing is that rum is made almost exclusively from local material, whereas beer is not. But from the Gov-

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ernment's and the economic point of view, the important thing is that the consumer of rum, with the excise duty as it is, pays 3½ times as much duty on his rum as he pays on his beer, price for price. I come back again to the point from which I always start, and which I have never had contradicted — that the consumer who drinks beer is admittedly asked to pay more for the privilege of so doing, but he is still paying considerably less than the rum drinker.

I should like to return to the question of rum later, but I would like first to complete what I was answering in the speech of the hon. Member for New Amsterdam. He said very much what he had said before, but he did introduce one or two very interesting new ideas. He admitted—and he had to because he had seen the balance-sheet — that the beer industry has done very well to make a large profit in a competitive market.

I do not know quite what he meant by "competitive market". People do not seem to realize that the local beer is given a preference over imported beer of \$1.50 per liquid gallon when the beer is imported from preferential sources, and \$1.90 when it is imported from non-preferential sources. That is nearly 10 cents per bottle in one case and 12 cents in the other, and of course the consumer of imported beer has to buy the bottle which is not returnable. That is a very favourable competitive position, you must admit.

We now see Barbados as being the potential home for the next British Guiana overseas investment. I have a copy of the Budget proposals which were announced this week in Barbados. The difference between the excise tax and the import duty on beer was 16 cents per gallon on the Preferential Tariff and 23 cents on the General Tariff. Even with the new rates of duty on imported beer, \$1.13 or \$1.20—assuming that the excise duty is still kept at the very low rate of 12 cents, which it was—the margin of pre-

ference is only 1.01 on the Preferential and 1.08 on the General Tariff.

The other significant thing, which I cannot resist mentioning, is that if the Reuter report is to be believed, the reason for the increase in the duties on imported beer in Barbados was that revenue from imported beer had fallen because there were less imports. It is also worth noting while we are talking about protection, that the import duties recommended in the Tariff Commission's Report in regard to the Customs Union were 60 cents Preferential and \$1.20 General. So that Sir William Crofts did not visualize anything like the protection which the local beer is getting in British Guiana. I do not think, therefore, that the point made by the hon. Member for New Amsterdam about the competitive position is a very valid one. He also said that Government was taking money from the coffers of Bank Breweries, but I have said so much on that point that I need not go into it again. No one has really attempted to answer the points which Government has been able to back up with facts.

But the attack on this part of the Bill was a switch. It is now said that the tax on beer will deter investors. It is also said that it is a breach of the spirit of the agreement. In other words it has now come down to a question of opinion, not of fact or figures. The most depressing picture was that presented by the hon. Member for Georgetown North. The tenor of his speech was the most depressing I have ever heard, on matters of this kind anyway. He dealt very fully with the question of discouragement to investors.

The depressing thing was that he said that Bank Breweries was investing money in Barbados out of pique, and he also said he thought the proprietors would rather ruin themselves than pay the tax, or words to that effect. But even more depressing was his accusation, to which the Minister of Trade and Industry referred, that the Company was carrying on a campaign outside the coun-

try against the country. In other words, the Company had switched its attack on the Government to an attack on the country itself and its good name.

On the question of investment in Barbados I am not sure if the Company decided to invest \$500,000 in Barbados simultaneously with the circulation of its accounts. What is not at all clear to me from the Report of the Directors is exactly where the \$500,000 is coming from. It does seem that a lot of the profit is not in liquid form but has been turned into increased assets, stock and so on. So I am still in a quandry. On the Second Reading I said I did not know if there was going to be a new issue of capital from profits, or whether it would come from the proceeds of the law suit.

Actually, to come back to the hon. Member for Georgetown North, he did in fact support the Government's view that this small additional tax on beer, if passed on to the consumer, would not affect consumption, for he says that habits once fixed cannot be changed. Unless, of course, he was supporting his case that this was taxing the poor man and was an additional burden on the backs of the poor. He said that in England no one would say that beer was a luxury. I do

not agree with him. In any case whether it is a luxury in England or not, it must be regarded as a luxury here and that is why this Bill is before this Council.

Another point the hon. Member made was that the beer-drinking habit having been fixed, it was now possible that the local brewery would be affected by dumping from overseas producers of beer. It would be difficult for them to do that when the margin of preference on beer is 10c. or 12c. In any case if such dumping is possible, what difference is it going to make to the Brewery if the small proposed penny increase in excise is not made?

Sir, I have not a lot more to say on this matter, but I cannot finish in five minutes.

ADJOURNMENT

The Chief Secretary: Several Members desire to attend the funeral of Mr. Luckhoo. I beg to move that this Council adjourns until 2 p.m. tomorrow.

Question put, and agreed to.

Council adjourned accordingly, at 4.05 p.m.