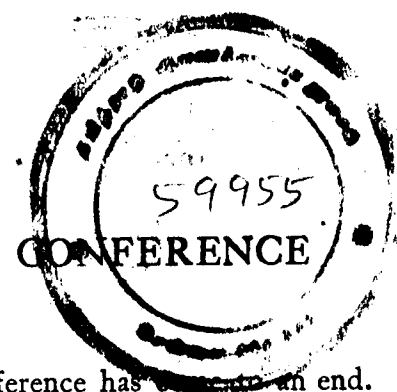


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THE IMPERIAL CONFERENCE

ANOTHER Imperial Conference has come to an end. There were actually two Conferences, each with a separate personnel. The Prime Ministers themselves were, strictly speaking, members of the Imperial Conference only. The importance attached to the economic issues under discussion was, however, so great that one or more of them were in constant attendance at the Economic Conference, which in consequence had to confine its sittings to days on which there was no meeting of the Imperial Conference. Such subjects as Imperial preference, moreover, have a political as well as an economic side, and came within the range of both Conferences. The Economic Conference might, indeed, almost have been described as the Imperial Conference sitting in committee on economic subjects.

In its composition the Conference had changed since 1921. In that year the chief delegates were the veteran Prime Ministers of the war and General Smuts, who had also been a member of the Imperial War Cabinet, though not himself a Prime Minister at that time. Of these only Mr. Massey and General Smuts were at the Conference this autumn. The greatest innovation, however, was the separate representation of the Irish Free State, which has become a Dominion since 1921. Some interesting consequences that are likely to follow this particular change were described in our last issue.* For one thing, the balance of population is profoundly affected. The population of the Mother Country used to exceed that of the Dominions by nearly thirty-one millions. Since Ireland, with the

* See THE ROUND TABLE, No. 52, pp. 799-804.

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exception of six northern counties, has been taken from the United Kingdom and added to the Dominions the excess is little over twenty-four millions.

We do not propose here either to describe or to comment on the proceedings of the Conferences. The European crisis, the most baffling of the questions requiring a decision, is discussed elsewhere,* while the constitutional question has already been dealt with in our last two numbers. This article is merely intended to introduce the official summary of the proceedings, which we hope to print as an appendix† if it should be available in time for publication. With any conclusions that have been arrived at we propose to deal in a future issue.

I

THE Conference which has just ended is the second regular one since the war. The representatives of the Empire sat continuously at Paris in 1919, as they had sat in London during the war, but their meetings were in both cases of an abnormal character and they dealt with emergencies of an exceptional kind. Neither this Conference nor the Imperial Conference of 1921 was a successor of the Imperial War Cabinet or of the British Empire delegation. They were a resumption of the regular sequence that had been interrupted by the war. The title, "Imperial Conference," itself indicates this. It has no pretensions to be an executive body, such as would be suggested by the term "Imperial Cabinet." Its habit has been, according to the Prime Minister of South Africa, even to avoid passing resolutions by a majority. Not that plain speaking is avoided in debate—the discussions on our cattle restrictions and wireless arrangements show that there is plenty of it—but the procedure of the Conference has, General Smuts claimed, always been by unanimity, and the famous resolution about the status of Indians which was passed

* See p. 13.

† See p. 205.

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in 1921, South Africa dissenting, was the only exception to that course.*

When the Imperial Conference met this autumn the problem that confronted it on the constitutional side was that of external relations. The efficacy of the existing system, which left their conduct to Whitehall, depended upon effective inter-Imperial consultation, and for that purpose, as was made clear in our last issue, no sufficient machinery at present exists. The need for the readjustment of inter-Imperial arrangements was recognised as early as 1917, when the Prime Ministers assembled in London resolved that a special Constitutional Conference should be held as soon as possible after the war. That Conference, as our readers will remember, has never been held, because in 1921 it was decided that no advantage could be gained by holding it, "having regard to the constitutional developments since 1917." Those developments have already been described in our pages. The representatives of the Dominions had not only been associated with British Cabinet Ministers on equal terms, first in the conduct of the war and later in the arrangement of the peace. Their new status had been recognised by the resolutions of the Imperial War Cabinet, the British Empire delegation, and the speeches of British statesmen.

It is interesting to trace one or two of the steps in this development. In 1917 it was placed on record by the assembled Prime Ministers

that any such readjustment (the reference was to the proposed constitutional conference) while thoroughly preserving all existing powers of self-government and complete control of domestic affairs should be based upon full recognition of the Dominions as autonomous nations of an Imperial Commonwealth and of India (it had just been decided that India should be represented at future Imperial Conferences) as an important portion of the same, should recognise the right of the Dominions and India to an adequate voice in foreign relations, and should provide effective arrangements for a continuous

* It is interesting to note that Canada saw no need for the permanent economic committee which the other delegates at the Economic Conference decided to constitute. Her representatives dissented from the resolution.

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consultation in all important matters of common Imperial concern and for such necessary concerted action as the several Governments may determine.

At Paris, in 1919, a further advance was made based, if a common belief is to be accepted, upon the theory which has since been invoked by General Smuts, that the Crown is the supreme executive Head both in the United Kingdom and the Dominions, but that it acts on the advice of different Ministries in different constituent units. Resolutions of Imperial Conferences and the utterances of British statesmen could, of course, only express internal recognition of the change in status. They did not bind foreigners. But wider recognition came at Paris. The great international treaty which embodied the terms of peace was signed in 1919 by the representatives of the Dominions as well as by those of Great Britain, though the former in each case signed only on behalf of their respective countries, while the British delegates signed for the British Empire. Lastly, the Dominions became members of the League of Nations.

It is not, then, surprising if in 1921 the Imperial Conference saw no need to attempt any precise definition of inter-Imperial relations. It was, no doubt, felt that more harm than good was likely to arise from any such attempt, and there was no desire for a more centralised system. Nothing less than a supreme crisis, such as the war or the peace conference, would commend an Imperial executive body to public opinion across the seas. There were, of course, obvious risks in leaving the position vague. It has never, however, been the British habit to meet such troubles in advance, and the constitutional question was shelved. The Imperial Conference in 1921 did not even fix a definite date for its next meeting, contenting itself with a resolution that the Prime Ministers of the United Kingdom and the Dominions and the representatives of India should aim at meeting annually "or at such longer intervals as may prove feasible."

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Since 1921 the atmosphere has changed. In that year nationalistic fervour was at its height in the Dominions, and in most of them more concern was expressed about maintaining intact their newly recognised rights than about their responsibility in the international domain or about keeping a unity of front towards the outside world. They were still content to leave the control of foreign affairs to Downing Street, provided that this duty was in future exercised, not as a right, but as a power left to it by the nations of the Commonwealth. It was a natural attitude. The Dominions, as has already been pointed out in these pages, were all absorbed in engrossing problems of internal development which the long interruption of the war had rendered more pressing than ever, and in some of them there were acute racial, social or political internal differences. It was in any case difficult at such a distance, and with the existing machinery, to realise what was going on in Europe. It seemed only the other day since their troops had returned from helping to redress the balance of the old world, and if people in the Dominions were inclined for a time to turn their backs on European affairs after helping to settle the German menace and to arrange peace at Paris, it is understandable. In 1921, moreover, the danger point had moved from Europe to the Pacific. Here again, anxiety was relieved not many months after the Imperial Conference adjourned, and largely as a result of its labours, by the Washington agreement. Trade depression still remained to show that all was not well, but it was long since the horizon of the British Empire had been so free from war clouds. The comparative immunity of Canada from danger of attack from outside did not stop her playing an heroic part in the war, and in 1921 her insight in the matter of the American-Japanese problem, based upon actual contact with American opinion, was of material value in assisting the British Empire to arrive at a sound conclusion. The proposal to send a Canadian Ambassador to Washington, moreover, showed the importance attached

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by her to international relations in her own continent. But ordinary foreign policy, outside the American continent, was a different matter. Some of her statesmen have been credited with a positive aversion to take any part in it. If there is such an attitude, it would be wrong simply to put it down to the desire of politicians to have Great Britain as a whipping boy in case of mishap in Europe or Asia. With the existing arrangements it would have been unfair to expect any Dominion willingly to accept such responsibility. An Australian pointed out the other day in a series of able articles* how defence had always suffered in his own Dominion, because "in the absence of effective means of consultation in the past, no Australian Minister has been able to say, as British Ministers have said frequently, that owing to the facts known to him he cannot remain responsible for the safety of the country if demands for economy are pressed." It is the same with foreign affairs. Responsibility with no adequate means of consultation would be a nightmare.

Last October the attitude had altered. For one thing there had been time to test the existing system. The clouds which in 1921 were little bigger than a man's hand had grown larger. The consequences that may be expected if the nations of the Commonwealth should pull different ways were more clearly realised, at all events in New Zealand and Australia, and the speeches of the Australian Prime Minister had helped to clear the air. Chanak, too, had shown that trouble in Asia or Europe may have serious results for all of us, whoever is to blame, and all are interested in staving it off. In Australia it was increasingly felt that the problem of the Pacific had not been finally solved at Washington, and there were doubts whether British statesmen were not too much preoccupied with Europe to pay proper attention to them. Then, as regards status, it was now obvious that internal and external

* The articles were signed "N." and appeared in *The Daily Telegraph*, Sydney, last August.

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recognition depended upon entirely different principles. The attitude adopted in America first towards their membership of the League and later in the matter of the halibut treaty had made that abundantly clear. The question of status had even a bearing on trade, for, in the event of a scheme of Imperial Preference being adopted, the Americans, on the ground that the Dominions are now practically independent nations, talked of claiming under their most-favoured-nation treaties any special advantages that the members of the British Commonwealth might decide to confer upon each other. It soon became evident that the next meeting of the Imperial Conference could not be long delayed. The question of our relations with the outside world had to be tackled.

So far we have referred to the constitutional and the political side. But there were also economic conditions which told in favour of an early meeting. Trade depression was affecting the Dominions as well as Great Britain. Then came Mr. Bonar Law's announcement at the last General Election that it was his intention to convene a special Imperial Economic Conference, and with it the revival of the hope that the principle of Preference would be more extensively applied.

In Australia the case for Imperial Preference was advocated in a series of powerful speeches by the new Prime Minister, who at the same time pointed out the necessity, in the field of foreign affairs, for inter-Imperial arrangements which would render effective consultation possible, and in that of defence for a more equitable distribution of burdens. In the matter of trade, the Canadian General Election of 1911 had brought home to the British people the nature of the dilemma which forced the people of Canada to choose between closer trade relations with the Mother Country and with the United States. Mr. Bruce made it equally clear that, though his countrymen would far prefer to extend their markets in Great Britain, they would be forced to look elsewhere unless something was

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soon done to stimulate trade with her. He further pointed out that the prospect of British immigration was inseparably bound up with this question, for without extended markets the new-comers could not make a livelihood. Australia was as anxious to continue to draw her immigrants from the Mother Country as the latter was to find room inside the Empire for her surplus population; but he was emphatic that facts such as these could not be disregarded.

The strongest pressure in favour of holding an immediate Conference came, indeed, on this occasion from the Dominions. Mr. Bruce telegraphed to the Secretary of State for the Colonies early in the year that his Government regarded it as of imperative importance that a Conference should be held on naval defence, foreign policy, and Empire trade as soon as possible. Nevertheless, it looked in the early spring as if a Conference this year might prove impossible, for the simple reason that in most of the Dominions domestic politics were likely to prevent their Prime Ministers from getting away. Mr. Massey, indeed, advised Whitehall, we believe, that he could not attend any Conference in London this year. During the summer, however, these difficulties fortunately diminished, and on March 23 it was publicly announced that the Imperial Conference would be held in October.

II

IN the last section the change of attitude since 1921 has been described. The difference, however, was not merely psychological. The actual situation which faced the 1923 Conference was also different from that of 1921. In one immensely important respect the change was for the better. Thanks to the settlement in the Pacific and to the new status of Ireland, our relations with America, as her Ambassador reminded us the other day, are on an infinitely better basis than they were in 1921. The funding of the

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debt removed another obstacle in the way of friendship, and the willingness of the Imperial Conference to meet the proposal of the American Government that the territorial limit should be treated as if it were twelve instead of three miles, to enable it to deal with bootlegging, will tell further in the same direction. In Europe, again, the League of Nations' experiment in Austria has hitherto succeeded, and there is at last peace with Turkey. In other respects the scene was, however, immeasurably darker. It was President Wilson's hope that the war would make the world safe for democracy. Since the 1921 Conference met an epidemic of revolution has successively overthrown constitutional government in Greece, Italy, Bulgaria and Spain. Returned travellers from Russia have lately given a less gloomy account of the economic conditions there, but she is still under a tyranny more extreme than that of the Czars. We fought the war to a finish to ensure the fall of the old reactionary system in Germany and the substitution of democracy. It was universally and rightly felt that otherwise a lasting peace would be impossible. Thanks to French policy, democracy in Germany is, at the moment these words are written, like a candle flame in the wind. Force in the Ruhr has been followed by force in Corfu. One of the great Powers has openly flouted the League of Nations. More is being spent by Europe on armaments at the moment than before the war. Before these words reach the reader, Germany may be once again a mere geographical expression, a collection of weak and independent states, as she was in the time of Napoleon, and France for the time being the only great Power that counts north of the Alps.

Such was the situation that faced the Conference in Europe. Here in England, it must have been hard for the delegates to picture it. They found our people disturbed at the outlook, fully aware of the disastrous effect upon their prospects that the policy which was driving Germany to collapse was having, but reasonable, able to look at the

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situation from other standpoints than their own, and to make allowances. Above all, they found us as bent upon peace as their countrymen beyond the seas. But across the Channel they would have found war psychology still in existence in a great part of Europe, and in calculating the effect that any particular measure would have this fact had to be taken into account by the Conference. Another fact, also a hard one to realise, when the might of the British Empire four years ago is remembered. Though still stronger than any European country at sea, on land and in the air we are weak. There is no comparison to-day between the strength of our Army and our Air Force and those of France.

When the Conference assembled in October it found the reparations problem, after four years of international conference, compromise, notes, interviews and communiqués apparently as far from a settlement as ever. Three British Prime Ministers had tried to get one and failed. Would the Conference do better, was the question on everyone's lips? This time the problem was not a sudden crisis, like Chanak, but a relentless drama of which the Dominion Prime Ministers had during the last few weeks themselves witnessed the latest scenes. The facts were known. There were strong hopes. Detachment at times supplies an insight which actual contact does not give. An observer in a position to judge, the American Ambassador, considered the way in which the councils of the Empire were broadened and invigorated "by the admission of these loyal sons from afar" a heartening sign. He noticed "a disposition to grapple problems promptly with energy and determination, as in new countries." Anyhow, it was felt that the Conference would bring the fresh air of which our last issue spoke into the corridors of Downing Street. And the effect has not been confined to Downing Street. General Smuts' speeches helped to revive the idealism which inspired us in the war. We have described the change of attitude in the Dominions. The

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extent to which our own has been changed by the events of the last few years may be gathered from his words :—

About five years ago (he said) the victorious nations gathered at Paris to make their peace. In the writing of the Peace Treaty they made very grave mistakes, but in the end they did lay down the basis of a new world-order. To-day the exaltation had gone, the moral idealism had disappeared before hard, cynical realism. Vilna, the Ruhr, Corfu, stood written in flaming letters across the skies of their hopes and ideals for the future.

In this new world-order General Smuts still sees the best hope of the world. Like him, the delegates of the other Dominions have reaffirmed their loyalty to the League, a loyalty which in no sense weakens their loyalty to the British system, which they regard, moreover, as the bulwark of the League. Continental alliances or pacts of the old kind would, as has already been pointed out in these pages, undoubtedly endanger the solidarity of the British Commonwealth, and a broad and simple foreign policy is essential for a world-wide system. The League also means entanglement, and recent events have brought home to people what its obligations entail. It may be that the Covenant will be subjected to further amendment. One from Canada was passed at the last meeting of the Assembly—but if the Dominions accept this particular entanglement they do so because in it, or rather in what may spring from it—General Smuts himself compares the League to a child whose strength must not be taxed—are centred their hopes of the future.

There is another thing that gave this Conference a character of its own. In the main issues both on the economic and on the political side the lead has come from the Dominions. There was no room this time for suspicion that Whitehall was dominating the rest. In pre-war Conferences it was the custom for the British Foreign Minister to set the policy the British Government favoured before the Dominion delegates for their approval. This time it was no simple endorsement that was sought, but counsel.

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Consultation has other uses than to bring the Empire into line on international matters, and the maintenance of the unity of the Imperial front. On this occasion our own extremity was the measure of its value. The British people, remembering how two years ago the united wisdom of the whole Commonwealth averted another world peril, the menace in the Pacific, and tired of our fruitless effort to mend a sick world, looked to this Imperial Conference not for concurrence, but for a policy.

THE PROBLEM OF EUROPE

IN a weary and disillusioned world political thought is apt to be reactionary rather than constructive. The present revolt against any feeling or policy that can be brought within the vituperative designation of "internationalism" is in keeping with that mood. We are reminded that charity begins at home, that there are no interests worth considering except our own interests. The League of Nations becomes an entanglement, Corfu is merely a name on the map, the fate of Germany and her sixty million people is no concern of ours. Let France be our example; France cherishes no illusions, pursues no foolish ideals. If the economists of the world are ranged against M. Poincaré, it is because their cold and calculating minds are inhuman in their workings; if the financiers oppose him, they are thinking only of the sordid gains to be got from their international operations.

Yet the mere fact that the operations of finance and commerce are international ought to awaken the suspicion that no nation can confine its thoughts and its interests within the narrow bounds of its own frontiers. From the American continent, from Australasia, from Japan and from tropical Africa the threads stretch back to Europe. Here in Europe is still the focus of the world's economic life. Here is the first home and here still is the most fruitful nursery of the arts and sciences on which Western civilisation is founded. From the dense populations of Europe the still unsettled tracts of the world will mainly be peopled. Whether as a school, as a human reservoir, or as a market Europe remains indispensable both to the old countries and the new which are outside it.

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At this moment, when its fate concerns the whole world, Europe is facing dangers to which there has been no parallel in modern times. The history of Europe is not a record of undisturbed progress in civilisation. It is rather the tale of one civilisation rising from the ashes of another. If in the last four centuries there has been any marked tendency it has pointed towards stability and permanence. In that period Europe, it is true, has been swept at intervals by war, and its peoples have perished in thousands by fire and sword and the famine that followed in their train. But even the greatest of these upheavals, the struggles of the revolutionary and Napoleonic era, profound as were the changes in the social and political structure of Europe to which it gave rise, left no such disastrous burden and opened up no such perilous prospect as the last war. European society a century ago was a simpler and less delicate economic mechanism, and we can now see that the rapid material development of the last hundred years has produced a civilisation in many respects more vulnerable than that which preceded it. But this is not all. Human relations between combatants were never so embittered as they have been in recent years; a general spirit of moderation and peace survived the fiercest of our earlier wars. And so it comes about that at a time when the world is crying out for the pacification of Europe, the will amongst the nations to live in peace with one another is weakened and the conditions are absent in which that will could become effective. It has become a grave question whether one more type of European civilisation is to be submerged beneath a wave not of barbarism but of stupidity and lawlessness.

In such a crisis it may be of use to attempt to set out its distinguishing features, to diagnose the dangers with which Europe is confronted, to consider what share of responsibility rests with the British Commonwealth for their existence, and what contribution the Commonwealth can make to their removal. To do this is at the worst a pious duty

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to the age in which we live, an age as remarkable for the splendour of its achievements as for the folly which imperils them.

I. THE PRESENT STATE OF EUROPE

SOMETIMES it is the war, sometimes it is the Treaty of Versailles which is blamed for the condition of Europe to-day, but in one sense the two factors are indistinguishable. The war was wasteful both of life and wealth, it destroyed the political fabric of great empires, it sowed the seeds of an almost universal financial disorder, above all it produced a mentality of its own. That mentality, in the conditions brought about by the war, did much to determine the main lines of the Treaty of Versailles. It is not difficult to sustain the argument that the peace delegates in Paris fell below the height of their responsibilities and opportunities, that in the end they gave to the world a worse peace even than the world deserved. But it would be idle to pretend that they were in the full sense free agents. In any analysis of the main features of the Europe established by the peace treaties, it is necessary to regard the war and the treaties as belonging to the same set of continuous and often inseparable factors.

If from that standpoint we turn to look at post-war Europe, we find that it has certain easily recognisable characteristics. Nationalism has been exalted to the dignity of a universal religion, and in its defence the armies of Europe can boast, on a peace footing, of one and a half million men more than in 1913. The spirit of nationalism is insatiable: no sooner has it made political boundaries coterminous with those of race than it is driven by a restless fever to absorb alien peoples. It infects present minorities with a yearning not so much to be free as to become themselves the oppressors. Peaceful co-operation between men of different races within the same State—

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perhaps the highest achievement of humanity in its political life—is not even sought as an ideal, but is rejected as an absurdity.

The new frontiers have not only given free scope to the extravagances of nationalism; they have profoundly changed the economic structure of Europe. Customs barriers are multiplied; industries pass out of the hands of those who built them up; transport systems lose half their meaning when, as in the case of Vienna, the centre of the Austro-Hungarian Empire becomes merely the capital of an almost unrecognisable Austria. In time Europe will no doubt adapt itself to many of these changes, but up to now they have added another obstacle to the recovery of an impoverished world.

The forms of political life have been even more completely revised than the economic. The old autocracies were swept away by the war which was to "make the world safe for democracy." Within four years Europe seems reconciled to the belief that it is safe only for the mailed fist. Not merely in the new democracies but in many of the old, democratic government has proved unequal to the great tasks of the age. The parliamentary system is not indigenous to the Continent, and against the logical fallacy of democratic theory, which assumes that all men are equal, there is no protection except in settled traditions and in the slow growth of experience and of a sense of responsibility. Continental democracy has scored since the war only one important success. It has effectively obstructed the application of the principles of sound public finance, and it seems likely to perish from the completeness of its own triumph.

The paralysis of democracy and the extinction of reason and the humane feelings have been hastened by the amazing transformation of the popular Press. When Governments during the war so lightly grasped the strange weapon of "propaganda," they little realised that it was a two-edged sword. They were, in fact, training at the

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public expense a new generation of journalists in the arts of suppression and distortion of news. For the reader atmosphere was needed, a series of impressions fleeting yet distinct, repeated in endless variations, intangible by reason. The rise of tendentious journalism has coincided with a revolution in the financial organisation of the newspaper, which has brought the Press under the control of a few rich men. The millions are intellectually lazy, and it has become the business of the newspaper proprietor to mould their opinions without giving them the trouble of exercising their wits.

The Press has presented a formidable obstacle to every attempt to promote a general European settlement, and that mainly by assisting to perpetuate the distinction between victors and vanquished. The completeness of the military victory which ended the war in itself obscured the issues for which the war had been fought. It was an easy transition to interpret the triumph of force as the final justification of force itself, and to forget that the military superiority which was in the end decisive was nothing more than the expression of a world-wide moral conviction, the instrument of a moral purpose. The Peace Conference in Paris was torn between the recollection of the aims which had inspired the Allied cause and the brutal fact of its complete success in the field. In the one mood the Conference looked into the future and devised the Covenant of the League of Nations; in the other it imposed terms on a beaten enemy that were harsh and impracticable, and above all short-sighted. This fundamental dualism which runs through the Peace Treaty has developed in the last four years into a pitched battle between two schools of thought, and largely through the malign influence of the Press the belief in force for its own sake, force not as the last weapon to be seized in defence of justice, but as a mysterious power which puts him who has it in the right—that faith has multiplied its adherents throughout Europe. Away with your idealism, says Lord Birkenhead to the

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students of Glasgow: "the world continues to offer glittering prizes to those who have stout hearts and sharp swords." M. Poincaré, who was never Lord Chancellor and is free to translate precepts into action, chose his prize a year ago in the Ruhr.

On all hands we have the spectacle of the apparent triumph of force over law. Every instance of an appeal to force which has succeeded to the extent that Europe has failed to vindicate justice has encouraged faithful imitation. In Eastern Europe the earlier seizure of Vilna has been an evil precedent, and the inability of the League of Nations to make any effective protest against that act of national brigandage marked the first stage in the diminution of the League's moral authority. Everywhere the example of the Ruhr occupation has inspired and emboldened the oppressor. The bombardment of Corfu would hardly have seemed tolerable even to the exaggerated virility of a Fascist Government if the occupation of the Ruhr had not preceded it. Italy, indeed, and her rare apologists abroad made no secret of the source from which their inspiration was derived, and with all the ardour of the disciple—or was it with the cynicism of the unbeliever who is not too proud to imitate for his own ends what he despises?—they copied the very tone and language of the original. "The seizure of a pledge" is a euphemism which will perpetuate the memory of M. Poincaré in European history.

In a Europe marked by these general characteristics France and Germany still hold the centre of the stage. Their enmity and its consequences overshadow every other problem of world politics. At times it may appear to some that a tragedy is being unfolded before our eyes, relentlessly, inevitably, to a consummation as far beyond our power to influence or postpone as it is beyond the power of the spectator to divert the destiny of an *Œdipus* or an *Othello* from the path conceived for it in the imagination of the poet.

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France has been led by her Government, not at first openly or candidly, but yet indubitably, to put her whole trust in armed force. Germany, said M. Poincaré at Brioules on September 16, "attempts to discredit before the world our valiant and faithful black troops, because she does not wish us to be a nation of a hundred million men." The recruiting of hordes of African natives is reinforced by military alliances in Europe. France has already during 1923 voted credits of about £10,000,000 sterling to Poland, Roumania and Jugo-Slavia for military purposes, and rumours have been current that the advance is to be doubled. Her military missions batten on the small States of Central and Eastern Europe, and their influence and that of France are directed to the maintenance of military establishments far beyond the means or the reasonable needs of the countries concerned. The views and ambitions of the military caste already exert an excessive influence on French policy. In the occupied territories France has proceeded from one act of illegality to another, from the comparative moderation of January to the gross oppression and abuse of her latest intrigues with the Separatists. The evidence of the correspondent of the *Times* in the Rhineland and of other responsible journalists has revealed the worthlessness of French professions of neutrality in the internal affairs of that area. Under the protection of French bayonets and machine-guns bands of gaol-birds are, as these lines are written, free to terrorise decent citizens and to masquerade as the Government of a new republic. France, indeed, is in the grip of an almost irresistible impulse to urge on the disintegration of a once powerful enemy, and is pursuing her course without regard to French financial interests, French good faith or the ultimate conditions of French security.

Across the Rhine we see threatened with disaster a people more numerous than the French, with traditions no less ancient, a people whose contribution to the civilisation of Europe, marred though it has been by great wrongs and by

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strange offences against humanity, is no less significant than that of France herself. Germany stands to-day on the brink of the unknown. The future is dark and inscrutable. The economic structure of the country has been shaken as by an earthquake. Neither for finance nor industry is there firm ground in which new foundations can be laid. Wages, prices, the currency are in constant flux. In politics all is confusion. The weak image of popular government has been replaced by a dictatorship, but no change in constitutional forms can conceal the absence of any effective general will or restore authority or singleness of purpose to a nation distraught and nerve-racked by the nightmare of its economic life. The thought of disorder and revolution to come is in every mind, but by a kind of negative obstinacy of resistance, the subconscious relic of a once active national pride, the danger is warded off long after all energy or initiative to remove its causes has departed. In the towns hunger has already appeared and the spectre of starvation approaches with the winter. It is, unhappily, not without reason that American charity is already contemplating the work of famine relief as the most likely occasion of the reintervention of the United States in European affairs.

II. THE VAGARIES OF BRITISH POLICY

IT is difficult to reflect on the present situation of Europe and the events which have led up to it without a sense of shame for the ignoble part which the British Government has played since the Armistice. Five years ago the moral repute of the British Commonwealth was at its height. The Commonwealth had come, shaken but victorious, through the greatest war in its history. Three-quarters of a million of its citizens had given their lives fighting for the weak against the oppressor in defence of a principle that was felt to be vital to the future of civilisation. They

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had fought with a deepening sense of the horrors of war, and a determination that through their sacrifices a world should be born in which no such outrage on humanity could recur. A foolish ideal it may now seem, yet it was a faith widely held throughout the world, and it is not for us who have failed to vindicate it to question its wisdom. It is a poor form of realism which does not recognise the eternal aspiration of the human mind towards a better order.

The decline of the moral influence of the British Commonwealth began at Versailles. The reparation clauses of the Treaty have been one of the main causes of the descent of Europe to its present depths. That they were economically indefensible is a serious commentary on the judgment of the delegates, and not least of the British delegates; but it is a far graver reflection that British insistence on the claim for pensions made that part of the Treaty morally inexcusable. From that initial blunder British prestige has never recovered. Mr. Lloyd George spent his energy and imagination in the attempt to bring France to reason. He was never able to live down the earlier compromise. He continued to co-operate with France in a policy which he knew to be both wrong and foolish, and as long as there was any prospect that moderate views would prevail in France, that course might be justified. But when M. Poincaré came to power, France threw off all pretence of seeking an accommodation with British opinion. M. Poincaré threw over the Cannes agreement, he set out to wreck Genoa, he rejected absolutely the reparations proposals made by the British Government at the London Conference in August, 1922, he entered into active opposition against British policy in the Near East. It was then that the Coalition Government found itself caught in the toils of its own earlier sophistries. It had stated after so many abortive conferences that the two Governments were in complete agreement, that to put an end to the sham required not merely a simple courageous decision but an

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admission of previous inconsistency. From that Mr. Lloyd George drew back.

The Governments which followed him have succeeded only in hastening the decline of British influence. When M. Poincaré proposed in January last to occupy the Ruhr, the British Government was advised that the occupation would be a clear breach of the Treaty of Versailles. Yet it was content to say to the French, "We do not think your method will bring reparations, we fear it is more likely to lead to disaster to Europe; but we shall do nothing to oppose you, and we wish you well." Nothing, either in the commitments of the Coalition Government or in the circumstances of the time, can in our judgment excuse that attitude. It was an abject surrender of the whole moral position of the British Commonwealth. In the sequel the weakness and inconsistency of British policy have earned the contempt of Europe. At the prompting of the British Foreign Secretary the German Government put forward in June proposals for a reparations settlement which the impartial opinion of the world accepted as a sincere and reasonable attempt to reach a solution. They are still unanswered. It is not without justice that the German people feel that they have been encouraged only to be betrayed. After months of acrimonious diplomatic controversy with France, the Government in August said in public and at prodigious length what ought to have been said in January. Parliament and the nation, France and Germany, all Europe indeed, assumed, as they were entitled to assume, that the British Government was about to act in the sense of its expressed convictions. It did nothing whatever, and a month later, while France had continued ruthlessly and relentlessly on her chosen course, the Prime Minister met M. Poincaré in Paris and subscribed to a declaration that he was "happy to establish a common agreement of views, and to discover that on no question is there any difference of purpose or divergence of principle which could impair the co-operation of the two countries."

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One member of the Government at least is entitled to be absolved of any suspicion of inconsistency. The Under-Secretary for Foreign Affairs, Mr. Ronald McNeill, has lost no opportunity since he took office, whatever might be the views of his chief, to reiterate the crude sentiments and cheap economics of the Armistice period. As recently as October 28 this was his message to the electors of Tiverton:—

Germany is not only a debtor, but she is a fraudulent defaulting debtor. Germany as a nation is not entitled to, and she will not receive our sympathy. It is not a question of sympathy but of getting hold of the cash. That is our object, and that is the object of our French Allies. We are absolutely wholeheartedly with them that Germany must pay the cash which she undertook to pay.

We have no desire to speak lightly of the difficulties which those who are responsible for British foreign policy have to meet. France has been in no mood to listen to reason, there is no longer any strong or united national will in Germany, America still shrinks from any decisive act of co-operation to save Europe. All this we are bound to recognise, but we still believe that the most formidable obstacles which confront the Government are of its own construction. British influence in Europe is not likely to be restored until the British Government has the courage of its convictions. It may be said that the Government has no convictions, that the divisions in its own ranks are an exact reflection of the divisions in popular opinion. We do not think that any Government capable of basing its case and its policy on certain broad moral issues need despair of finding the support of the nation. The nation has never yet failed a Government which had the courage to trust its intuitive apprehension of a moral question. As a people we hate war, we dislike the perpetuation of a state of war under the cloak of a nominal peace, we do not believe in military government of one race by another, we stand for the sanctity of treaties. If these principles of our political outlook as a nation found sincere and consistent expression

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in our foreign policy, they would find also an echo, not only here but in Europe. For Europe, in spite of its armies and its dictatorships, is at heart weary of strife. It is looking for a lead, for the bold enunciation of some principle other than brute force. For the British Commonwealth itself, no foreign policy which does not rest on the vindication of moral principles can count on the unanimous support of the Dominions, and no policy which is so derived need ever despair of receiving it.

III. THE IMMEDIATE PROBLEM

IT would appear that the negotiations entered into in agreement with America for the appointment of a Committee of experts to enquire into Germany's capacity to pay reparations have broken down. America would send a representative to such a Committee; indeed the original suggestion of an enquiry of this kind was made by Mr. Hughes a year ago. If the Committee had been constituted and had made its report, France would have found herself in isolation in face of the expert financial judgment of the whole world. M. Poincaré has made it clear, however, that he will not allow any Committee to make an unfettered report. It must enquire only into the capacity of Germany now and in the immediate future; it must not suggest any diminution of Germany's liability of £6,600 million, fixed in 1921; it must accept the present position in the occupied area as final. An enquiry under such restrictions is worthless, and the United States Government has not hesitated to say so.

It may be that, as the writer of our American article* suggests, a way can yet be found of overcoming M. Poincaré's opposition. If so, we should all welcome it. We are, however, bound to ask what the policy of the British Commonwealth is to be if no such way is found.

* See page 46.

The Immediate Problem

The view of the Imperial Conference was that "it would be desirable for the British Government to consider very carefully the alternative of summoning a Conference itself in order to examine the financial and the economic problem in its widest aspect." In our opinion, the utility of any Conference which does not include France will entirely depend upon whether America will take part in it. Without her, it would be worse than useless to convene one. It has generally been assumed that she would not be ready to intervene except by way of charitable relief unless her former associates in the war are agreed on the terms of the invitation. But though the chance of her taking part in a Conference without France may be small, Mr. Hughes' words do not rule it out. The United States, he said, in the event of one or more of Germany's chief creditors declining to come to the Conference, "would reserve its decision." The British Government should, we think, approach Washington on the subject.

There is, however, another step that must be taken. We feel that the first and most urgent task is to put an end to the ambiguous and ignominious position of our relations with France. The Entente in any fruitful sense has been meaningless for two years past. Yet for Mr. Ronald McNeill it is still an alliance. It is still not unusual for British Statesmen to speak of the maintenance of the Entente as a principal aim of British policy. Lord Grey, whose judgment of the state of Europe is hardly to be distinguished from that expressed in this article, can see no other conclusion than that the bonds of our co-operation with France should be drawn closer. Co-operation with France on any terms short of complete acceptance of French views and French policy has been patiently and laboriously proved to be impossible. Are we to believe that the duty or interests of the British Commonwealth require that sacrifice? Are we to share the responsibility for the French proceedings in the Ruhr which we have declared to be illegal? Are we to join in

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handing over a free people to the mercy of gangs of armed ruffians? Are we to support the intensive militarisation of Europe? To ask these questions is to answer them. We can do none of these things, and as long as French policy remains what it is, the Entente is a sham, and, like all shams, a danger.

We believe, therefore, that if France finally refuses to join in the proposed expert enquiry on any basis which would leave the Committee free to tell the truth, it is the duty of the British Government to indicate publicly that the Entente is at an end. Great Britain reserves all its rights under the Treaty of Versailles, it repudiates none of its obligations. But it is unable any longer to continue the pretence of co-operation with France or with any regard to its self-respect to preserve the name of an Entente from which every shred of meaning has withered. Complete freedom of action is essential to the pursuit of a consistent British policy in foreign affairs. As to the consequences of such a step in Europe or elsewhere, we have no apprehensions. It is a poor estimate of the position of Britain in the Moslem world which regards it as at the mercy of French intrigue. France has her own problem with Islam, and it is certainly not lighter than ours. In Europe we believe that nothing but good could come of the formal ending of the Entente. A detached position is more likely to lead to an understanding than the present make-believe. France, for all the unyielding rhetoric of M. Poincaré, is no longer sensible that she is treading confidently on sure ground. Doubts and uncertainties are not far beneath the surface. Belgium has at last asserted her own freedom, both in the negotiations for the expert Committee and in the treatment of the Separatists. Italy, always a lukewarm friend of the Ruhr policy, is now definitely in opposition. An entirely frank and honest declaration by the British Government might well be for Europe "the trumpet of a prophecy."

INFLATION AND DEFLATION

I

THE controversy over inflation and deflation, which has been proceeding for some weeks in the Press, seems, on the surface at any rate, to show a very considerable consensus of opinion as to present policy. There is general agreement, indeed, that inflation and deflation—whatever these words may mean—are in themselves both undesirable, and that what our financial authorities should aim at is "stability"; that we should, in short, get back as soon as possible to something like the conditions under which we lived and traded before the war.

Mr. McKenna, who is credited with being anxious to see changes in policy, has stated that in his view "a policy either of inflation or deflation should never be adopted . . . except as a corrective; and the degree of unemployment at any time will always furnish a test of the right medicine to be applied." "Neither do I say that we should pursue a policy of monetary inflation. With any improvement in trade, undoubtedly more banking credit and more currency will be required and must be provided, but this is not monetary inflation."

The Federation of British Industries, who are also credited with a hankering after inflation, argue in their published report as follows:—

There are strong grounds for the belief that the interests of trade and of the country as a whole will be best served by a stable monetary policy which aims at keeping the price-level stable. We have suffered since the war from a process of inflation, followed by one of deflation, both for different reasons highly objectionable.

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At the moment we are at the depth of an extremely serious depression of trade. Past experience shows that in such conditions a certain upward movement in prices is an invariable and inevitable accompaniment of the process of recovery. The object of a policy of price stabilisation, therefore, should not be to stabilise prices at the abnormally low level shown by the index number at the bottom of a severe depression, but at such an increase on this level as normal trade activity would entail.

Moreover, while there is a very large body of opinion which wants to see the pound sterling again at par with gold, there are very few, so far as we know, who publicly advocate in order to secure such a result an active deflationary policy at this particular moment, leading to a further fall in prices, further depression of trade and commerce, and a further increase in the burden of the public debt.

But, though there appears to be a great deal of agreement among all parties, it does not seem certain that that agreement does not hide very considerable differences of opinion as to our ultimate aim on the one hand, and as to the present policy of the Government and the Bank of England on the other. "Stability" may mean different things. Does it, for instance, mean stability of prices, or does it mean the stability of our exchange with the United States, and therefore stability with gold? *The Nation*, which may be taken to represent the views of Mr. Keynes and his following of advanced currency experts (whose views perhaps have had weight in settling the wording of the Memorandum of the Federation of British Industries), is fearful that the authorities "in control of our credit system do favour measures which, whatever the sacrifices involved, will at all costs pull up the value of sterling to gold," and it invites those who differ from the arguments of the Federation of British Industries to answer the following questions:—

- (1) Do they think it likely, or even possible, that trade will at any time recover without (a) an expansion of currency and credit, and (b) some rise in wholesale prices?

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(2) If not, do they mean, so far as they are able, to prevent a recovery of trade until such time as the pound sterling is back at dollar parity; or at least for so long as there is any tendency for the exchange to fall?

It declares that in its opinion the motive of our financial authorities is

to maintain and to raise the dollar-sterling exchange rate, and in pursuit of this purpose they are ready to adopt measures which must necessarily tend to depress trade or to impede its recovery, though they are very anxious to conceal this unpleasant fact from the public and, so far as possible, from themselves.

II

IT is not possible for the layman to understand the problems involved unless he looks a little way back into the past. At the outbreak of the war nearly all the leading commercial and financial countries, with the exception of China, had adopted the gold standard. Their currencies were tied to gold, and in consequence the foreign exchanges of all such countries varied only within very narrow limits determined by the cost of shipping gold from one country to another. Similarly, the general price-levels in these different countries, while subject, of course, to the temporary influences of the trade cycle, can be said with more or less accuracy to have altered only in relation to an alteration in the value of gold itself. While many theoretical arguments can be brought to show how dangerous and, indeed, absurd it is for mankind to have chosen one particular metal as its standard of value, and to have committed its economic future to so arbitrary a guide, it can at least be said that on the whole the system worked admirably in practice. It is true that the more or less universal adoption of the gold standard had taken place only within the previous fifty years, that the past history of gold had been a very chequered one, that the value of gold itself was always slowly changing, and that the system

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was liable to be upset altogether at any moment either by further great discoveries of gold, or, for instance, by some chemical invention for the synthetic production of gold, or, indeed, more certainly by the "petering out" of existing mines. Nevertheless, the system, we repeat, was working effectively, was an improvement on any previous stage in human history, and in any case represented a state of affairs like heaven compared to our present evils.

During the war, however, all belligerent countries and many neutrals were forced to abandon the gold standard. The necessities of war involved so great inflation of currency and credit, and therefore so great a depreciation of the value of the currencies concerned, that they could not be maintained on a par with gold. By artificial means, which could not possibly be continued after the war—since they involved constant government borrowings—the French and English exchanges were kept, it is true, not far below their gold value. But as soon as the war was over, and natural forces were allowed to have their way, there was a very rapid fall in them. Exchanges and prices in general are therefore no longer determined by the value of gold, but are subject to all the influences of inconvertible paper money. Instead of gold controlling, it is Governments who control, or who attempt to control, currency, with varying success. Those neutrals, which have been subject, perhaps, to least financial stress, such as Sweden, Holland, and Switzerland, manage to keep their currencies either at, or almost at, the gold par. Great Britain has by strenuous efforts raised the pound sterling to within about 10 per cent. of its old value. Other neutrals, such as Spain, Denmark and Norway, have fallen for various reasons considerably below the par value, France and Italy for other reasons far below, and Germany, of course, has seen its currency collapse altogether. New States have either like Czecho-Slovakia pursued a bold, even too bold, policy of currency improvement, or like Poland have allowed their currency to become almost valueless

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There has, however, been another result arising from this almost universal abandonment of the gold standard. Gold itself has lost a great deal of its stability. Gold is like any other commodity; the wider and more varied the demand for it in relation to its supply the more likely is its price to be stable. Formerly it was distributed in a comparatively stable manner among many countries all of whom exercised an effective demand for it for currency and other purposes. Now, while great amounts are still held locked up in the various central banks and treasuries of countries which have abandoned the gold standard, the effective demand for the floating or new supplies of it is limited to a few countries, and chief of all to the United States, which now possesses vast unwieldy stores. There is therefore a great element of instability in the metal itself.

Limiting our view to the post-war period, we can judge of the fluctuations in the value of gold by glancing at the changes in the commodity value of the dollar which measure them, as expressed in the Index No. of the Federal Reserve Board :—

— 1913	.. 100	December, 1920	.. 187
January, 1919	.. 201	June, 1921	.. 164
July, 1919 ..	.. 222	December, 1921	.. 147
December, 1919	.. 225	December, 1922	.. 148
June, 1920	.. 275	July, 1923 ..	.. 148

These figures are a testimony to the enormous fluctuations in the value of gold during the last few years. Nor is the danger past. The amount of gold itself now in the United States would justify a great extension of credit resulting in a great increase in prices in that country, and therefore a great fall in the value of gold, and, while such an inflationary movement has been hitherto held in check by the Federal Reserve Board, it is impossible to say whether ultimately it will be avoided. To return to the gold standard is not, therefore, necessarily the same thing as to return to stability.

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III

SHORTLY after the war the British Government appointed a Committee, known as the Cunliffe Committee, to advise upon future policy as regards currency. This Committee reported in favour of a return as soon as possible to the gold standard, and set out with great ability the arguments in favour of a speedy return to the old system, the soundness of which had been proved in past years. They made certain definite suggestions, the most important being that during an interim period the actual maximum fiduciary circulation of Treasury notes in any one year should become the legal maximum for the following year; their aim being that the currency should gradually be contracted within such limits as were necessary to make it equal to gold. This policy was adopted by the Treasury, and a Treasury regulation was issued shortly after limiting the issue of currency as aforesaid. The Committee further recommended that the policy should be pursued of placing Bank of England notes instead of government securities in the Currency Note Reserve as cover for the fiduciary portion of the Currency Note issue. Thus demands for new currency would operate in the usual way by reducing the Bank of England's reserve and therefore affecting the basis of credit. Under these arrangements the total issue of Bank of England and Treasury notes, after rising considerably in the interval, has fallen from £429,000,000 in December, 1919, to £382,000,000 in October, 1923. The above regulation is still in force, and the policy of the Cunliffe report remains, so far as is known, the official policy of the country on currency matters.

Meanwhile, however, the enormous influences of the war remained in the ascendant, and the history of currency and credit in the years after the Cunliffe Committee's report records a wholly abnormal and unforeseen course.

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The first report of the Committee was issued actually before the war was over, and its final report in December, 1919. Yet during 1920, so far from any nearer approach to normal conditions, we suffered from a period of intense inflation of currency and credit; prices rose to a far higher level even than in the war, and were then followed by a disastrous collapse, a "deflation," from which, whatever its causes, we have not yet succeeded in extricating ourselves.

During the war the inflation of credit which took place was a government inflation. Our industry was working at high pressure, but it was working on war orders financed by the Government more than by the Banks. Thus the end of the war found the banking institutions of the country in a very liquid position, and anxious and ready to lend to all good borrowers. It found also the whole world of business in an optimistic mood, ready to believe that the end of the war meant a return to normal business in all countries, and convinced that there existed throughout the world an insatiable demand for every kind of article which would keep industry busy for years. The business world went, therefore, full steam ahead, and there was a vast expansion of commercial credit. There resulted a huge rise in prices accompanied by abnormal production. But the activity was unhealthy, feverish and ill-regulated. The pace was too hot to last, the world had by no means regained its equilibrium, and the check was bound to come, if not by any deliberate action taken to curb the expansion, then by a collapse in some particular industry, which in the over-extended state of credit was certain quickly to communicate itself to all others. In the extraordinary condition of affairs existing the judgment of business men in every country was almost certain to go astray. There were no means of ascertaining accurately what real demand existed. Nearly every industry misjudged its market. Industry is almost like an organic growth. To be sound it must grow gradually through a million interweaving cells and strands. For a year or two after the war its growth was wholly

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ill-regulated. The collapse started in Japan in the first half of 1920. Meanwhile the discount rates in the United States and England had been raised to very high levels with the object of checking the inflation, and the tide soon after turned in these countries also. There was a huge fall in prices in both countries, and a most violent crisis. The high discount rates were kept on for many months in both countries, the American rate remaining at 7 per cent. for eleven months, and the English rate at the same figure for about twelve months. Meanwhile the index number of prices had fallen in America from 272 in May, 1920, to 148 in June, 1921, from which point it began to recover in 1922. In England prices as expressed by the Board of Trade index number fell in the same time from 322 to 198, *i.e.*, not so rapidly, but they continued to fall for another year, till they reached their lowest point, namely 154 in September, 1922, though they were, as a matter of fact, comparatively steady all through 1922, and have remained so since. But this enormous and prolonged fall of prices in this country in 1920 and 1921, and the consequent appreciation in the value of the pound sterling, did not suffice to bring it back to par, owing to the simultaneous increase in the value of the dollar. If the huge gold stores in the United States had resulted, as many expected, in a subsequent great fall in that value we might have now got back to par, but this development still tarries, and prices in the United States remain very steady.

During these many months of falling or stagnant prices and the accompanying depression the difficulties of bringing back our exchange to par have become clearer to us than they were at the time of the Cunliffe Committee. We see that so long as the Federal Reserve Board holds prices in check in the United States, and so long as American interest rates are higher than ours, we can only achieve our object by still further deflation here and by a further increase in our interest rates. If we are not prepared to face such steps, we must await the moment when prices

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rise in the United States and when the consequent fall in the value of the dollar performs automatically for us the task we cannot at present perform for ourselves. The huge stores of gold in America, which probably cannot for ever be prevented from exerting their influence on credit, make it likely that such a development will sooner or later take place.

IV

THIS being our problem, the first question which arises is this. Do we ever want to get back to the gold standard? Is it a good standard or a bad standard? Can we not manage our currency better ourselves without any metallic backing? It has already been admitted that, as the Federation of British Industries point out, "under post-war conditions gold has lost one of the principal elements of its pre-war stability—its general use as a currency standard by the principal nations of the world." So strongly is the inefficacy of gold felt by some experts that they seem now to have brought themselves to the opinion that, far from undergoing any sacrifices to return to the gold standard, we should make up our minds permanently to abandon it. This is not the view of the writer. That it falls very far short of a perfect standard is admitted. But at least its more or less universal adoption did at any rate mean that all gold standard and gold exchange standard countries received the great blessings not only of stable internal prices, but of stability in exchanges as between one another. What is the alternative? It is that the Government or other financial authority of each country should regulate its own inconvertible currency and its own credit system with the object of securing stability in its internal price level. When each country had decided what was to be the particular level of prices which it intended to maintain, and if

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all were successful in maintaining their respective levels, then the exchanges as between each would maintain a similar stability. But what chance is there of reaching this Utopia? For, as Mr. Hawtrey writes :—*

Regulating credit, in fact, is an exceedingly delicate operation. How, then, it may be asked, can we hope to arrive at a system of international control? Most of the countries co-operating will be subjected for many years to come to prodigious financial burdens. The power of inflating credit or over-issuing paper money is intimately connected with Government finance, and in the last resort may afford the only alternative to an act of bankruptcy. A Government will not definitely divest itself of this power, nor, if it did, could its undertaking be in all circumstances observed. Are we to expect the development of a delicately balanced international mechanism from a crowd of distracted financiers, each pre-occupied with the desperate embarrassments of his country and ready to clutch at any expedient to gain a few months' respite from his troubles?

It is possible we might in this country be able so to manage our currency as to secure comparative stability of prices. But even here what success would attend our efforts cannot be said until after some years of experience. And how many other countries are likely to be equally successful? Are there many cases in which Governments in control of inconvertible paper currencies have not abused their power? And if other countries have fluctuating levels of prices, then, while our internal prices may be stable, our exchange will fluctuate in sympathy with the disturbances in the comparative value of our own and other currencies. It may be, and probably is, the case that our main aim must at present be to maintain internal stability of prices through the management of our own currency even at the neglect of stability of exchanges, but that we should regard managed inconvertible currencies among all nations as likely to be as satisfactory as a more or less universal gold standard seems to require too great a faith in human far-sightedness and powers of control. It may

* *Monetary Reconstruction*.—R. G. Hawtrey. Longmans & Co.

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be retorted that, if Governments are so unreliable, the gold standard itself will offer no obstacle to them. But it is undoubtedly the fact that the deliberate and open abandonment of the gold standard, once it has been definitely adopted, is an entirely different thing from the further depreciation of an inconvertible paper currency.

The dangers of the great accumulated stores of gold in America will certainly remain even when we are back on the gold standard. But they may not be as great as we are inclined to suppose. The extension of the gold standard to other countries, which are either very close to it now, or which would then be tempted to go in for currency devaluation, might be rapid. Moreover, the dangers would be apparent both for the Federal Reserve Board and the Bank of England, and measures of mutual co-operation to minimise them ought not to be impossible.

If then our aim should be to return to the gold standard, the next question is whether we should do so by raising the pound sterling to its old gold value or by devaluation, in other words, by reducing its gold content, say, to what would represent its present paper value. Whether a country should submit to a devaluation of its currency is in our opinion a question of balancing advantages and disadvantages, rather than a question of morality. For Germany or Austria or Russia ever to return to their old gold pars is obviously wholly out of the question. For France, Belgium and Italy, while not so clearly impossible, it would involve sacrifices of such severity consented to over so long a series of years that it is never likely seriously to be attempted. The case of this country is different, because we are only about 10 per cent. or so below par. Even to bridge that gulf is a matter of no little difficulty. Why then should we not boldly and at one stroke return to the gold standard by devaluation? The answer is that in our case there is more to be gained by maintaining the value of the pound unimpaired than by an immediate return to the gold standard at the sacrifice of debasing our currency.

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Apart from the fact that we should by this latter course reduce the value of the enormous sterling debts due to us annually for interest on capital invested abroad and for other services, our credit throughout the world is of the greatest importance to us. It would certainly be seriously impaired for a long time by any such step.

Is it then all-important that we should return to the gold standard at once and at all costs, even at the cost of further deflation? In our view it is not desirable that we should contemplate a further fall in prices here, since falling prices would certainly increase trade stagnation. Not that we are numbered among those who attribute all the evils we are suffering from to monetary policy. There is a tendency—and a very pardonable one—for monetary experts to become so absorbed in the beauty and complication of their own theories that they end by asserting that monetary influences are responsible for almost everything that happens. It is far from the mind of the writer to minimise those influences. Their enormously far-reaching character is often ignored—indeed, is often not suspected—by the ordinary business man. Between the currency expert and the normal business man it is the former who is at least as likely to see to the bottom of things. But while the business man sometimes cannot see the wood for the trees, the expert is inclined to say that there is a wood but no trees in it. The monetary theorist is tempted to argue that at the present moment all our evils, all our unemployment, all our trade depression are due to the deflation which has taken place since 1919, and that that deflation was in this country caused solely by the monetary policy pursued by our financial authorities. He will hardly admit that anything is due either to the immense disorganisation caused by the war, or the disequilibrium as between one industry and another, or the shorter hours worked, or the fact that wages in several industries are well above pre-war standards, or the political troubles in Europe, or the occupation of the Ruhr. His views are taken up quickly

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by enthusiasts, less expert than he, who assume at once that by a little dose of inflation leading to a rise in prices all our unemployment can be cured. But the expert goes too far. In the extraordinary and unprecedented circumstances existing after the war it is doubtful if a great expansion of banking credit, and therefore a great inflationary movement could in any event have been avoided. It is true that the Bank of England and the Federal Reserve Board, had they been gifted with greater foresight than they or any one else in the business world for that matter displayed, might have stemmed the tide earlier, instead of at a moment when to stem it meant inevitably to turn the waters rushing back. It is true again that the bank rate might have been lowered earlier, in order to restore confidence quicker. But when it is claimed that all unemployment since then has been due to a deliberate policy of deflation the argument is much more doubtful. For it must be remembered that for many months we have had cheap money, easy credit and comparatively stable prices. Had other conditions been favourable, there is no reason why business should not have gradually recovered. It is absurd, in our opinion, to assert that it is the Cunliffe Committee's report rather than, for instance, the Ruhr occupation and the extraordinarily dangerous condition of Europe that has prevented a recovery. Shortly before the occupation of the Ruhr, there was indeed an improvement to be seen on every side, but that disastrous undertaking, though it stimulated certain industries, absolutely destroyed confidence, without which business must wither. Those who are engaged in daily practical business know that this is true, and that in every business problem to be considered the disturbed condition of the world holds first place in importance.

It is misleading in our opinion to compare American conditions with English, to impute American recovery to the rise in prices that took place there in 1922 rather than the rise in prices to the recovery, and to argue that,

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had we let or made prices rise here, we should have been equally well off. You cannot compare this overcrowded little country with a vast and more than self-sufficient continent, which can absorb a million or two additional people a year.

It was argued not long ago in certain quarters that the failure of the improvement noticeable at the end of 1922 to develop was due to a definite lack of credit facilities in this country. But that was certainly not the case. There is not now, and there has not been for some time, any difficulty about obtaining credit from the banks. The trouble is that credit is not wanted, not in our view so much because of any uncertainty as to the course of prices owing to our currency policy as because of the whole political situation, and probably, too, owing to the fact that high wages plus short hours in some of our chief industries do much to hamper recovery. We should all like to see these favourable conditions of labour maintained. But it is a question whether the community can afford them, and whether a too high standard among some sections does not inevitably involve unemployment among others. There has in any case been no forced deflation in the past eighteen months. The Government have been enabled to reduce the floating debt by the fact that available credit was not required, not at the expense of credit actually wanted.

Nevertheless, even admitting all this, we cannot afford to add to the handicaps under which trade is at present languishing. Yet it is to be feared that, whatever currency policy we may pursue, our foreign trade cannot fully recover until peace returns, and big as our home trade is, as compared with our foreign, its prosperity is vitally affected by the inability of the outside world to purchase from us.

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V

IT remains to consider in a little more detail what should be our actual policy at the present moment. Does the recognition that we cannot force the pound sterling to par by a further deflation of prices involve us in any radical change of policy? Must we officially abandon the policy of the Cunliffe Committee and withdraw the Treasury regulation which fixes for the time being the maximum fiduciary issue of currency notes? What exactly is the "right medicine" which Mr. McKenna wishes to apply? Is it the same medicine the Federation of British Industries recommend in their memorandum when they talk of creating "fresh sources of credit"? They refer to the Government projects for development on which a good many million pounds are to be spent, and they proceed:—

It appears to the Federation, however, that such projects will fail to be of any real benefit if the money for them is found merely by taxation or by depleting existing sources of credit.

If this is done it would merely mean a temporary stimulation of some industries at the expense of a diminution of the resources available for all other industries, and the ultimate result might be merely to attract capital and labour temporarily to a few industries at the expense of industry in general, and at the cost of an ultimate reaction of a severe character as a result of over-stimulation and disproportionate development, even in the industries temporarily benefited. If, on the other hand, these operations are financed by the creation of fresh sources of credit, they may play a useful part in hastening a general trade revival and ultimately in increasing the general volume of trade in the Empire.

It is a little difficult to grasp exactly what the Federation have in mind. Do they mean that these projects are not to be financed by the proceeds either of taxation, or of loans raised out of the actual savings of the community, or by ordinary banking advances, which presumably are the existing sources of credit? What are the fresh sources of credit which are to be created? Do they mean that the Government shall return to the good old war days, when

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they created fresh sources of credit by the simple expedient of "Ways and Means" advances from the Bank of England or what?

We have the impression that some parties at any rate in the Federation, without any very clear idea as to where they are going, do indeed wish to reverse the whole policy which this country has been pursuing since the war. They would advocate, it seems, a definite inflationary policy, a policy which might be described shortly as that of giving a cocktail or two to industry by measures intended artificially to heighten prices. The policy, while seductive, is dangerous. The effects of a cocktail are not very lasting, and it is a bad habit to acquire. One cocktail leads to another. Real inflation is only helpful to an export industry, as long as it is continued, that is, so long as production costs have not kept up with the currency depreciation, as Sir Herbert Hambling pointed out recently in his excellent address to the Institute of Bankers. Moreover, as inflation proceeds it becomes less and less effective, even from this limited point of view, apart from its other disastrous consequences. The further it goes, the more quickly internal costs and wages are adjusted to the external value of the currency. We have had enough experience of the folly of such a policy to embark on it now.

But this school of thought also believes that we should couple with some depreciation in the currency an abandonment of any attempt at present to reduce debt through taxation. They would like us to abandon altogether the Sinking Fund, and probably would not be averse to more Government borrowing. Their argument is that taxation is killing industry, and that the country cannot afford at present to repay debt. In one form or another this opinion is very widespread. We are ourselves entirely opposed to it. We do not believe it is possible for any British Government to enter deliberately on the path of inflation in order to diminish the burden of the National Debt. We are equally opposed to the expedient of a capital levy. There

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remains only the policy of steadily reducing debt by means of a Sinking Fund. The money so raised by taxation is not lost to industry. It is all available for capital investment. And it is to be remarked that it is in the main the holders of the National Debt who pay the taxation necessary to support the value of their security, and necessary also as a means of avoiding either a capital levy or a depreciation of currency. Moreover, it may be pointed out that the Disposals Board alone has recovered £600,000,000, really representing capital, which the Government have used to swell their revenue, and which is far larger than any reduction in indebtedness. We should like to see this whole question of the effect on industry of debt reduction dealt with by some competent authority like Sir Josiah Stamp. It is very important the public should understand it.

The most formidable opponents of the Cunliffe Committee's policy are, however, more moderate in their demands. They believe that our financial authorities have their eyes fixed only on the New York exchange, and that in order to return to the par of \$4.86½ to the £ the latter will face a higher bank rate and a further fall in prices, and that, in dread of this, merchants and manufacturers are held back from any expansion of their business. They therefore ask that in order to remove this fear the Government shall announce officially its abandonment of the Cunliffe Committee policy, and accordingly of any attempt—at any rate at present—to return to the old gold standard; furthermore that the Government should state publicly that even at the cost of a falling exchange they are prepared to stand by without putting up the bank rate and see prices—in particular wholesale prices—rise considerably, until trade and unemployment have both considerably improved. They state correctly that our main unemployment is in the export trades, which cannot hope to be benefited by any tariff, and they argue that owing to expectations of a further rise in the value of the pound

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sterling our exchange with New York has recently stood higher than economic conditions justify, and that it is this which is damaging those particular export trades just as the contrary case of unduly depreciated exchanges in other Continental countries acts as a bonus to export there. They therefore regard the recent fall in our exchange as in itself necessary and desirable and presumably, if, as they anticipate, prices will with trade improvement rise further here, they will regard as equally desirable a further fall. While it is not quite clear whether they would advocate an actual lowering of the present bank rate, they certainly advocate no further raising of it until the improvement in trade has got considerably more under way.

While these arguments have great force in them we regard them as open to the following criticism. The problem before our authorities of choosing our exact financial path is one of great difficulty and delicacy. Psychological influences play a large part. Our credit throughout the world is an extremely important factor, and yet extraordinarily sensitive. The great effect on our exchange of recent statements by politicians as to possible changes in our financial policy is proof of this. There is already an uncertain feeling throughout the world as to what policy England means to pursue in the future. Nothing is more difficult than to make any official pronouncement which is definite and yet not open to every kind of misunderstanding and misrepresentation upon this extremely complicated and many-sided problem. Our financial authorities are like men steering a boat in a very rough sea. They know clearly their general direction, but they cannot tell each turn of the wrist which will be necessary to keep the boat head on. If our view is correct that it would be a fundamental mistake to abandon the attempt to return ultimately to the old gold par, we should leave the world under no misapprehension as to our intention. In other words, we should not abandon the main aim of the Cunliffe Committee. Though we may not be

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able to avoid them temporarily, we should not minimise the evils of a further depreciation of our currency, with its attendant results of a rise in the price of imported articles and further instability. These evils are not negligible for social reasons; they are far from negligible in their effects on London as the world's financial centre. The pound sterling cannot ultimately retain its position in the world or London remain predominant, if it continues for long to fluctuate greatly in value. And this is by no means unimportant to us. But, while we should be clear as to our end, our authorities should, we think, also affirm—as Mr. Baldwin has done—that they aim at the stability of internal prices and that they do not propose to take any step which will tend to discourage the improvement of trade now showing itself. Actual policy must depend so much on immediate circumstances that anything beyond a very general statement would in our view be unwise. If, therefore, we may return to the two questions propounded by *The Nation* in the words quoted at the commencement of this article, we should say first that we do not expect that trade will recover without an expansion of trade and currency and some rise in wholesale prices, or rather in order not to determine too rigidly which is the cart and which the horse, we should prefer to say that such expansion and rise will accompany the recovery of trade; secondly, we should agree that such recovery should not be prevented, merely because it involves some tendency for the exchange to fall. On the other hand, continually rising prices are not what we want. We want stability. We regard the existing bank rate as in no way penal; there is still at the present level of currency and deposits plenty of room for an expansion of credit and some rise in prices. It should be remembered, too, that all parties agree that stability is what we require. Credit is unstable, and rising prices may bring a further rise with them. We can never dispense with an active and prudent control on the part of the Bank of England.

AMERICA AND THE PROPOSED ENQUIRY

I

THIS article should be introduced by a word of caution. In a quarterly review of politics the reader expects to find conclusions based upon reflection. He is entitled to believe that the opinions which are expressed in its various contributions are not the first instructive reactions of the daily Press, nor yet the soberer judgments of a weekly publication. He rightly looks for a more measured review of affairs. Yet sometimes, in the life of a quarterly just before going to press, an event unexpectedly occurs which seems to displace all others by its importance. Its appearance alters the face of things. Comparatively static relations become fluid. And a still further possibility arises that, between press and publication, new facts may be disclosed which will qualify the value of all that has been written. Nevertheless the situation must be dealt with by the contributor as it appears at the last available moment, with only the guidance of previous thought along selected lines, supported by a sincere sense of responsibility.

Such a sudden shift in the political scene was foreshadowed on October 23 by the speeches of General Smuts and Colonel Harvey in London. But its outlines were then only dimly indicated: so dimly indeed that a considerable number of Americans must have put aside their papers with the mental comment that it was a relief to read the last public utterance of George Harvey as Ambassador to the Court of St. James. It was as if a breathless joy-ride with a

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temperamental chauffeur had come, finally, to an end. The car had been in ditches and out again, had rounded corners on two wheels, and had skidded more than once upon a slippery road. An exhilarating trip for driver, passengers and bystanders—but bewildering to the last mile, for in the United States, at least, no one ever had been certain for whom Colonel Harvey spoke. It seemed as though his official statements over the past thirty months might have been variously inspired by Mr. Harding, by Mr. Hughes, by his friends among the Irreconcilables, or by his own imagination. This is set down in no ungracious spirit, nor in derogation of the striking record—for it is striking—of incidents closed during his comparatively short term of office. The Washington Conference, the debt settlement, the solution of the Irish problem, negotiations leading toward the extension of the three-mile limit for purposes of search—Colonel Harvey may muse upon this list with justifiable pride. It remains true, however, that on October 24, at the breakfast table, many people wondered what authority, if any, lay behind his farewell speech before the Pilgrims Society. Indeed, on the 25th, a full day after the texts of the two London speeches had been received, the *New York Times* failed to suggest any connection between them in its editorial page, omitted entirely to mention General Smuts' denunciation of French policy, and reviewed Colonel Harvey's statement as if it were not only irresponsible, but offensive to the Secretary of State:—

If an enemy of Secretary Hughes, if an envenomed Democratic orator attacking the Secretary's politics, had cast about to find a form of words in which to describe a most humiliating diplomatic rebuff, could he have pitched upon language worse than Colonel Harvey's? He may have received a cablegram from the State Department saying "Come home"; but it is certain that the words were not added, "all will be forgiven."

The publication of the Hughes-Curzon correspondence and support in principle to the program of conference

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accorded by France, Belgium and Italy followed so rapidly that it seemed as though an era had passed in a few days' time. The tide, it would appear, had turned; and the United States was "back once more in the midst of Europe." The analogy of the war was on many lips—the long delay, exasperating and incomprehensible to the Allies, the final decision to enter the contest, and the ultimate victory. As then, so to-day. History was repeating itself.

Now a duty lies upon everyone who is seriously concerned about the future state of Europe to read signs as they are, not as they might be. In such a disciplined mood it is at once clear that history is not repeating itself in any sense of the phrase. Moreover, the responsible statesman who rejoices in this most recent event must content himself with it alone. He dare not deceive himself. He dare not play upon the hopes of his people by inflating its meaning, or by suggesting all the imaginary distances to which this one step must "inevitably lead." There is nothing obscure about Secretary Hughes' *aide memoire*, nor does it hold out prospects for the immediate amendment of the world's woes. Through him the United States Government expresses a willingness to do certain rather humble and pedestrian things. That is all. So long as this document remains in force as the basis of American participation, it should be studied closely. And one may venture to add that the cause of economic stability and peace will be more rapidly advanced by those who fix their eyes upon its strict limitations, than by those who read their own hopes into its language.

The important parts of Mr. Hughes' memorandum may be repeated in briefer form as follows:—

The Government of the United States is entirely willing to take part in an economic Conference . . . for the purpose of considering the questions of the capacity of Germany to make reparation payments, and an appropriate financial plan for securing such payments.

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1. Such a Conference should be advisory; not for the purpose of binding Governments . . . but to assure appropriate recommendations by a thoroughly informed and impartial body.

2. The Government of the United States has consistently maintained the essential difference between the questions of Germany's capacity to pay and of the practicable methods to secure reparations from Germany, and the payment by the Allies of their debts to the United States, which constitute distinct obligations.

(a) The Government of the United States has no desire to be oppressive or to refuse to make reasonable settlements as to time and terms of payment, in full consideration of the circumstances of the allied debtors. . . . The establishment of sound economic conditions in Europe, the serious reduction of military outlays, and the demonstration of a disposition of European peoples to work together to achieve the aims of peace and justice will not fail to have proper influence upon American thought and purpose in connection with such adjustments.

(b) The Government of the United States is not in a position to appoint a member of the Reparations Commission, inasmuch as such an appointment cannot be made without the consent of the Congress. The Secretary of State has no doubt, however, that competent American citizens would be willing to participate in an economic inquiry, for the purposes stated, through an advisory body appointed by the Reparations Commission to make recommendations in case that course after further consideration should be deemed preferable.

To resume. The United States agreed to participate in a strictly advisory economic Conference for the purpose of considering the questions of the capacity of Germany to make reparation payments and an appropriate financial plan for securing such payments. At this Conference the question of Allied debts to the United States was not to be discussed. There was nothing in this program to strike terror into the heart of the American isolationist, nothing to give excessive cheer to the fervid friends of Europe. It was what it purports to be, a warm but united offer of practical assistance in solving one problem which lies at the deep roots of Europe's unrest.

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II

HERE are, on the other hand, certain aspects of the American acceptance which deserve to be noted. In the first place, it is grounded upon a genuine concern for peace and stability. The earnest tone in which its terms are presented truly indicates the seriousness with which the step is taken, while, from another angle, it reflects anxiety for the state of Europe.

Secondly, it is fair to point out that it was not opportunism on the part of the American Government which woke the dead document of last December into a living basis of settlement. For one cannot think of a single moment since the Armistice when it was less to the selfish interest of the United States to lend a hand than it is to-day. Business is said to be in good shape, and sound. Certainly those who burdened the air with gloomy prophecies of disaster if the United States should stand aloof from Europe have been silenced by facts. The Republican party, under Harding, had been moving further and further away from the foreign field, without any noticeable loss of favour among the rank and file of voters. Indeed, occurrences abroad during the past few months—the invasion of the Ruhr, the broil between Mussolini and Greece, the Bulgarian revolution and the Spanish *coup d'état*—had made many converts to the principle of isolation, splendid or otherwise. Advantages may eventually accrue to the United States through this newest development in her foreign policy, but viewed from the standpoint of the present moment, it is a step without ulterior motives, contrary to her more obvious interests, and wholly directed toward the healing of Europe.

A third basis for hope may be found in the fact that the program of an economic Conference was not improvised in a panic. If anyone examines Mr. Hughes' *aide memoir*

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he will see that, except for certain paragraphs of interest to the student of diplomatic technique, the American acceptance of October 15, 1923, is identical with the Hughes plan of December, 1922. Almost ten months have intervened; there has been ample time to examine its merits, to consider its implications, to discard it as either inadequate to the situation abroad or as unacceptable to public opinion at home. It has survived the test, and it may therefore be reasonably regarded as the standing judgment of the Administration as to the most helpful way toward the restoration of tranquillity in Europe.

Lastly, for the first time since Harding took the oath of office the Republican party, as a whole, seems to be behind the foreign policy of the Administration. Senator Borah's prompt approval of the Curzon-Hughes correspondence—and the lack of force in Hiram Johnson's protest—indicate that the Irreconcilables are not the strength which they once were. The New York *Sun and Globe*, mouthpiece of another powerful wing of the party which has hitherto opposed every move toward cooperation with Europe, joined forces with the President on October 26 when it observed:—"For the first time since administration of the Versailles treaty was attempted there seems to-day to be a reasonable prospect of a practicable settlement." And since this statement it has consistently maintained its new position. Those thirty-one leading Republicans who in 1920 declared that the election of Harding would be the most feasible way of securing American membership in the League of Nations must be laying this fresh balm on their troubled consciences. It is not an exact fulfilment of the prospect which they then held out to the hesitating voter, but it is something else of a helpful and disinterested character. It need hardly be suggested that Secretary Hughes, thwarted in the fulfilment of his wish to associate the United States with the League, and so far blocked by the Senate in his effort to secure American adhesion to the World Court, must be

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relieved by this success, however modest, along the line of his desires. President Coolidge, in lending his more than passive support, appears to have accomplished the rare feat of making staunch friends within the party without further alienating any of its outstanding figures.

And as if to make the taste of victory sweeter still, the leading Democratic paper of the country, *The New York World*, capitulated generously in its issue of October 26:—

In the ablest State paper he ever wrote, Mr. Hughes has served notice that there is a President in the White House, and a Secretary of State in the State Department. As a result of the Hughes note, the country is able to feel for the first time since the Washington Conference that there is an Administration in office which knows its own mind, possesses its own soul, and is thinking not about the threatenings of a faction, but about the miseries and dangers of the world and of the underlying interests of the American people. President Coolidge and Secretary Hughes have crossed the Rubicon. They have taken courage of counsel and not of fear. . . . If only they will keep straight to the line they have laid down, they need, in our opinion, have no doubt whatever of the support of the great majority of the American people.

The Republican party, the party of Roosevelt, John Hays, Elihu Root, and Taft is claiming its traditional right to the field of foreign affairs. It has come back into its own with its own program. There were valid and specious arguments against the League of Nations, but the Republican decision to fight it was based fundamentally upon the fact that it was linked up with the name of Woodrow Wilson. There were various objections of various sorts raised to the World Court, but the proposal for American participation lies fairly friendless in the Senate, because it was a part of the Wilson scheme of things. On either of these two rocks the party might well have split. But the Hughes plan, originating in these Republican circles, practical, modest and concrete, is an authentic erection. It is launched. Success to it, and courage to its sponsors at the sign of the first storm. For there are sure to be storms ahead.

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III

IT would probably be agreed that the fate of the Conference depends in considerable measure upon the amount of determination behind the American acceptance. The United States is "entirely willing" to participate; are we entitled to suggest that the Administration is interested to a still further degree? Has it entered the field again in a spirit of mere acquiescence, or is there a more dynamic force somewhere at the seat of policy? Well, there is a certain amount of persistency, for this is the third time that American offices have been volunteered toward the same general end—once in the spring of 1922, when the International Bankers' Commission were frustrated in their attempt to arrive at the working basis of a German loan, once in December of last year, when practically the present plan was semi-officially offered to France, and semi-officially ignored. And now, for the third time, the American acceptance of October 15.

There seem, however, to be new and unfamiliar qualities to this third effort, which demand a moment's consideration. The Government of the United States shows an accommodating mood—concessions of a rather surprising character are held out to France. Her debt is not to be cancelled, but her circumstances will be given consideration at some future time, when the delayed reckoning takes place. This is doubtless more of a concession from the point of view of American opinion which still expects payment, than from that of French opinion, which apparently regards the American debt as something less than real. It is, nevertheless, a concession. More important still is an expressed willingness to meet France's anticipated insistence that any such advisory body must act under the authority of the Reparations Commission. Then the tone of the Note changes, and it is made clear that if one or more of the chief

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creditors of Germany should decline the invitation to join the Conference, the United States would "reserve its decision" as to the proper course to pursue. Opinion in Washington had apparently developed to the point where Mr. Hughes' proposal was thought to be not only a *possible* plan, but so necessary a step that it might have to be taken even at the sacrifice of unity among the Allies. For these, in a diplomat's vocabulary, are significant words.

There is another aspect of these negotiations which has received little or no attention, and is of special interest in this connection. The British Note was sent on October 13, the American reply was dated October 15. On October 26, eleven days later, the two notes were made public. There is no other inference possible than that, for more than a week, pressure had been privately and unsuccessfully exerted upon the French Government to accede to the terms of the invitation. Failing in their efforts, the British and American Governments took a bold, and perhaps unlooked for step. The Notes were given to the Press. Poincaré bowed to superior strength, but he also bowed to a determination as powerful in Washington as it was in London. Without this new and vigorous spirit in both capitals, the Conference might never have been agreed upon, even in principle, and for lack of a little courage in high places the last hope of even formal unity among the Allies might have disappeared.

We are moving in the field of inference; but inferences with respect to the determination of the American Government are important, and are being drawn. What meaning, therefore, should be attached to the prompt reception which American officials gave to Poincaré's qualified reply to the British invitation? Even the Sampigny speech of October 28 and the official *communiqué*, "written entirely by M. Poincaré, in his own hand," failed to perturb the Administration. You may call it *naïveté*, if you choose, this matter of accepting French reservations as if they were beside the point; but it may well be something else.

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Witness the fact that on the very Sunday evening of the Sampigny broadside, within three hours after the official *communiqué* had been given out by the French foreign office, it had been received in Washington and read, and official doors were thrown open to reporters at an exceedingly unconventional hour of an unconventional day. It is worth risking a long quotation from the *New York Times*, sent from Washington that evening in time to appear in Monday's issue. This statement appeared in various other papers without material change. And the reader may judge for himself whether, in all the circumstances, these observations exhibit want of comprehension on the part of the American authorities, or a determined intention to get on with the business. The writer, however, cannot refrain from interposing the opinion that two such statements of critical importance could scarcely have been explained away in detail by a responsible official of any Government, on a Sunday evening, on the spur of the moment and without consultation, unless their substance had been anticipated, and a clear course of action marked out in advance. The despatch follows:—

WASHINGTON, Oct. 28.—The latest utterance of Premier Poincaré with regard to the professed determination of France not to agree to any reduction in the German debt are not occasioning concern to official and diplomatic Washington.

Nor is it believed that the French Premier's statements are going to interfere with the new element in the reparations situation—the fact that there will be an international committee of experts appointed to serve in an advisory capacity to the Reparations Commission in connection with determining German capacity to pay and the working out of a financial plan of payments by Germany to the reparations Powers.

The important thing, in the opinion of officials here, is that the French have agreed to come into the proposed economic parley of experts in a committee inquiry limited to definite objects and not what the French Premier or other French officials may be saying now for political effect and home consumption in France.

As for M. Poincaré's statement in his campaign speech, as well as in the French Foreign Office *communiqué*, that the French Government will not agree to arbitration of the German debt, no official

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in Washington expects the French Premier to declare in advance of the work of the proposed economic committee of inquiry that France would accept reduction of that debt. If Premier Poincaré were ready to announce to the world now that he would do the things the committee of experts may recommend, it was pointed out to-night, there would be no need for the appointment of experts as proposed in the Hughes plan.

The Committee of Experts was proposed by Mr. Hughes originally as an alternative in the event that statesmen failed to agree, and failure of statesmen to agree is what has forced the ultimate resort to the Hughes proposal. The Washington view of the Poincaré statements, which are regarded as quite natural coming from a Premier in his position and allowing for all the circumstances connected with the reparations problem, is that the French Premier is merely seeking to appear to be taking a firm stand against reduction and putting on a bold front in advance of the meeting of the experts, a front intended and calculated to obtain the best possible arrangements for France.

In other words, this is no time to split hairs. To debate over technicalities, even to debate over substance, is suicidal. But whatever it promises, for whatever it may or may not accomplish, the Conference ought to be held without delay. Its power, like the power of the Crusaders, will be measured, not by its initial strength, but by the enlistment of public opinion as it moves forward.

IV

IT would serve no helpful purpose to make a list of the obstacles which stand in the way of holding any Conference deserving of the name. These obstacles are certainly more vividly understood abroad than in the United States. Germany entered the china shop not many days ago when Stresemann spoke of the close agreement which exists between Great Britain and his own country as to the illegality of the Ruhr occupation. A perfectly German and perfectly stupid remark. Thereupon, not satisfied with that one spectacular exhibition of diplomatic ineptitude, their Ambassador to the United States, returning to his

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post, declared that Germany could not pay a single penny. This crisis somehow safely past, we may now breathe freely until the moment when France, persuaded into a Conference against her will, feels that a time has come when fundamental issues can no longer be avoided. For Conferences, like formulas, often give the appearance of agreement in matters concerning which no real agreement exists. And, like formulas, they are in danger of disintegrating when the dispute which brought them into being emerges once more from the closet to sit at the Conference table. It is here regarded as almost certain that, sooner or later, a revolt will take place. On the other hand, the view seems to be shared by the American and the British authorities that the bare chance of an initial agreement with the French is worth a Conference. It may be sabotaged before it ever is convened, provided Poincaré continues in the tone and temper of his Sampigny broadside; it may be dissolved midway in its business if Poincaré doesn't like the look of things. When that day comes the fate of the Conference will depend upon the quality of leadership displayed in Washington and in London, and partly upon the degree of support which the theory of conference has won in Great Britain and in the United States.

The policy of the American Government is, as usual, threatened by the irreconcilables. But with this important difference, that there now appears to be a sharp division within their hitherto unbroken ranks. Senator Borah has approved the course of the Administration, while Senator Medill McCormick, the greatest "unofficial observer" of them all, has curiously modified his intransigent attitude. Having read the Sampigny speech, he rode post-haste to Washington to shake his finger in the faces of the President and the Secretary of State. Knowledge of what transpired has not yet been vouchsafed, but, when all was said and done, Senator McCormick advised the reporters that nothing might be expected of the Conference, and that

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anyhow George Reynolds of Chicago would make a better American representative than certain others whose names were alleged to be under consideration. He made several classical allusions in the course of his interview, but failed to refer to the mountain which labored to the extent of a ridiculous mouse.

There are, nevertheless, two objections which, if the Irreconcilables were united, would provide the sinews of another inter-party war. Secretary Hughes has agreed that an American delegate might properly sit on a body under the Reparations Commission—in spite of a certain Congressional restriction appended to the Senate's ratification of the German Treaty :—

The United States shall not be represented or participate in any body, agency, or commission, nor shall any person represent the United States as a member of any body, agency or commission in which the United States is authorised to participate by this treaty unless and until an Act of the Congress of the United States shall provide for such representation or participation.

The Secretary of State, in avoiding this prohibition, is doubtless sure of his legal ground, but a devoted Irreconcilable could make him uncomfortable. A second objection rests on the assertion that Mr. Hughes encroached upon the premises of Congress and of the Debt Funding Commission when he held out the hope of moderate terms in the essential settlement of foreign objections.

Yet these two objections are almost sure to fail, not only because of lack of unity among the confirmed objectors, but because of a new figure in the White House. It is too soon to try the measure of Calvin Coolidge, for hardly three months have gone by since Harding's death, nor has Congress been in session. He has not really had his mettle tested. Signs are not wanting, however, that this taciturn Vermonter has a character of his own, wherein exceptional political sagacity is joined with determination. When, by accident, he came into Presidential authority, little was known about him, save that he was a singularly silent man—

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Washington hostesses have wept bitter tears over the failure of dinners where this glum man was a guest—that he had taken a firm and successful hand in suppressing the police strike as Governor of Massachusetts, and that he was pursued by luck. Little more is actually known about him to-day. But rumours float up from the Capitol of quiet conferences with politicians summoned from the four quarters of the Union, conferences at which the President, in the rôle of party leader, lays down the law of Republican solidarity—and gets it. Either he has a strange knack of doing the right thing, or else the right thing has a strange knack of happening. When the coal strike of last August confronted the new President he calmly appointed Governor Pinchot of Pennsylvania to settle it. The strike was ended within a week, on the simple principle that both the employer and the employee should receive substantially their demands, and that the consuming public should pay the price. As luck would have it, credit for the prompt settlement of the dispute is shared by the President, but the increased cost of coal per ton is known as Pinchot's dollar! Can it also be luck that Senator McCormick, after fanning the air with his arms, visited the White House for lunch and emerged smiling; that Secretary Mellon, who has kept off the public stage during the past two and a half years, now suddenly steps forward to oppose whatever Presidential aspirations Pinchot may have; that Senator Couzens, for years a business associate of Henry Ford, decided that it is time to make sport of the Ford boom? "I love him as much as it is possible for one man to love another." But—"I want to save Ford the greatest humiliation of his career and save the United States Government the humiliation of having him as President."

Congress meets early in December, and when it is assembled the President will be confronted with a new set of problems; the Bonus Bill is sure to reappear, and the radical group from the Middle West will press their claims for agricultural relief. In the meantime, during these

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first months of office, Coolidge has gradually taken the reins into his own hands, steadied the runaway party, and settled deeper and deeper into the driver's seat. He is undoubtedly a candidate for the Republican nomination, and he will undoubtedly receive it unless he should commit some capital blunder. Every step in the consolidation of his power is a good step, for it corrects confusion within the party and gives added strength to his domestic and foreign policy.

V

THE state of public opinion in the United States is especially hard to gauge at this juncture, for the final agreement to a Conference has not yet been drawn up, nor has there been time for public feeling to become articulate. In general, however, it may safely be said that Poincaré has alienated a certain number of friends by hedging his acceptance about with restrictions; even though the nature and effect of these restrictions may not have been subjected to the careful analysis they deserve. It is enough, in the minds of some, that a principal European country—one of those which has turned to the United States at intervals during the past three years for understanding and help—should be “fussy and particular” about the exact form in which this help is given. Others, more rational in their judgments, have been forced out of sympathy with France by her intrigues in the Rhineland. A strong case, they persist, could be made out for the exact fulfilment of the Versailles Treaty, and a successful one for the invasion of the Ruhr. But the Rhineland affair is a bad blot on the French record: her hands are no longer clean in the court of equity.

So feeling has moved away from the side of France; and since British opinion as to the right course on the Continent is diametrically opposed to that of her ally, it would be natural to add that American sentiment is now more

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nearly on the side of Britain. And so it is. Practically every difference which existed between England and the United States has been amicably resolved, and the honorable act of meeting the American debt stands out in still sharper relief as the probability of other debt collections grows dim. Yet, if truth were told, sentiment in this country has been less influenced by those diplomatic accords than by a certain “discredited” person called David Lloyd George. At every stage of his American visit he has enjoyed a welcome, genuine to its very core. The fact that he had never before visited the United States did not mark him as a stranger. On the contrary he has long been a household figure: poor boy, struggling lawyer, successful politician, prodigious worker, and great organiser. And he didn't know where Teschen was: nor do we! Lord Robert Cecil touched the American intelligence and conscience. Clemenceau made an appeal for sympathy, but Lloyd George will carry away with him a kind of affection which people of one country rarely, if ever, bestow upon the citizen of another. Americans of high and of low degree found him easy, natural and likeable. The substance of his message will perhaps be forgotten: but the warm, friendly feeling which his personality aroused will have a lasting beneficial effect upon Anglo-American relations.

November 1, 1923.

NOTE.

“And a still further possibility exists that, between press and publication, new facts will be disclosed which will qualify the value of all that has been written. . . .” A rather academic introductory sentence, but one which has suddenly taken on meaning. For on November 1, at a place called Nevers, the French Premier made a statement which threatens the life of the unborn Conference.

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The whole project is imperilled by these surprising words :

Let an examination be made to discover what Germany can pay at this moment or during a short space of time. That is well. That is the *rôle* of the Reparations Commission. But let it not attempt either to change the position it has already taken regarding the total amount of our credits, or engage in future attempts indefinitely.

And the French Foreign Office, through a *communiqué*, announced that the scope of the Commission's inquiry must, according to the Premier, be restricted to

1. Germany's present capacity for payment.
2. New methods of payment.
3. The renovation of German finances.
4. A new monetary system.

This morning's Washington despatches all carry a story of consternation in highest circles, and convey the impression that the Hughes plan has been struck in a vital spot. Concessions had been made in permitting the Conference of experts to derive its authority from the Reparations Commission, in overlooking Poincaré's provocative statements at Sampigny to the effect that everything must be done treaty-wise, and that France would never yield a dollar of her reparations bill, whatever might be the findings of the Inquiry as to Germany's capacity to pay. But when, at Nevers, Poincaré placed restrictions, not so much upon the free reception of the Commission's report by France, but upon the scope of the projected investigation—then Mr. Hughes' back went up.

Yet neither the problem of European peace nor that of Republican foreign policy can be settled by temper. Instead, three possible alternatives present themselves—one of which the Administration must pursue :

1. The enterprise might be abandoned. But here is confession of defeat, and every effort will be made to avoid it. M. Poincaré's real interest should run along

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identical lines : for if the Conference breaks down through his recalcitrance, this proud and politically minded Administration would make the United States understand, from one end to the other, that France and France only bears the responsibility for the third American failure to help compose the state of Europe.

2. A Conference might be called on the basis of Mr. Hughes' plan, with France excluded. Such an inquiry would be of doubtful value both in its effect on French claims and in its influence on international opinion.

3. Agreement might be reached on some basis which would permit M. Poincaré to save his face, and yet allow the inquiry to proceed with full scope.

The first and second alternatives would be unproductive, according to the American view, and would unquestionably accomplish the isolation of France. The third alternative, promising a fair chance of reaching a conclusion, would, because of that chance, be acceptable to Washington. France would save herself from the dangerous necessity of standing alone. Maintaining its original proposal, but prepared to allow still further concessions in detail, the Government of the United States is bending every effort to make port through the fog of evasion and delay. The outcome lies on the knees of Poincaré, and the ultimate responsibility hangs over his head.

The United States of America.

November 2, 1923.

GREAT BRITAIN AND THE 'IRAQ :

AN EXPERIMENT IN ANGLO-ASIATIC RELATIONS

The following article is from a correspondent with intimate knowledge of conditions in Mesopotamia.

THE responsibilities incurred by Great Britain towards the 'Iraq have been, and to some extent still remain, the subject for genuine misgivings, not alone because of the immediate expenditure involved, but also because of a widespread apprehension that we should be preparing for a prolonged occupation of the country on the Egyptian model. This doubt could scarcely survive if the actual situation were more completely understood. From first to last the declared policy of His Majesty's Government has been as consistent as it has been generous. By the accident of war British forces destroyed the government which had existed in the 'Iraq for three hundred years—a government which, though inefficient and corrupt, had preserved some measure of law and order in the country. With the disappearance of the Turk every semblance of administration vanished. The larger portion of the officials were not men of local birth, and followed the retreating armies ; hastily a government of occupation under British officers, with what native assistance could be secured, was organised by Sir Percy Cox, and with British troops in support the 'Iraq knew, even in war time, such tranquillity as it had not enjoyed for centuries. But that British occupation was

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not the end in view was clearly enunciated after the capture of Baghdad and repeated in yet more emphatic terms on the conclusion of the armistice. If at that critical moment, when public expectation awaited a rapid fulfilment of official utterances, it had been possible to give them such material shape as would have satisfied in some measure the national aspirations which we had awakened, it can scarcely be doubted that the goal would have been more speedily attained. As it was, the Civil Commissioner had been called away in the early part of 1918 and entrusted with another task ; it was not until his return in the autumn of 1920 that development began on lines which would relieve Great Britain of the burden she had been forced to shoulder. It may be true that the delay had engendered strife and given reason for incredulity on the part of the Arabs as to the trustworthiness of declarations which had kindled national aspirations, yet out of strife grew a better understanding, and incredulity died away before the rapid progress of the succeeding years.

Within a month of his arrival Sir Percy Cox had called a provisional 'Iraq Government into being in the shape of a Council of Ministers presided over by the leading Sunni magnate of Baghdad, and composed of well-known 'Iraqis representing all classes and denominations of the population ; but ultimate responsibility still rested with the High Commissioner, and the next step was to replace him by a ruler of Arab race. This was done when in the summer of 1921 the Amir Faisal was chosen king by a plebiscite of the people. It remained to conclude with him and his Cabinet a treaty which should regulate the relations of Great Britain and the 'Iraq for the duration of the mandate, and the treaty was signed, subject to ratification by Great Britain and by the Constituent Assembly of the 'Iraq, in October, 1922. The mutual engagements therein laid down were to terminate in 20 years' time, but by a subsequent protocol, signed in April, 1923, the period was reduced to four years after the ratification of peace with

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Turkey, with the provision that it might be still further reduced by the admission of 'Iraq into the League of Nations at an earlier date, when the mandatory relationship would automatically cease. How these several stages have reacted to the relief of the British taxpayer can be judged by the expenditure charged on the Imperial exchequer during the last three years. According to the latest figures available, the statement made by the Duke of Devonshire in his speech to the Imperial Conference, the expenditure in Palestine and the 'Iraq during the financial year 1921-22 was over 26½ millions; in the current year it is estimated at 7½ millions—a figure, it may be added, which would have been considerably less but for the Turkish threat of invasion in the north. When the Treaty of Lausanne has been ratified, the four years' term of the treaty will begin to run, with its obligation to extinguish within that time all Imperial expenditure by the progressive reduction of British forces in the 'Iraq.

I. THE ADVISORY STAFF

IN broad outline the existing organisation of the administration is as follows:—With the exception of purely technical officers charged by the 'Iraq Government with executive functions, there is no British official who issues an executive order. The King and his Council are responsible for the government of the country, and their decisions are carried out by native officials. A British adviser, with one or more assistants, is attached to each ministry, while in the provinces British inspectors maintain a close touch with local affairs, on which they report to the Adviser and the Minister of the Interior. The High Commissioner is in receipt of their periodical reports to the Ministry, as well as of the decisions of the Council, on which he offers his comments and advice, or, if necessary, in matters which touch British or other foreign interests, his objections.

The Advisory Staff

He is also charged with the duty of conducting foreign relations.

The combination of British and Arab officials in the service of the 'Iraq Government has resulted in an administration with which there is no reason to be dissatisfied, but it must be borne in mind that the fair point of comparison is not with European institutions but with the former Turkish regimen. Those who knew the 'Iraq of those days will remember that beyond the area of the towns and of the settled cultivators in their vicinity the Ottoman writ did not run; no roads were safe, no foreign traveller or native of distinction moved without an escort, and those who could not afford to pay for such protection carried arms for their own defence. Even the Tigris route, then the only channel of communication between Baghdad and Basrah, suffered frequent interruption from tribes, often rightly rebellious against intolerable misrule. At no time since the British occupation has traffic on the river been disturbed, nor is there any likelihood of insurgence among its tribesmen. Though the hold of the Arab Government over certain of the wilder areas in the Euphrates basin is slender, the roads are safe. British officials travel in security and are hospitably entertained by the *shaikhs*; Arab landed proprietors go out by motor car to visit estates which they had formerly been content to leave to the care of agents, while in many regions, until recently wholly lawless, the inhabitants go about their labours unencumbered by a rifle. If public security is, in such countries as the 'Iraq, the first test of administrative efficiency, then the 'Iraq Government, with British assistance, has not been found wanting.

The people are very conscious of the value of that assistance and of the spirit in which it has been offered. There is confidence that "the British mean well by the Arabs," to use the words in which the sentiment has long found expression, and when the duration of the treaty was cut down there was a murmur, not in the provinces alone

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but in some advanced circles of the urban intelligentsia, that the time of tutelage was too short. The 'Iraq Government is offering, however, to British employees, whose retention in certain posts is stipulated in an agreement subsidiary to the treaty, contracts of engagement varying from five to fifteen years, that is to say for periods longer than the maximum term of the treaty.

An advisory position is no easy task. It calls for a constant exercise of tact, forbearance, and self-denial, to say nothing of a capacity for realising that infant states will insist on running before they can walk, and that, every adage to the contrary notwithstanding, they must within the limits of safety be allowed to do so. The eager advance may entail many a tumble and many an unostentatious resetting of tottering feet, such assistance to be rendered in a manner which will enable the stumbler to regain poise without diminution of self-respect. If it were not that there would appear to be ever an unfailing number of Englishmen who are content to do the work, yet forego the credit, the British staff in the employment of the 'Iraq Government might be accounted exceptional; but if such praise would be excessive, at least it may be said that, through years of complete uncertainty as to whether the British Government would be willing or the 'Iraq Government able to assure their future, they have not fallen short of the devotion expected of them. Civil services are not usually composed of persons of ample private means, nor has anxiety for the welfare of wife and children been inconsiderable. Some have been obliged, in the absence of any guarantee, to return to services from which they had been temporarily seconded, or to accept offers of sure employment elsewhere, and the 'Iraq has lost men whose knowledge of the country and language has made them difficult to replace; but many have been ready to take the risk, and if they have served the 'Iraq Government well their service in carrying out the task set them by their own Government must also be reckoned to them.

Military Assistance

The advisory staff is paid by the 'Iraq, which is also charged with a half share of the emoluments of the High Commissioner and his staff. The Imperial exchequer is responsible only for military assistance, accorded at a rapidly diminishing rate, and for the remaining half of the salaries of the High Commission during a maximum period of four years. This measure of financial support, together with moneys expended in Palestine, has recently been described by the Editor of the *Spectator* as a hemorrhage from which the British Empire will bleed to death. Hyperbole is a recognised literary device, but it should be employed with greater caution.

II. MILITARY ASSISTANCE

THE duties of the British forces in 'Iraq are to co-operate with the 'Iraq Government for the maintenance of security on the frontier and the preservation of internal order. That Government, conscious of the fact that it will shortly be thrown upon its own resources, is training, with the assistance of British officers, a national army which is now something under 5,000 strong, and has organised in the same manner a police force which stands at about 6,000. The area administered is over 100,000 square miles, and corresponds almost exactly to the 'Iraq of Turkish times. Under Ottoman rule it was garrisoned by the 6th Army Corps, which in 1905 was estimated at 20,000 men, though it is unlikely that it amounted to more than from thirteen to fifteen thousand, while the police force, including mounted gendarmerie, was as large as, if not larger, than that which the 'Iraq Government has at its disposal. Moreover there was no external enemy to fear, and it may be added that internal order was inadequately maintained. At all events, on the Turkish parallel, it is to be expected that the 'Iraq Government, with military resources at present so meagre, should be obliged to depend, during the

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transition period, upon military assistance in carrying out administration. Tribal lawlessness, which was formerly a normal and universal condition, has not in five years of improved government ceased altogether to exist, the fact being that in some areas there are deep seated agrarian grievances which can be righted but slowly, while in all we have an untutored and hot-blooded people liable to sudden gusts of anger ; some old feud will be revived, some fresh outrage committed, leading to a quick recourse to arms in which during an hour's fighting twenty or thirty lives may be lost. The Turks had no means of dealing with these incidents ; they sat impotent while one feud bred another, retaliation answered retaliation, till a whole country side would relapse into chaos. In the end they would laboriously gather their resources and despatch a column of a couple of thousand men to the scene of disturbance. Not infrequently the tribesmen, having the advantage of being on their own ground, with dwelling places as mobile as their beasts of burden could make them, the column would pursue an ever-vanishing objective and disintegrate in a remote marsh. Before the British occupation of the lower Euphrates, that region had been for many years without effective government. Each chieftain lived in his own mud fort, carried on his private wars with his fellows, looted the passing merchant or traveller, and defeated the best endeavours of the tax collector. Such conditions have been checked. Owing to the composition of the British forces in the country, assistance when required by the Government must be given by air and in a land of imperfect communications it is the only way in which it can be given swiftly and therefore efficaciously. Long before the local brawl has developed into wide-spread disorder, the R.A.F. has done the work which the Turkish column would have failed to accomplish, and has done it with a minimum expenditure, whether of life or wealth. But it acts only under the strictest safeguards. An application by the local Arab official, backed by the British inspector, is submitted

Military Assistance

to the Adviser to the Ministry of the Interior. In consultation with the Minister, he weighs and considers it before it is submitted to the High Commissioner, by whom alone it can be communicated to the air officer in command. Even then no action is taken without a preliminary warning in the form of an air demonstration which scatters the orders of the Government among the offenders. In the majority of cases the demonstration is sufficient ; the breakers of the peace give themselves up to the local authorities and submit to the penalties imposed. In rare instances the warning is disregarded and the threatened action is taken, usually with the co-operation of the police. Loss of life is in all cases small and is often confined to domestic animals, but the mud fort will be razed to the ground, and the punishment has never in the end failed to be effective. Nor is it resented. The tribesman takes a shrewdly humorous view of his own shortcomings and of the duty of the administration with regard to them. When the business is over he will eye the tumbled mud walls of his fort and observe dispassionately that their state is due to "a misunderstanding with Government." "Please God," his official interlocutor will reply, "that it will not occur again." "Please God !" he returns heartily, leaving the Almighty responsible for any subsequent inclination on his part to cut off his neighbour's water supply or flout the orders of the *Qaimmaqam*.

But the Air Force has known how to practise the acts of peace as well as those of war or retribution ; it has given to the 'Iraq the first direct means of communication with Palestine, Egypt and Europe in its fortnightly mail service. Very skilfully its officers have brought the nomads of the desert to regard their passage with friendly eyes. There was an occasion when a Beduin chief was found wounded in the depths of the wilderness and spirited to the hospital in Baghdad, where, as deservedly good luck would have it, he made quick recovery, and returned to spread the tale of his adventures through the black tents. Since that time,

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if a plane is forced to land in the neighbourhood of a Beduin encampment, it is a guest entitled to all rights of hospitality, and at night the Arabs will set a guard round it, asking no reward for their attentions. Correspondingly, they expect amicable services, which are not withheld, as when the ruling *shaikh* of the 'Anizah sent a request for a doctor to attend to his daughter, whom he stated to be mad, daily medical assistance dropped from the sky with a psychological effect, it may be surmised, as valuable to the sufferer as his science.

To return to themes less miraculous, a not unwarrantable optimism points to the belief that the development of more peaceful conditions even in remote tribal areas of the 'Iraq will be comparatively rapid. First and foremost, the Arab is a money maker. As the possibility of gathering wealth increases, with a scientific system of irrigation, improved communications, wider markets and greater skill in production, he will readily learn that it is better to be a citizen than an outlaw, though it may imply some loss of personal liberty in the pursuit of quarrels and a reluctant acquiescence in the demands of Government. Not only is he a money maker, but he is also a money spender. Rarely does he hoard his wealth; he scatters it joyously and on the whole reasonably. He is quick to avail himself of such comforts and conveniences as the western world brings to his notice. The half-naked marshman will carry his coffee in a thermos flask when he goes out in his *mashbuf* to cut reeds; his overlord, the wealthy *shaikh*, whose fat rice lands enable him to gratify more expensive tastes, is beginning to discard the *mashbuf* for the petrol-driven launch, and has already replaced his creaking irrigation lift by a petrol pump. Neither the dust nor the mud of the 'Iraq discourages the sale of motor cars. Taxis ply for hire in the larger towns, and the *shaikhs* of the desert come in to conduct their affairs with Government in a heavily laden Ford, for a man of distinction must travel with retainers, and he travels with as many as he can pack into his vehicle.

Mosul and the Turks

The climax of irreconcilability in this rapidly changing universe is reached, perhaps, in the case of the great nomad chief of the Syrian desert, Fahad Beg, *shaikh* of the 'Anizah—he whose daughter was so unfortunately afflicted. This magnate, whose wealth is reckoned in camels while his life is cast in the same mould as that of Abraham, Isaac and Jacob, goes out by car to join his black tents in the spring pasturages.

The opening up of the 'Iraq and the training of its inhabitants will in time take the place of coercion, but roads, irrigation, canals and technical schools require money, and if foreign capital is to be attracted the 'Iraq must show herself solvent. The Government engaged last year in the strenuous task of balancing its budget, and it succeeded. Expenses were cut down, salaries were diminished, the King relinquished a portion of his civil list—it is true that the Education Department and the service of Public Health were pared to the bone, although schools and hospitals are demanded from every quarter; but the object was achieved. Expenditure on the army could not be denied, and has been increased; in the opinion of many a voluntary army may prove too expensive, and luxury and the National Assembly will in the end be forced to solve the military problem by a mild form of conscription. What shape that problem will take depends largely on the relations of 'Iraq with her neighbours, more especially with Turkey, and it is the Turkish claim with which she is now faced.

III. MOSUL AND THE TURKS

THE issue which was foreshadowed in the National Pact published at Angora in 1920 is now familiar through the negotiations at Lausanne. The Kamalists demand the return to Turkey of territory embracing the former Wilayat of Mosul on grounds which were disposed of

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by Lord Curzon in his vigorous rejoinder. In Mosul town and its surroundings the population is almost exclusively Arab, and very largely Christian Arabs; to the north, along the existing frontier, lies a Kurdish fringe where the Kamalists have unavailingly attempted to foster dissension; to the east runs a string of small towns, from Arbil to Kirkuk, Kifri and Mandali, the inhabitants of which are predominantly Turcoman, but these are embedded in Kurdish districts containing also a sprinkling of Arabs. The Kurds, whether within or outside 'Iraq, are not on good terms with the Turks, and are well aware that at their hands they can have little hope of sympathetic treatment; nevertheless troubled waters are their natural element, and who knows but that in playing off the Arab against the Kamalist some personal if not some national benefit may accrue to the indulger in this agreeable pastime? Thus a prominent Kurdish chieftain in 'Iraq despatches periodical couriers impartially to King Faisal, the British authorities, and Mustafa Kamal Pasha, offering to each in turn his life-long devotion on conditions to be determined by himself, while in lesser walks of life the brigand wanted by the 'Iraq Government becomes a fervent pro-Turk. On the other hand, Kurdish chiefs in Turkish territory turn for help to their brothers in 'Iraq when the Kamalists attempt to tighten control.

Geographically, ethnologically and economically, as Lord Curzon pointed out, the Kamalist demands are unjustifiable. Mosul Wilayat has always formed part of the 'Iraq, connected therewith by the water-way of the Tigris and separated from Anatolia by a mountain barrier. "Mosul is our head," declare the Arabs. "Cut off our head and the body perishes." And indeed those British officials whose memory goes back to the year 1917, after the occupation of Baghdad and before that of Mosul, will remember the difficulties experienced, and at great expense overcome, in feeding the southern population when it was cut off from the northern wheat-producing plains which are the granary

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of the land. If on racial principles the Turkish urban population in part of the disputed territory might furnish some justification to the Kamalists, the Arabs retort by pointing to the large unredeemed Arab population beyond their frontier—Nisibin wholly Arab, Mardin largely Arab and Christian, Diyarbakr one-third Arab—whose right to inclusion in the 'Iraq might be put forward as strongly as the right of Turkey to reclaim Kirkuk. But the Kirkukli is not dealing in theories. He knows that his grain and tobacco can find no market except in Baghdad, and he wisely determines to despatch his deputy along the same road, to the 'Iraq Constituent Assembly and not across the mountain passes to Angora. For in the elections to the Assembly, now nearing completion, Turkish township and Kurdish tribe are alike preparing to choose representatives.

It is for the British Government to consider whether in the forthcoming negotiations there is not an obligation to secure inclusion in the 'Iraq of an enclave inhabited by the Assyrians beyond the boundary originally fixed by the Treaty of Sèvres but within the area now administered from the 'Iraq. This sturdy race of Christians which in 1916 threw in its lot with the Allies and after two years' heroic resistance was driven out of croft and field by the enemy and forced to seek asylum with us in the 'Iraq, has in great part during the last three years drifted back into the mountains, relying on promises that we would do our best to safeguard their interests. Enrolled in the Levies under British officers they have given material assistance in the defence of the frontier, repaying by their loyalty and valour the benefits they received in exile, and thereby piling up the Turkish score against them. With the 'Iraq Government there is no question that they could come to satisfactory terms, but to hand them back to the Turks means death or renewed exile under circumstances yet more stringent than those of 1918 when the British authorities were in a position to help them. Like all ardent nationalists the Arabs are apt to consider that their

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sentiments should appeal to their fellow citizens of divergent race, yet the 'Iraq Government has been tactful enough to recognise that the Kurdish population must be treated with due consideration. Local officials are selected among local men, administration and education are conducted in the local tongues, nor is there any bar to the employment of men of Kurdish or even Turkish origin in Arab provinces, in the 'Iraq army or in the central Government. A Turk holds high office in the Ministry of Finance, while it may be noted that there is no member of the Cabinet who commands greater confidence and respect than the Minister of Finance, who is a Jew of Baghdad. For with the Arab, if pride of race runs high, deep-seated racial or religious fanaticism is absent. He lives and lets live and he does both with a cheerful indifference to the manner in which his neighbour chooses to conduct his private existence. Even in Turkish times a massacre of Christians never occurred in the 'Iraq; a rumour of orders from Constantinople ran through Mosul in 1909 but it was not heeded, and in 1915 stragglers from the pitiable convoys of Armenians found refuge and kindly treatment in the tents of the Beduin.

The attitude of the 'Iraq Government towards its Turkish and Kurdish subjects is in sharp contrast to that of the Turk towards the Arabs, when in the effort to produce a homogeneous people, the very children in the primary schools listened uncomprehendingly to lessons given in Turkish. The Turks held all the honours in the pack; if they had played skilfully Arab nationalism must have been beaten. Civilisation was presented to the quick Arab mind in a Turkish guise; the Turkish capital was the only centre of enlightenment which the Arab knew, and it exerted on him a dazzling influence; to speak and write the Turkish tongue with elegance was the hall mark of the educated man who held a diploma from the colleges of Constantinople; among the higher Ottoman officials of Arab race the domestic circle became Turkish with the

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Turkish wife from Stambul and the children half of Turkish blood.

Yet with his throttle hold on education, with the glamour of his history and the religious fervour which surrounds the Khalifate, the Turk failed to denationalise the Arab. How signal was his failure it would seem that Angora has yet to learn and it is a lesson which should be inculcated by the gathering of the Constituent Assembly.

For over two years the general elections have suffered delay. Was it fair to ask the northern population to pronounce openly in favour of the 'Iraq while the Turks were massing troops on the frontier with no corresponding measures on the part of the mandatory Power? Whereas a cautious reticence in the expression of opinions could have no untoward consequences, it was very certain that if the Turks were to be permitted to return those who had declared themselves against them would lie on an uneasy bed. But in spite of intensive Kamalist propaganda, the Mosul province had shown itself enthusiastically loyal to the King on the occasion of his first visit in 1921, and when, in the beginning of 1923, the Turkish menace grew more insistent and alarming, the presence in Mosul of His Majesty's youngest brother, the Amir Zaid, had been the signal for all elements, Kurdish as well as Arab, to rally to him. At the same time anxiety was relieved by the despatch to Mosul of British and Arab reinforcements, and the Amir was able to enrol in the desert an irregular force of tribesmen under Arab officers to protect, if necessary, the western flank. The re-establishment by British forces of the authority of the 'Iraq Government in Rawanduz, which had been occupied by a tiny band of Kamalist adventurers, together with Lord Curzon's determined attitude at Lausanne, went still further to restore confidence, and King Faisal after a second visit to Mosul in the summer of 1923 felt confident that the people would no longer be afraid to speak their mind.

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IV. THE HOLY CITIES AND THE ELECTIONS

THERE was, however, another stone of stumbling which, though it affected the Sunni north but little, might do much to trip the feet of the Shi'ah south. A group of leading Shi'ah divines inhabiting the holy cities of Najaf and Kadhimain, though all of Persian nationality, had set themselves with determination to oppose the Anglo-'Iraq Treaty and all steps connected with it. As a preliminary move they issued, towards the end of 1922, a *fatwah*, or religious decree, pronouncing it unlawful for Moslems to take part in the elections to the Constituent Assembly, one of the duties of which was to ratify the treaty. Their conduct was entirely consistent with their past political history. The Turks had successfully ignored their tacit claim to theocratic control, but a new and necessarily weak Government might offer golden opportunities, provided that it could be lopped of exterior support such as that offered by Great Britain. Thus the opposition of the *mujtahids* to the treaty was in fact its best credential. Nevertheless the appearance of the *fatwahs* was followed by a period of hesitation. The registration of primary electors had begun, and though in the greater part of the country, not excluding the south, it went on uninterruptedly, in the Shi'ah holy towns members of the supervising committees resigned or declared themselves afraid to put their names to the rolls of voters which it was their duty to endorse, and in places those rolls were meagre. It was very noticeable that the Shi'ah tribesmen were in general unaffected, and among their *shaikhs* ran a murmur that men of religion should refrain from interference in the affairs of a world to which, *ex hypothesi*, their spiritual pre-occupations had precluded them from devoting sufficient study. Notwithstanding these encouraging symptoms, the 'Iraq Government was reluctant to risk the uncertain consequences of a decisive break with the *mujtahids*.

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Work on the electoral rolls was suspended and by private negotiation a compromise which both sides could accept was sought. The endeavour failed. In June, 1923, one of the *mujtahids*, Shaikh Mahdi al Khalisi, reiterated the original *fatwah*. King Faisal was on tour: he had been warmly welcomed at Mosul, his reception on the lower Tigris and at Basrah and Nasiriyah had been no less enthusiastic, and everywhere he had spoken in forcible terms on the duty incumbent on 'Iraq citizens to enter heartily into the elections. Was he to accept the direct challenge of the renewed *fatwah* and permit a spiritual king to claim the political allegiance of his subjects? Shaikh Mahdi's defiance was covered by a clause in the electoral law which laid down that any attempt to hinder the course of the elections or to terrorise others into refraining from them was a penal offence, while the hands of the 'Iraq Government were strengthened by a recently enacted immigration law empowering them to deport foreigners from the country for sufficient causes. Action was taken by a unanimous Cabinet under these laws. Shaikh Mahdi was arrested in his house in Kadhimain and sent by sea to the Hijaz to perform an involuntary pilgrimage. Seldom does an oriental Government suffer from a bold stroke, and in this case the majority of 'Iraqis had been praying for months past that the Cabinet would nerve itself to defend its policy. Once embarked on this course, the King and his Ministers did not flinch. When eight of the *mujtahids* of Najaf declared their intention of migrating to Persia as a protest against the banishment of Shaikh Mahdi, their journey to their native land was politely and expeditiously facilitated. Two of these have since crept back unremarked and Shaikh Mahdi has been allowed to join his colleagues in Persia—it is hinted that they are not prepared to give him a cordial welcome.

Immediate orders were issued for the resumption of elections. The old rolls were reopened and received numerous additional names, the supervising committees

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turned cheerfully to their task, candidates came forward without demur, and the secondary elections are at the moment of writing terminated. They would have been completed earlier but for a doubt which arose as to the propriety under the electoral law of registering settled tribesmen. The law, having regard to the fact that under Ottoman rule no tribesman had registered and that the whole body of cultivators, from whom the main revenues of the State are derived, was thus left unrepresented, had made special provision for twenty tribal members elected by the *shaikhs*, but it had been the intention of those who framed it that such tribesmen as chose to register should have the right to do so. The Cabinet rightly decided the question in this sense. In point of fact tribal registration has reached so high a figure that the agrarian population, if it knows how to use its opportunity, will no longer be dominated in the legislative body by the inhabitants of the towns.

In this and in other ways the general elections of 1923 have no parallel in previous history, when the Committee of Union and Progress might and did appoint a Turk of Erzerum to represent an Arab constituency. The 'Iraq is now divided into three circles, corresponding to the old Wilayats, and no inhabitant of one of these may stand in another. Local men, known to their constituents, are coming forward, Kurds in the Kurdish areas, Turks in those which are Turkish, all prepared to declare themselves 'Iraqi subjects. It is the most significant answer to the Kamalist claims which could be returned by the country. And in a recent utterance in the vernacular press the Prime Minister has reminded his compatriots in the clearest terms that one of the duties of the Assembly will be to ratify the treaty as it stands.

What Great Britain Gains

V. WHAT GREAT BRITAIN GAINS

AS far, therefore, as the 'Iraq is concerned, the hope is justified that the support given by His Majesty's Government may suffice for the creation of a native and independent State; it is fair to ask what advantage will accrue to Great Britain in return for the hemorrhage of which the Editor of the *Spectator*, and others with whom he finds himself strangely consorted, have spoken in such vehement terms. Apart from transcendental considerations as to how far British political credit would suffer bankruptcy in Asia if she were to go back on a pledge so resoundingly given, or the practical questions as to what the bag and baggage policy of retreat through a rising tide of chaos would cost, a material sop may be offered. During the war the British Government incurred large expenditure on ports, railways, roads and bridges and other permanent works undertaken for military purposes. Even if a small part of this outlay could be recovered by piecemeal removal, it is manifest that removal could not be carried out by a retreating army. But the 'Iraq Government is willing to acquire, under favourable conditions, what would otherwise be unsaleable. The sum in question amounts to several million pounds; it is a point to which adherents of the bag and baggage policy do not frequently refer.

But it is a small point compared with the deeper issue as those who have watched Oriental development see it. Before the war they had recognised a marked insurgence of thought in Asia rejecting Western domination. To a large extent it was a tribute to British administration. We had imposed decent government, we had taught the people the ways of it, we had educated them and introduced them to that unrest which is growth; and they had grown. The instruction had not always been suitable, the growth had at times been spasmodic, spurred here unnaturally by the

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success of the most capable of Asiatic peoples over the most rotten of European empires, and there artificially by pan-Islamic or similar propaganda. Parallel with it in our own country was the increasing indifference of a great democracy to problems too remote to be easily understood, coupled with a generous democratic impulse to give all races equal opportunities and an uneasy consciousness that the West could not stand guiltless of the charge of exploiting the East. The war supervened, fought on our side, according to our heroic boast, in defence of the title of small and weak nationalities to existence ; it called forth the splendid co-operation of India, the gallant effort of the Arabs side by side with Lord Allenby's armies, till the principles of peace pronounced by President Wilson seemed but a recognition of service in a common cause. In our extremity the forces of Asia had been enlisted in what was primarily the defence of European liberties, the East had been called into counsels of war and an Arab kingdom had been counted among the Allies. Alliance is not consonant with political domination ; it remained to evolve the principles of a new relationship.

To Great Britain, with her vast interests in Asia, it is of more importance than to any other European Government that such evolution should proceed on firm and permanent lines ; but the counterpart also holds and is recognised in the East. Friendly relations with Great Britain are of primary importance to Oriental countries. In spite of the din of political agitation, in spite of mistakes not exclusively on one side, there remains an abiding sense that Great Britain can be trusted, that her methods are based on a frank recognition of national rights, and that provided those rights are exercised in the furtherance of international tranquillity she has no wish to curtail them. Peaceful political relations imply the maintenance of peaceful commercial intercourse and thereby safeguard her vital interests. Moreover the integrity of her officials is acknowledged, as well as their skill in handling material problems, and the fact that they prefer to adopt and adapt

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local institutions rather than to recommend or impose a new and strange pattern. Through centuries of experience the East has come to know them and on their side they have gained familiarity with its mentality ; where else shall it turn in ultimate resort for the advice and guidance of which in their deepest consciousness its peoples admit that they stand in need ?

The Anglo-'Iraq treaty, then, is the first open and decisive step in the evolution of new relationships. It is an experiment conducted under highly favourable conditions, in a country where there is no tradition of direct British authority to recast, where no vested interests have been created in the past, and no responsibilities to specific elements of the community as against the local government incurred—an experiment in mutual confidence which we would turn into a valuable example with, as we believe, enduringly beneficial effect on our intercourse with the East.

IRELAND AS IT IS

The following article is from the same Irish pen as the accounts of the situation in Ireland which we published in March and June.—EDITOR.

THIS is certainly a country of quick changes. Three months ago we were all agog with excitement over the political situation. No two men could meet and talk for half an hour without the inevitable questions: Will the Government come back? How many seats will the Republicans get? Will fighting start again this winter? To-day politics are a minor issue, and the nerves of the country are tense over finance and economics. "Will the Government come back?" has changed into: "Will the Government be able to carry on?" The civil war of last year has retreated to the wings, labour disputes hold the centre of the stage. Food prices, high wages and bad markets are what one hears spoken of. It is high time, indeed, the country became alive to the situation, for its existence is threatened by a danger greater even than civil war.

Let us consider the facts. Ireland is an agricultural country. Its wealth is its land. Its chief exports are agricultural produce, cattle, and horses. There is a universal, a worldwide depression in agriculture. That depression hits the Irish farmer worse than his English neighbour; it hits this country twice as hard as it hits England. In normal times it would be a danger, in the present times in Ireland it may be a calamity. This

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agricultural depression is the fundamental truth at the root of the new crisis in Irish affairs.

There are many reasons why the Irish farmer is more affected by a fall in the price of his produce than an English farmer, and the chief one is his distance from his market. England is his chief market, and in his cost of production must be reckoned the cost of marketing. At present that cost is enormous. Railway freights are 50 per cent. higher than in England; the service is 50 per cent. worse. The longer the journey to the market, the more the increased cost is felt, and the English consumer does not pay it. The competition from Denmark and other Continental countries, not to mention the home supply, is reducing the price of beef, mutton, potatoes, butter, etc., in the English markets. The cost of transit in Ireland does not diminish, and the Irish producer gets less and less. The recent labour troubles in Dublin, Cork and Waterford have emphasised the position. No cattle left these ports for months, and our export trade in cattle dropped more than 60 per cent. Any few cattle that were exported had to go via Greenore or Belfast, with the result that a rail journey of 100 or 150 miles was added to the expense of marketing. Every penny of that extra expense was a dead loss to the farmer. The same applies to all other produce.

Again, wages have not fallen in Ireland to anything like the extent they have in England. In County Dublin agricultural labourers are getting from 35s. to £2 a week. The average wages all over the Free State, taking one county with another, is certainly not less than 27s. Result: a further increase in the cost of production as compared with similar produce produced in other countries, and a still smaller price for the farmer. As I have said, owing to the recent dock strikes, cattle which were sold were sent by the northern ports to England; and the dockers there not unnaturally availed themselves of the opportunity to fleece the stranger. I heard of as much as 5s. per head being charged for loading Free State cattle in Belfast, and

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£20 a week was no uncommon wage for a docker there to earn during September. This, again, comes off the price the farmer gets. It must not be forgotten that this agricultural depression comes at a peculiarly unfortunate time in Irish affairs. Since 1919 there has been consistent waste of Ireland's economic resources. Her railways have been destroyed, her buildings burned, and her fairs interrupted. The wealth accumulated during the European War has been largely dispersed. The taxation necessary to repair the destruction and compensate the sufferers adds still more to the burden, and the Irish grazier and farmer is faced with the gravest crisis in his history.

No words are needed to explain the effect this depression must have on the Government of an agricultural country. Even if that Government was old and firmly established it would have difficulty in finding funds for its commitments. In Ireland the Government is neither old nor firmly established. Let me not be misunderstood. It is firmly established by comparison with its position a year, six months, even three months ago, but it is not firmly established in comparison with, say, the Government of England. In England the Government going out means another Government coming in. In Ireland the Government going out means no government at all. The Irishman has not yet learned to rally round the Government. He has not yet learned the necessity for any government, but he is learning rapidly. His first thought still, when asked to pay a Government call, is: "How can I avoid it?" All this renders still more difficult the Government's position, and makes the present crisis the more acute. Never was a new Government saddled with such a load as ours. A band of criminals, calling and thinking themselves patriots, have laid waste the country, and rendered necessary the creation of an army on a war footing which can only be maintained at a cost of millions. These "patriots" also avail themselves of every dispute, such as the recent ones between Capital and Labour, to foster enmity against

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the Government. They destroy, they incite to destruction, they obstruct the civil process of the State, and if they are imprisoned, or punished, they scream for pity and sympathy, and accuse the State of barbarity. They diminish State income and increase State expenditure, and this at a time in the country's and the world's affairs when every penny should be jealously guarded, when industries should be fostered, taxation diminished and production increased. If no shot had been fired after the Treaty was signed the position of a new Government, composed of necessarily inexperienced Ministers, with a Civil Service comparatively untrained, would, in this time of trade depression and unrest, have been difficult. Eighteen months' civil war with its attendant cost, a percentage of the people still openly hostile and a larger percentage either neutral or hypercritical, has made their position still more difficult. The Government could be excused if they said it was impossible, and if they lapsed into apathy. They have not said that, nor have they abandoned their efforts. I feel satisfied that the Government is alive to the danger and, while I may criticise some of their methods, I believe that the same energy and singleness of purpose which carried them through the civil war will win through this economic crisis. One thing they must do is assist agriculture. I have heard subsidies suggested: I dislike the method. Any system of free grants is peculiarly unsuited to Irish character and temperament. Pauperisation in some countries is a slow process; in Ireland it is an epidemic. Nothing pleases us, gentle or simple, so much as to get something for nothing, but instead of encouraging effort, it reduces it.

My solution is to decrease cost of production chiefly by increasing marketing facilities. There are several subsidiary problems involved in this. Two of them are inextricably bound up with each other, viz., cost of living and wages. I put cost of living first, because until food prices come down wages cannot be much reduced. There

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has been a Government Commission on Food Prices sitting for many months. Many witnesses have been examined, many theories advanced, but prices remain the same. The recent fall in the price of cattle has been phenomenal, but the butcher charges no less for meat. Potatoes last winter were barely saleable in the country, but prices in Dublin shops remained the same. The wife of the artisan or labourer finds it no easier to buy food for her family. There can be no doubt there is scandalous profiteering by the retailer, but that is not the only cause. The whole system of marketing is wrong. The foodstuffs pass through too many hands, and too many intermediate profits are made. The producer, the factor, the wholesaler, the lesser wholesaler, the retailer, the consumer. That chain must be shortened. There is practically no such thing as competitive buying from the producer or competitive selling to the consumer. The Dublin shopkeeper finds it pays better to keep up the ring than to advertise cheap wares to gain more customers. One hardly ever sees price lists and advertisements of cheap goods displayed in shops here, and this is particularly true of foodstuffs. All this must be changed. The Government should not have to do it. The remedy is in the hands of the people themselves. But again that strange apathy is apparent. There is no organisation, no united effort. I fear the Government must take it up. I dislike paternal government, but the Irish people are apparently not sufficiently well educated industrially and politically to act without a lead, and time presses. Co-operation would help to solve the food prices difficulty, and would assist the agriculturist, co-operative marketing and co-operative purchasing. If the cost of living could be reduced even to the English standard, the wages difficulty would be more easily solved. The labourer would not have so many arguments against reduction, and we might have a week, or even a month, without a strike.

It would occupy too much space were I to attempt to

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analyse closely the labour question in Ireland. It is sufficient for the purpose of this article to give the results. Wages are much higher in Cork and Dublin than in Belfast, and still higher than in England. Labour disputes are more frequent. The disputes, when they have arisen, are more difficult of adjustment. The consequences on agriculture I have already shown. All other industries are equally affected, and national finance is threatened. By tackling effectively the problems of marketing facilities for farmers, food prices and wages, the Government will increase the true income of everyone. Unless they do this they may find it hard to collect the taxes which must necessarily be levied for many years to pay for the criminal folly of the past two. They will likewise find it impossible to keep up national credit, which is vital at this juncture.

Writing of the necessity for keeping up the national credit naturally leads one to the much canvassed question of a loan. It is undoubted that a loan is necessary to meet immediate requirements. The strain on the Exchequer has been particularly heavy for the last year, and will remain so for at least eighteen months more. It is non-recurrent expenditure. Compensation for pre-truce and post-truce damage, and the expenditure on an army on a war footing cannot, must not, be allowed to recur if the State is to exist. These present charges, however, must be met, and I unhesitatingly say a loan is the only way. There are some who still talk of inflation of currency as a possible alternative, but the example of those countries who have adopted this method is, I think, a sufficient deterrent. A loan it must be, but what sort of loan? Is it to be an internal loan or an external loan? With a guarantee from England or without a guarantee? It is quite probable that before this article is in print these questions will be answered by the issue of the loan itself, and I am accordingly forced into a prophecy which may be proved false before it is uttered, an unfortunate, but truly Irish position. However, having an opinion, one

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may as well voice it. I believe it will be an internal loan and issued without a guarantee from England. I also believe that this is the loan which is most likely to succeed. It would be ruinous for a young Government to admit that it had so little confidence in itself, its adherents, and its future that it dare not float a loan in its own country without having as the ultimate security another country, and particularly the country which was the alleged oppressor of the past. I also believe, contrary, I know, to the usually voiced opinion, that this loan will be largely subscribed for in Ireland. As I said in a previous article,* the pessimist is always the loudest talker here. Anyone with a tale of woe to tell tells it at the top of his voice, and can always command an audience. Those persons who see some good in the Government and have some faith in the country do not talk. They exist, however, and when the time comes will act. To those who do not know Ireland intimately I would like to say: Do not rely on statistics in forming any judgment on her position. For a quarter of a century political writers here have been proving by statistics that if Home Rule came to Ireland she would be better off by sixteen millions a year than she had been under the English. A different school of thought was at the same time proving by statistics to their equal satisfaction that under Home Rule Ireland would be bankrupt in three years. The truth is that there are no reliable figures available. Ireland's true taxable capacity is unknown. Ireland's true wealth is equally unknown. Income tax in the majority of cases was never collected on true incomes. It is as futile for a skilled economist to attempt by a flying visit to this country to arrive at any accurate estimate of Ireland's resources as it is for a politician on a similar visit to gauge the political situation. There will be as many surprises financially as politically. Meanwhile in certain quarters every effort is apparently being made to destroy her credit and render impossible a successful loan. I often wonder

* THE ROUND TABLE, No. 50, March, 1923, p. 259.

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what satisfaction it gives writers persistently to disseminate false reports, and colour every item of news so that it may injure the Free State Government. Would the country be better if the present Government were out of office? Assuredly, no. What is it then? Is it that the dream of the British return still exists? Or is it that Ireland is still being used as a political whip to beat the English Government with? Perhaps it is pure hatred of the country. Whatever the reason the result is disheartening for those living here and trying to carry on amidst many discouragements. Every day I read in some English newspaper of Ireland's impending bankruptcy. That is pure invention. There is trade and agricultural depression, there is financial stringency, but there is no approach to bankruptcy. When the new Land Act was passed which provided for the collection of arrears of rent accrued due since 1920, less 25 per cent., the usual dismal prophecies were made. What is the good of passing an Act? Not a penny will be paid and the Government will not attempt to make them pay. It is common knowledge now that the arrears are being paid, and the Government has announced its intention strictly to enforce payment. It is a sad thing to have to say, but I know men, Irishmen, who are in their hearts sorry that this is so, some of them the very men to whom this rent is due. It is a lamentable feature of our character—our fondness for destructive criticism, and our lack of constructive ability. It is the most hopeful sign about the Government that they are not deflected from any course by the popular clamour of this destructive criticism. The Republican prisoners are a case in point. The Government's attitude for months has been: "You have the keys of your prison in your own hands. Sign a statement that you do not again intend to take up arms against your own country, and you are free. Refuse to sign and stay in gaol." That attitude has been maintained despite the protests of public bodies, the street meetings, the night vigils of Republicans outside the gaols, and the hunger-

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strikes of the prisoners themselves. It has been maintained amidst the silence of those persons who should support the Government policy. It is obviously the correct, the only solution of the prisoner problem. Men who have burned and ravaged a country are at last in custody. It has cost the State many millions to maintain an army to suppress them. The damage they have done to public and private property amounts to many millions more. If they were now to be released unconditionally, to renew their destructive campaign, government and law would be a mockery.

The Judiciary Bill which is at present before the Dail is obviously an attempt to popularise law. It has been stated that it will cheapen procedure, and bring the law to the people's doors. I think it is a bad Bill and fear it will not prove a success. It is always a mistake to introduce a change for the sake of a change, and that appears to be the chief reason for the introduction of this measure. It is also a mistake to remove pomp and panoply from Irish Courts. The Irishman loves trappings, and the formalities of an Assize Court inspired respect. The law may easily be brought too close to the doors of the Irish peasant. One gets too familiar with what one meets at the door, and too much familiarity

No picture of Irish life at the present time would be true were the improvement in the general tone of the people not noted. There is a cheerfulness which did not exist three months ago. People have begun to talk again about the ordinary affairs of life. The gloom has largely gone. Laughter is more frequent. You can see the change in the street, in the theatre, in the home. There is a belief abroad that we will muddle through. Hopeless has changed into hopeful. We all realise that the end is not yet; that dark and anxious days have still to come, but most of us believe that there is an end—somewhere—a distinct advance. A year ago if you stopped your motor-car in a country village the street was instantly deserted. Everyone

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found that he had pressing business indoors. There was an eye at every window, but no one to answer questions. To-day that fear has fled, the glance is more direct, the answer readier. Men will even talk of "the times" to strangers. "They're comical times we're living in, sure enough," was the opening remark a labourer in a County Meath village made to me the other day, and then went on to give me his views on political and labour troubles. Another great improvement is that even the staunchest patriot is now *not* perfectly certain that the Irish are the greatest race in the world. There are doubts even in the densest minds as to whether liberty is all that it was supposed to be. We even stop sometimes to wonder what is liberty. In other words our political education has begun. It was only through tribulation that it ever could begin. As long as we had the Aunt Sally of England to throw things at, we were content to know nothing and believe any clap-trap that was told us. We even thought that we were politicians. Now the realisation is coming that there is more in politics than mere destruction. Having realised that, we may yet reach knowledge and with knowledge peace and prosperity.

THE ECONOMIC AND FINANCIAL CONDITION OF INDIA

I. A GENERAL SURVEY

THE health of an individual may be judged either by reference to his temperature and his appetite or, from another point of view, by the standards which would be applied by the medical officer of a life insurance company. So too the economic condition of India could be described as good or bad according to the progress of the monsoon or, on the other hand, according to the underlying conditions which will be decisive in the long run, whatever temporary windfalls and calamities may intervene. Either method of envisaging the question may be just and useful. In India the balance of a budget can be hopelessly upset, the security of the currency system threatened, and the course of trade reversed by the single factor of a bad monsoon. The whole economic and financial outlook might, therefore, be said to depend in a very real sense upon temporary and rapidly changing conditions that can neither be foreseen nor controlled. But at the same time there is a larger view. In the old days it could be pretended with some justice that in India the seasons alternate with one another but everything else remains substantially the same. To-day there are other and greater unknown factors in the equation which has to be resolved in order to arrive at an estimate of the future. They may be difficult at this stage to assess, and even perhaps to recognise distinctly.

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But they are vast enough to require that any statement of the situation as a whole should not only describe the immediate outlook, more or less in terms of the barometer, but should also take some account of the course which the stars are shaping, and even, perhaps, venture upon hazardous conclusions as to what may be portended by their present conjunctions.

The brutal force of circumstance has, of course, been immensely diminished, and continues to be diminished year by year. Famine, and even pestilence, which used to ravage the helpless countryside with almost cyclical regularity, are beginning to seem almost like terrors of the past, and though India's powers of resistance—as, for example, in the case of the great influenza epidemic—are still relatively lower than those of other countries, she is no longer by any means defenceless against all the visitations of Nature to which she remains subject. There is, consequently, more likelihood than ever before that the country will be able, if it so chooses, to follow an even course of economic progress without violent interruptions or sudden setbacks. But the monsoon remains the bane and blessing of the land. For several months in every year India is on trial for her life, and she seldom escapes without a penalty. Even a good monsoon is usually no more than good on the whole. The season, for example, which is just closing must be reckoned favourable; but whole districts, nevertheless, have been swamped and devastated; railway embankments have been breached so that main line traffic has had to be painfully diverted for weeks at a time; villages have lain under 20 ft. of water, and rivers have risen as much as 70 ft. in as many hours. Relief expeditions, organised with the promptness and generosity which Indians have learned from centuries of exposure to the ruthless and capricious forces which may strike blindly and suddenly at any one of them, have been busy distributing food and clothing to thousands of homeless and destitute refugees. Even a prosperous year in India is not free from

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economic waste and wreckage of this sort on a tremendous, but practically irreducible, scale. Prosperity itself must not be measured by European standards. It starts as soon as the minimum necessary for human existence is exceeded, and it never rises, for the vast majority of the people, above what may be called bare decency as opposed to luxury or even comfort. The first thing to remember about India is that the country is poor, partly because it has to support a population which is pressing so constantly up to the margin of its resources that every adverse circumstance drives back a certain number below the level of subsistence; and partly because the customary standards of life have scarcely changed since history began, so that poverty is patiently accepted not merely as a necessary evil but as a natural state to which no alternative is known or even sought. The poverty of India is not easily measurable, and statistical comparisons with other countries are apt to be deceptive. An attempt was made towards the end of 1922 to investigate the living conditions of the working classes in Bombay, and, for want of any other precise evidence, some of the results may perhaps be fairly quoted in illustration, though they relate only to an urban population which is by no means representative of India as a whole. Of the 3,000 odd families covered by the investigation, 47 per cent. were in debt to moneylenders, to the extent on an average of $2\frac{1}{2}$ months' earnings, and at a rate of interest rising from 1 anna per rupee per mensem, or 75 per cent. per annum. The income of the family in 75 per cent. of the cases ranged between Rs.40 and Rs.70 a month, the custom, in Bombay and elsewhere, being to pay wages monthly, and the average family had 4.2 members, or 4.8 if dependants outside Bombay were included. No less than 97 per cent. of the families lived in one room. Infant mortality among families living in one room tenements (or less) was 828 per 1,000 in 1921. For the whole of Bombay, the number of deaths under one year per thousand births averaged 572 in the five years ended 1922,

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as compared with 95, 80 and 71 in Paris, London and New York respectively during 1921.

But in the last few years India has been suffering less from the disadvantages, incidental and inherent, of her own position than by reaction from the economic and financial catastrophes which have overtaken other countries. There is no occasion, at this date, to hark back to the post-war boom for an explanation of the present depression in trade. The period and the process of readjustment from the unrestrained enthusiasms of 1919-20 are over long ago, and if everything still hangs fire in Rangoon and Madras, and in Calcutta no less than in Bombay, the cause must be sought elsewhere than in the errors of the past or in the local conditions of the moment. At the end of 1922 there were clear signs, in India as elsewhere, that confidence was reviving and only required a little encouragement in order to launch out on a period of renewed activity. All over the world these hopes have been disappointed, and the case of India only differs from the rest in that she has suffered more directly and more intensely, because it is primarily her own immediate customers on the Continent of Europe whose recovery has been prevented.

When orderly and peaceful economic progress once more becomes possible, there is no reason why Indian trade should not reap its full share of the benefit. The adverse balances of 1920-21 and 1921-22 gave place in April 1922 to the natural and normal condition of an excess of visible exports amounting for 1922-23 to 28 lakhs and for the first four months of the current financial year to 22 lakhs. The pre-war distribution of exports as between India's different customers abroad has tended progressively to be restored; and relative commodity prices have been so far adjusted as no longer to offer any obstacle to trade in the raw materials which are India's chief concern.

Moreover, internal conditions—subject always to the mercy of the seasons—are favourable to the maintenance of an effective demand once there is an end to the present

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period of hesitation. The economic position of the villages is as good as it has ever been. Since 1919 they have enjoyed a satisfactory succession of crops, and their purchasing power has been well husbanded throughout the period of high prices. India will not buy at high prices, and internal trade has been restrained since the collapse of the boom by the prospect of still lower levels and by the shocks inflicted upon credit in all its infinite ramifications. The field is clear now for a general improvement, but the initiative, or at least the initial stimulus, must come from outside. Last year (ending March 31, 1923) the total tonnage of goods exported was still 25 per cent. below the average of the three years before the war. When a renewal of foreign demand sets the export trade once again in active motion, the signal will have been given of better times to come.

II. THE INDUSTRIAL MOVEMENT

THE economic condition of India is, and must always be, the economic condition of the peasant and the countryside. But at the same time, India has now been ranked by the League of Nations as one of the seven leading industrial countries of the world, and she certainly aspires to an even higher place. For the present all Indian industries are more or less in the doldrums. The cotton mills in Bombay, the only industry in which Indian ownership and control are of long standing, had a very fair year in 1922-23, but decided nevertheless at the end of July not to distribute the usual bonus to their operatives. jute mills have been uniformly on short time for a long period; and though the huge steel works at Jamshedpur are proceeding with their extensions and their vast projects, they have had to confess in their balance sheet to feeling the pressure of hard times. The coal trade also languishes temporarily and would like to attribute the responsibility

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for reduced output partly to the inadequacy of the railways and partly to the unfair competition of subsidised coal from South Africa. The railways themselves are in a woefully dilapidated condition. The huge profits which they yielded to the Exchequer during the war, at the expense of being overworked and very roughly handled, were not put back into the business, with the result that maintenance and renewals fell desperately into arrear. A five years' capital programme of 150 crores is now in process of execution and the appointment, for the first time, of a Financial Commissioner for Railways has been taken to herald the intention of placing the whole system upon a better business footing.

Some mention must be made of a movement, which attracts all the attention it deserves, to develop an indigenous group of Indian industries, to finance them with Indian capital and man them throughout with Indian personnel. This conscious and deliberate industrialism, comparable in some respects to the attempts made since the war in France to twist the energies of a nation aside from their natural bent, is fostered by motives which are not, for the most part, economic. The evidence given, for example, before the Tariff Board has often made no pretence of seeking economic justification for the formidable protective duties which are advocated in the interest (so-called) of these Indian industries. There can, of course, be no question that the natural resources of the country are capable of a far more intensive development than has been practical hitherto. But it is permissible to doubt whether the best policy, from a business point of view, is to set to work in a hurry or to enlist the support of all sorts of extraneous motives when the only argument that can ultimately be decisive is the simple one of profit and loss.

When trade revives, it will be found that all the traditional Indian industries are in a sound position. They are based either upon monopoly or upon a vast and secure

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demand for the necessities of life. The only things that need concern them are therefore good management and the efficiency of labour. Indian labour naturally presents special problems of its own. When mines are recruited with untrained and untutored huntsmen who arrive at the pit-head with their bows and arrows slung across their backs ; when cotton mill operatives are townsmen only for the time being and are perpetually hankering after their ancestral plot, to which they will return in due season to cultivate the land ; when labour is either in the highest degree migratory and fluid, so that, for example, it can be an accepted practice to send railway men back to their homes on four months' leave without pay, or else confined by custom and heredity within the rigid moulds of caste, so that a water carrier is not a water carrier by choice or for a while, but by descent and for the whole of his natural life, it becomes meaningless to speak of labour in terms of a system which works through negotiations, committees, trade unions and shop stewards. Indian labour is practically unorganised ; it is so abundant that the lavish and extravagant use of labour is habitual and traditional ; it is cheap in the sense that the cost of upkeep per unit is incredibly small, and it is expensive in the sense that it does not easily respond to any stimulus, whether of competition, or high wages and good conditions, or professional pride, or delight in efficiency and finish. It consists, in fact, of human material of an almost uniform grade, tractable within limits and for definite purposes, but not rich in unexpected possibilities, and almost entirely devoid of enterprise and initiative. Whether such material is likely to provide the craftsmen and technicians required for the personal equipment of modern industry on a large scale remains to be seen. What is certain is that the success of the new movement for fostering industrial expansion in India will turn partly on the answer to this question and partly on the ability and willingness of the management, and of the investing public, to take long views

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and practise restraint in the early stages of development. With the example of the jute industry before them, Indian industrialists have not far to look to find the advantages of solid reserves, equalised dividends, and a cautious policy of always providing in anticipation for a rainy day. But the tendency at present is for the public to expect and for the directorate to provide quick returns on an extravagant scale, as if that were the best testimony to the prospects of the future. It would be a pity if the growing habit of investment were to be discouraged at the outset by the natural results of lending money recklessly and impatiently.

III. INVESTMENTS, BANKING, AND CURRENCY

THE habit of saving has been fostered, and has certainly been spreading during and since the war. In a country so vast and so poor, the difficulties are necessarily great, and they are aggravated by the speculative propensities of the people. When the nearest post office may be five or ten miles distant, and when even that may consist of nothing more than a box tied to a tree, it becomes almost ridiculous to think of tapping small savings at the source. But the fact remains that Indian ability and readiness to lend money to the Government is apt, in these days, to exceed all estimates based on past experience. In August of this year, the Punjab Government asked for a crore of rupees, and was immediately offered nearly twice as much. Post Office Savings Banks, which accept deposits of as little as 4 annas at a time, have accumulated something in the neighbourhood of 24 crores, in spite of the fact that they are only opened where there is a police station in which the cash can be put under guard. Net sales of cash-certificates, corresponding to English savings certificates, may amount to perhaps 9 crores (£6 million) by the end of the current financial year. None of these

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figures are formidable, but they constitute at any rate a good beginning.

The recent monthly returns of cash-certificate sales to the public have attracted a good deal of comment and attention. Net receipts from this source averaged about 50 lakhs a month for the first five months of the current financial year, whereas each of the five years since 1917-18 had actually resulted in net disbursements. It is not possible in India, any more than in England, to form a reliable estimate of the extent to which increasing sales represent an expanding circle of investors, or to refute the criticism which is sometimes made that, so far from encouraging thrift and small savings, cash-certificates are merely presenting an opportunity to confirmed investors of turning an honest penny by availing themselves of the unduly generous terms offered by the Government as an inducement to quite a different kind of person. All that can be said is that the figures are imposing, and that since there is, as in England, a limit (Rs.10,000) to every individual's holding, it is certainly not possible that they should go on expanding as at present without the addition of some new recruits to the ranks of the investing public.

Closely allied with the problem of developing the habit of investment and saving in India is the question of extending the use and the supply of banking facilities all over the country. The amalgamation of the Presidency banks three years ago has not yet had time to prove its full value, but gradually a banking system, and perhaps even a central banking system, are being built up in a country which has never been used to the one and which does not yet fully appreciate the uses of the other. Of the 100 branches which the Imperial Bank was required by the terms of its contract to open within the first five years of its existence, about 60 are already at work. Such rapid development is not without its critics. On the one hand, the Bank has undertaken something of a thankless task, for in outlying places there is often little else for it to do at present but

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the expensive and unprofitable business that used to be done by currency chests and Government treasuries, while at the same time the benefits ultimately to be derived from its pioneer work may be expected to accrue for the most part, when banking habits have been acquired at last, to other institutions than the central bank itself. On the other hand, the multiplication of branches by the Imperial Bank has been regarded in some quarters with jealousy and suspicion, for fear that the competition of a huge rival, in a semi-monopolistic position and in close association with the Government, should result in the suppression of the smaller banks which take special pains to serve the interests of the countryside and are able to do business on more elastic terms than the Imperial Bank is allowed to offer.

The fact is perhaps that no very precise conception has yet been formed of the eventual place and function of the Imperial Bank in the fully developed banking system of India. There can be little doubt that its present cast-iron constitution will require in the long run to be enlarged and amended; but for the time being progress, here as elsewhere, is being made by empirical methods, and ultimate aims are neither too precisely defined nor often called in question. The problem will not be solved by slavish imitation of the English model. Mr. Keynes pointed out long ago that the currency system of India is closely analogous to that of Austria-Hungary before the war, and the position of the Imperial Bank is much more likely to correspond eventually to that of the Bank of Austria or the Bank of France than to the unique position of the Bank of England. The immediate task is to combine into a single, organic unit three separate institutions which, in the past, have all had a strong individuality of their own and which, even now that they have been merged together, are still haunted by the memory of ancient rivalries and jealousies. The question of what exactly is to be done after that is one of the many unresolved problems of Indian finance which, if they are not simply to be left to

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resolve themselves along the line of least resistance, should already be engaging close attention.

Meanwhile, banking as an institution—in spite of somewhat discouraging beginnings and of certain recent mishaps—is becoming more firmly established. Though even to-day it is not generally permissible to pay Government dues by cheque, the use of cheques is increasing; the clearing house returns show that Bombay contributed a turnover of 980 crores (£650 million) and Calcutta 858 crores (£570 million) in 1922-23; and Government paper has won popular confidence and favour for its convenience as currency. But the framework of the currency system remains in every essential respect unchanged and still bears all the traces of its long and chequered history. To the layman the intricacies of the different reserves and methods of remittance may well seem unintelligible when even the specialist has to admit that they have often lost all but a purely historical significance. The only way of giving a clear and summary statement of the position is to strip off the technical trappings in order to expose the underlying facts. The active note circulation amounted at the end of August, in round figures, to 141 crores of rupees. Against this liability the Government of India held metallic cover, in reserves earmarked for the purpose, amounting in value to 129 crores, or little short of 90 per cent. of the whole active circulation. Of this amount, approximately 94½ crores were held in silver coin in India, and something more than £24 million (or 36 crores) were held in gold. The remaining cover for the note circulation consisted of Indian Government securities to the value of about 57 crores. The Paper Currency Act adopts 50 per cent. as the standard basis for the metallic cover to be held against the note issue, and the present position is that more than this proportion is held in readiness in the form of silver coin alone. The actual cover is therefore vastly in excess of what is required by law, and palpably in excess

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of what would ever be required in practice or in theory to meet an internal drain.

The maintenance, not only of the internal security of the paper currency, but also of the external value of the rupee, has to be provided for by means of reserves. The external value of the rupee may be threatened from two directions. On the one hand, the balance of international payments on private account may be unfavourable to India, and on the other hand the Government of India is obliged to find large amounts of sterling every year to meet its indebtedness abroad. Normally, there is a very considerable surplus (of exports from India) under the first head, which provides the means for meeting the greater part of the payments due by the Government under the second. But reserves are required to ensure that even if the balance of payments were temporarily against India, private and public liabilities abroad would still be punctually met without involving any severe depreciation of the rupee in terms of international currency. The reserves of international currency held by the Government of India at the end of August amounted to over £80 million, included in this total being balances standing to the credit of the Secretary of State in London, £40 million, in the Gold Standard Reserve, invested for the most part in very short dated British Government securities, and over £24 million in gold coin and bullion in the Paper Currency Reserve. If India ceased to be a creditor on private account, relief would still be given, as at present, to the exchange market against the strain of Government remittances by the raising of sterling loans in London for capital payments incurred in England. But the reserves held by the Government of India are sufficient to secure that, even without availing itself of this first line of defence against depreciation of the rupee, the Government could meet its liabilities abroad for a period of no less than two years.

The strength of the reserve position, whether from the internal or the external point of view, is so striking as to

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suggest that here again there may be one of those unresolved problems of Indian finance to which allusion has already been made. The three outstanding features of the situation are, first, a complicated, and possibly antiquated, technical system; secondly, a strong tradition that it is the function of a reserve to accumulate; and last, but not least, an active interest in the subject in India, critical to the verge of suspicion and not altogether innocent of a primitive or instinctive desire to clutch and hoard the precious metals.

The problem of reserves cannot be dealt with as a whole until a definite policy has been adopted for the stabilisation of the rupee. On the subject of exchange, the official attitude appears to be that, until sterling is at parity with gold, it would be premature to attempt anything in the nature of yet another "permanent" settlement. Commercial opinion, on the other hand, would probably welcome the prospect of putting an end to the present period of instability and uncertainty, which is damaging to the export trade and embarrassing to the Exchange Banks which finance Indian imports. It is true that in the past two years fluctuations have been comparatively narrow; but from the trader's point of view there is a vast difference between an actual and an absolutely assured stability. On the other hand, if a fixed rate of exchange can only be had at the cost of a constantly shifting level of general prices, there will not be many advocates of rupee stabilisation. Prices as a whole have remained consistently more stable in India than almost anywhere else. The general index number of wholesale prices published by the Bombay Labour Office has ranged, since the beginning of 1920, between 230 and 150, the average of 1914 being taken as 100, and but for a practically continuous fall in the price of food grains the extreme variations would not have amounted to as much as 10 per cent. in the past two years. While price levels and currency values are shifting the world over, India is faced with the problem of reconciling

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two incompatible aims. Her present policy is to effect a working compromise which holds them both in view, with a decided preference for relative stability in prices rather than fixity of exchange.

IV. INDIAN FINANCE IN THE PAST

BEFORE passing to the fiscal aspects of the present position in India, it may be well to glance back to the conditions of ten or twenty years ago, which go far towards explaining the difficulties of to-day. Direct taxation, in those days, meant little else than land revenue—there was indeed a "Department of Revenue and Agriculture"—and finance was conceived as consisting simply of the exercise of the most rigid economy, designed to keep the costs of Government permanently within the narrow limits of an inexpansive system of taxation. Land revenue, when it was not definitely fixed for ever, increased only at an average rate of about one per cent. per annum, and an over-cautious Government hesitated to look for new sources of public income. Living from hand to mouth, with a national balance sheet amounting to an almost ridiculously small figure, needing unlimited amounts of new capital for development but scarcely venturing to increase her quite insignificant public debt, India could be compared to the modest household of a wage-earner, innocent of banking accounts and borrowing, and indeed of finance in any other form than the balance year by year of an inadequate income against a niggardly expenditure.

The facts are best illustrated by a few representative figures. The aggregate revenue for the year 1914-15, Imperial and Provincial, was estimated in the Budget Statement at a little over £85 million. Rather more than a quarter of this aggregate was contributed by land revenue. Customs and Excise accounted for £16 million more, and the railway receipts amounted to £17 million. The

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balance of some £30 million, of which £13½ million were required to meet interest and miscellaneous charges, was a congeries of small amounts such as Salt 3½, Stamps 5½, Posts and Telegraphs 3½, and Irrigation £4½ million. On the expenditure side, something more than £20 million went to military expenditure. Interest on public debt cost less than £10 million, police cost 5, education 4, and medical services a little under £2 million.

Moreover, the central administration of finance was in the hands of officials who had no abiding place in the central Government, and still less in the Finance Department. Their lives had been given to the task of personal rule in the provinces, to which after a year or two at headquarters they would very often return. One example will suffice to show both the extent to which a cheese-paring economy had restricted the growth of the administration and the rôle assigned to finance in the system of government. Until October 1, 1913, a single officer, with the title of Comptroller and Auditor-General, was responsible not merely for both audit and accounts throughout India, but was also responsible for coinage, paper currency, internal remittance, and ways and means operations generally.

In the interval, there has been not only the war, but the Reforms. Prices have been doubled, and the whole delicate mechanism of equivalents has been upset on which the fiscal system of the country depended. At the same time a singularly concentrated and centralised organisation has been recast into semi-federal form, and the development of representative government has naturally given rise to a whole host of insistent demands for fresh expenditure. Interests which until now had been reconciled and balanced against one another by authority, according to the limits imposed by the painfully narrow resources of the country, now clamour separately for recognition, without much regard to the security of the financial system as a whole. For meeting such new conditions the established and

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traditional fiscal system was hopelessly inadequate. The customs tariff has been formidably increased, income tax has been transformed beyond all recognition and collected with unaccustomed ruthlessness, but five successive budgets of the central Government ended none the less in a deficit, and resulted in the accumulation of 100 crores of inflationary debt. The Provinces found themselves, on the whole, even worse off. They failed habitually to make both ends meet, and they were as much at a loss as the Government of India to devise and apply new methods of expanding the revenues assigned to them.

To meet this situation a Finance Member of exceptionally wide experience, and of established reputation, has been recruited from the home Treasury. It is still too early to say what results Sir Basil Blackett will be able to achieve. The equilibrium of the central Budget, established in paper estimates, has yet to be realised in actual fact. The raising of the salt tax, by which a balance was to be attained this year, is due to come under review before a newly elected, and possibly recalcitrant, Assembly next March. The natural eagerness of the Provinces to get rid of their contributions to the central exchequer adds yet another element of difficulty and insecurity, and sectional interests are vehemently pressing for a revision of the tariff which must have incalculable consequences. On the other hand, sound principles of national finance have been emphatically vindicated, and their authority, if not always readily accepted, is at any rate more generally acknowledged. From the point of view of Government finance, the situation as a whole is still indeterminate, but need not be called unsatisfactory.

For the current financial year the Budget of the Central Government balances at £136 million* in round figures. Public expenditure has therefore increased roughly in pro-

* The figures are given in sterling at Rs. 15 to the £, to facilitate comparison with the pre-war figures already quoted. But it must be remembered that those figures include Provincial items.

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portion to the general rise of prices since before the war. Income tax contributes £13 million, Customs £30 million, Salt £8 million, Posts and Telegraphs about £1 million net, as compared with half-a-million in 1914-15, and the Railways, which had been run at a loss, are thought to be good for a small surplus. On the expenditure side, military services cost about £43 million, and interest on debt absorbs £26 million. Since March 31, 1914, the rupee debt of India has risen from 146 to 421 crores, and the sterling debt from £177 to £240 million.

V. FUTURE PROSPECTS

IF one looks further into the future, it becomes necessary to take account of more than the purely financial aspect. In India it is even less possible than elsewhere to dissociate financial and economic from political considerations. Opposition to military expenditure, captious criticism of the placing of orders for stores and equipment in England, jealous suspicion of anything which savours of Imperial preference, anxiety to transfer to India the reserves on which the maintenance of the external value of the currency depends—these are but a few trivial examples of a general disposition to introduce and to impute extraneous motives in questions which could be settled on purely technical grounds. The difficulty of securing consistent, independent and technically efficient administration is all the greater because the highest permanent officials are required also to be politicians. Moreover, in India the public services are public in every sense of the word instead of being protected against prying intrusion by a veil of anonymity behind which they can work in the detached, impersonal spirit that is the peculiar characteristic of English administration. It is not altogether fantastic to see in this confusion of political with technical motives and personnel a very serious threat to the prospect of financial and economic development on sound

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lines. But that is only one aspect of a greater possible danger. The British system of government both at home and abroad has always proceeded from the conviction that material prosperity should be, if not the dominant, yet at any rate one of the paramount considerations, and economic arguments have consequently been allowed their full weight in determining the course of general policy. But in India control is being handed over to a people who have no such instinctive or acquired conviction. Considerations of advantages are consciously and deliberately subordinated to other motives, personal, racial, religious and sentimental. Whatever may be the social and moral benefits likely to attend the policy dictated by such a temperament, it is by no means clear that the material results may not be disastrous. For the present, the single-minded devotion of the services will continue to enforce a proper respect for the arithmetic of profit and loss. But it may be that eventually a more serious threat to the economic progress of the country than the remote possibility of Mohammedans and Hindus combining to overthrow the British raj is the fact that the control of affairs is passing out of the hands of men who, coming from the bitter North, have enterprise and initiative and a fundamental belief that the good things of this world are worth toiling for.

The economic problems of the future also have their constitutional aspects. Experience is revealing the fact that the Reforms offer no ready-made solution of the many financial difficulties to which they give rise. The relations of the Government of India to the Provincial Governments are in process of being gradually revised to meet the practical necessities of each new situation as it occurs, but this does not make good the lack of any clearly thought-out and consistent scheme of financial control. So far as the Provinces are concerned, some sort of federal system is no doubt the solution, but federal finance is a complicated subject, and it will not be an easy task to find what are the arrangements best suited to the particular conditions of

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India. At present the problem has scarcely been approached. Central and Provincial Governments are carrying on for the time being under the terms of the Meston Award, whose chief merit, according to its advocates, is that it is so fair as to be satisfactory to nobody concerned. There can be little doubt that it will have to be reopened, and the occasion for doing so may arise in connection with the proposed general inquiry into taxation, or possibly when an attempt is seriously made to abolish Provincial contributions.

No summary of economic conditions in India would be complete without some reference to the financial conditions of the Services. There was a time when the Indian Civil Service was sufficiently well paid to be attractive, for that reason alone, to men whose qualifications entitled them to pick and choose. It is scarcely too much to say that present conditions offer such poor material prospects as to make the Service, on that ground alone, unacceptable as a career to anyone who is in a position to select from a wide variety of alternatives. A pension of £1,000 a year after 25 years' service, and an annuity of £300 a year to his widow from the Provident Fund to which every civil servant compulsorily subscribes do not, in these days, represent the prospect of comfort in the event of survival, or security for dependants in the event of death. Nor is there any hope of supplementing this provision to any important extent by savings out of income. From top to bottom, with the exception of a very few posts which no one can count on ever reaching and which are generally only held for a few years, the Service is underpaid. What standards it is reasonable to apply and what comparisons can fairly be made are questions on which it is possible to hold different opinions. But the inadequacy of present pay is such as to interfere seriously in every grade with efficiency and with devotion to duty. Disinterested and selfless service can no longer be rendered by men who find themselves unable to afford the companionship of their wives or to provide for

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the education of their children; when the difficulty of making both ends meet is pressing and constant, personal advancement becomes an obsession as offering the only prospect of escape from financial embarrassment, and the service suffers from being divided against itself by innumerable jealousies. It has been said to be impossible to sleep in Simla on account of the noise of the grinding of the axes; but the axes would need no grinding if they were sharp enough. The whole subject is now in process of being investigated by a Royal Commission. It is to be hoped that their findings will be based upon a recognition of the fact that no country, and least of all a poor country, can afford to do without an efficient administration, and that no administration can be trusted to serve the public interest if it is to be subjected all the time to the harassing cares and distractions of poverty. The personal deficits of civil servants may in the long run be as dangerous to the financial prospects of India as the public deficits of the Provinces or the Central Government.

UNITED KINGDOM

I. CURRENT POLITICS

AUGUST, September and October are generally the quietest of political months, and until October 25 this year was no exception to the rule. The stagnant waters have, however, now been disturbed, and much may happen in the course of the next few weeks, and even before these words appear in print. But, so far as the past is concerned, the chief fact which emerged was the diminution in the popularity and authority of Mr. Baldwin and his Cabinet. Great sympathy was felt for his difficulties when, as a comparatively untried man, he was so suddenly called upon to become Prime Minister. And, indeed, there was more than sympathy. Wherever he was known he was liked. The reaction from Mr. Lloyd George was still in full swing: and Mr. Baldwin, like Mr. Bonar Law, was felt to be a plain man, simple and sincere, which was exactly what the country desired. So that he inherited all the confidence which had been felt in Mr. Law.

At first all went well. The session ran smoothly and closed early. The Budget was generally popular, and the housing question, which had been so fatal to the first months of the Conservative Ministry, was settled by Mr. Neville Chamberlain with something like general approval. But there began to be an increasing sense that the Ministry either had no definite policy about the French occupation of the Ruhr, or that, if it had, its policy was simply set aside by France. This situation, with the appearance of impotence it presented, provoked three powerful sections

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of opinion. The humanitarians and idealists, who are to be found in all parties, were indignant at the reports, which became daily worse, of the bullying, and worse than bullying, practised by the French in the territories they had occupied, and of the deplorable conditions of life to which the German population was in consequence being reduced. Another section of opinion, generally opposed to this, was irritated in its national pride, and even in its self-respect, by the spectacle of our ally's entire indifference to our attitude and protests. They felt that we had saved France from destruction only to be treated with ingratitude and insolence. We seemed to them to have returned to the position of sixty years ago: France appeared as indifferent to our remonstrances about the Ruhr and the Rhineland as Prussia had been about Schleswig and Denmark. A third body of opinion, perhaps the weightiest of all, believed that French policy in Germany was destroying the trade recovery of which there had been some signs, and increasing the already alarming figures of the British unemployed. All these sections were critical of the Government's apparent inactivity. And Mr. Baldwin's position was made still more difficult by the fact that there was also a very active and, so far as the Press and the Conservative party machine goes, very influential section which wanted him to follow France blindly wherever she went. This group was, indeed, not only weak intellectually, but certainly far from strong numerically. But it is never pleasant for a leader to find parts of his own machine and of his own Press more or less openly disapproving his policy.

This last fact is rather significant than important. Neither machines nor even newspapers are of much account against a great personality. Chamberlain utterly routed his rebellious Birmingham machine in 1886; Mr. Lloyd George left the Liberal machine nowhere in 1918; and Lord Salisbury, confronted on a certain occasion with a National Union resolution in favour of Protection, took absolutely no notice of it beyond a passing remark on the

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folly of those who applied "obsolete remedies to imaginary evils." These statesmen may have been right or wrong, but the point is that they found no difficulty in brushing their machine out of their way. But they were all men of commanding personality. That is just what Mr. Baldwin has not yet shown himself to be. A Press and a machine which would not have dared to oppose a Salisbury or a Chamberlain may believe itself able to take liberties with Mr. Baldwin. It is for him to show that they cannot. So far he does not seem to have done so. Perhaps he has scarcely recovered from his initial failure to carry out his known intention of broadening the basis of his Ministry, and from the suggestion conveyed by that episode that he was afraid of the pistols of the Die-hards. It is certain that if he allows his Ministry to fall under the control of this extreme section of his party he will fall whenever a General Election comes. High Toryism may be wise or foolish, but it is certainly not the attitude of more than a small fraction of the British electorate, and the Conservative party which will always include it can never afford to be identified with it.

Whether the pronouncements of the Prime Minister at Plymouth and Swansea and Manchester commit him still further into the hands of that section is at the moment of writing still uncertain. With the merits of Protection and Preference this article is not concerned, but it may be well to say a word about the effect of the speeches on the political situation. Few speeches have been more discussed beforehand, one may almost say advertised, than Mr. Baldwin's at Plymouth on October 25. But it cannot be denied that it was rather a disappointment. There was a doubt as to what Mr. Baldwin meant by what he said about Protection, and those who praised him, praised him for different reasons. The part of the speech dealing with the alleged inaction of the Government in connection with the Franco-German problem* was somewhat more success-

* This problem is dealt with in a separate article. See p. 13.

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ful. It showed that the Government was acting and had hopes of the very important co-operation of the United States being secured. But even there the speech was a confession that little or nothing had been done during the two eventful months that followed the rising of Parliament. People were not blind to the difficulties of the Government, but the situation in the Ruhr had gone from bad to worse as the direct result of a policy of which we had always disapproved. There is unquestionably a feeling that Europe had badly needed saving, had looked to England, but had not been saved.

The Plymouth speech, too, left a certain confusion. Protection was apparently wanted, among other things, to keep out the German exports in which reparations would have to be paid. Are we, then, people asked, after struggling for four years to get them, to build a wall against results as soon as they begin to appear? It reminded them of our own criticisms of America's tariff policy.

It was, indeed, the announcement of a policy of Protection at Plymouth, Swansea and Manchester which affected the political situation. Apart from the economic issue, which is dealt with elsewhere, there are three political questions which everybody asks about it: Does it mean an early General Election? Will it split the Conservative party? Four members of the Cabinet itself—the Duke of Devonshire, Lord Derby, Lord Salisbury and Lord Robert Cecil—have always been credited with Free Trade views. Lastly, will the Prime Minister's announcement reunite the Liberal party and perhaps the Labour party into a single Opposition? It is not yet possible to give a complete or confident answer to any of these questions. But a few things may be said. It is obvious that such an issue as Protection and Free Trade, affecting as it does every voter, either as producer or consumer, notwithstanding the need of preliminary investigation, will not be long left in suspense.* The effect on trade of the political uncer-

* It has now been decided that the Election is to be on December 6.

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tainty inevitably produced by the possibility either of a change in our whole fiscal policy or of a change of Government will certainly be pleaded in favour of haste. From a tactical and party standpoint, too, there are also arguments for it. A month ago no party expected an early appeal to the country, but the Conservative party is less unprepared for one than any other party. In particular the Labour party is believed to have very little money; and though it did better in the municipal elections this year than last, when it was completely routed, there is no sign either here or in the by-elections of its making any great progress in the country in spite of the unemployment which gives it an opportunity such as may never recur. Besides, on such an issue delay is more likely to tell in favour of the Opposition than of those who have brought it forward. These considerations will probably prove decisive in favour of an early election.

As to the effect of Mr. Baldwin's proposals upon the solidarity of the Conservative party, a disastrous split may be less likely than twenty years ago. The situation since the war, and recollections of our experiences in it and the danger of complete dependence in certain fields, have no doubt had an effect upon the attitude of Conservative Free Traders, though many of the causes which to-day prevent the recovery of our trade are clearly of a transitory nature. Since the war, too, greater weight has inevitably and rightly been given to the desires of the Dominions. And there is another thing. Twenty years ago the Opposition was a Liberal party which was ready, in return for Unionist support, to postpone Home Rule if returned to power. Its attitude was critical and negative, like that of all wise Oppositions, and Conservative Free Traders, free of the fear of Home Rule, were inclined to think it would have little power and do little harm: certainly none to be compared with the introduction of Protection. But to-day there is the fear of something very different from this. There is the programme of the largest of the three present

Oppositions, the Labour party, with its revolutionary proposals. Nevertheless the solidarity of the Conservative party has undoubtedly been jeopardised. The fear of a Labour Government and the weakness of Liberalism gave Mr. Baldwin a safe majority, and one often hears people ask what induced him to risk it. Free Trade convictions may have been modified, but they are not dead even in the Conservative party.* Those who hold them are, no doubt, waiting to see how far Mr. Baldwin proposes to go and whether a Labour Government will still remain the only alternative, and a great body of neutral opinion in the country is doing the same. If the Liberal party recovers, the whole situation will be altered.

This brings us to the third of our questions. What will be the effect of Mr. Baldwin's new policy upon the two sections of the Liberal party? Is there any chance of its even producing a fusion of Labour and Liberalism? With regard to the second half of the question, a concordat between Labour and the Liberals is not impossible, but as things stand at present it is most unlikely. This has already been made plain by their own representatives. Mr. Ramsay MacDonald and other Labour leaders have left no doubt that their programme is still the capital levy and State action. If Liberalism stands for anything, it stands for the opposite principle of individualism, and to Mr. Asquith the chief Labour planks and Protection are equally obnoxious. Labour itself is hampered by the mere fact of having a detailed programme as well as by its revolutionary character. If it had confined itself to attacking the Government, which inevitably provides every week a larger target for the arrows of criticism, it would have done better. As it is, it has thrown away the natural advantage of an Opposition and set up a very large target for the Conservative and Liberal sharpshooters to riddle. Its chances of winning the Election have not been improved by the Prime Minister's

*A Unionist newspaper, the *Glasgow Herald*, has already protested against its party being launched upon such an enterprise as Protection.

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proposals. It is even possible that the policy of Protection, which is akin, in principle, to Socialism and trades unionism, may attract a certain number of working-class votes. Liberalism, on the other hand, has certainly everything to gain from Mr. Baldwin's new departure. The fear of Labour and Socialism, and the extreme weakness exhibited by Liberalism at nearly all the elections—as recently again in the municipal elections which have just taken place—have of late tended to drive people who would otherwise find a home in the Liberal party to the Conservative fold, as the only safe refuge against the Labour programme. And that process may go farther yet. Possibly the English Liberal party, like those of several Continental countries which were so powerful fifty and even thirty years ago, will ultimately be swallowed up between Conservatism and Socialism. But the revival of the Protectionist policy, awakening, as it must, memories of the prodigious triumph of 1906, comes in the nick of time to postpone if not to avert such a doom. It gives the party the thing it has been dying for want of, a real war cry. Mr. Asquith, too, is particularly at home in this field and is already known to be in higher spirits than he has been since 1918. He could make fiscal speeches in his sleep and will certainly be much more in evidence in an election which turns on this issue than in one dealing with social problems. And he is not likely to lack support. Mr. Lloyd George lost most of his prestige in this country during the months that followed the collapse of the Coalition, but during the last few weeks he has recovered ground by his efforts in America in the cause of the restoration of Europe. Rumour had at one time been busily asserting that his intention was to come out as a Protectionist on his return to England, but after his declaration at Manchester last April he can hardly fail to become a champion of Free Trade. And the fusion of the two Liberal parties, so vainly attempted by busybodies at political luncheons in the summer, will now be brought about in the only possible way—that is, by the

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compulsion of a great opportunity and a great issue. Mr. Lloyd George will no doubt be quite willing to serve under Mr. Asquith. In any Ministry of which he was a member he would be the most powerful man, whatever office he held. The position of his chief lieutenant, Mr. Churchill, arouses great curiosity. There seemed at one time to be a prospect of his return to the Conservative party, but the fiscal issue is the very subject on which he left the party twenty years ago; and it seems certain that Protection will drive him back into Liberalism. If so, his well-known hostility to Socialism, which has been even more vigorously expressed than that of Mr. Asquith and Mr. Lloyd George, increases the probability that the Liberal campaign will be one of Liberalism pure and simple, equally vigorous in its assault upon Socialism on the one hand and upon Protection on the other. What the chances of such a campaign may be it is difficult to estimate. The party—both wings of it—has been in very low water for some time. But it includes all the best speakers in the country except, perhaps, Lord Birkenhead and Lord Curzon. And a clear fight on a clear issue, with the strong traditional feeling about Free Trade to back it, and such men as Mr. Lloyd George, Mr. Asquith, Mr. Churchill and Sir Alfred Mond to put the case before the electorate, may have surprising results. The business of prophesying how General Elections will turn out was always doubtful and difficult, and is now dangerous to the verge of impossibility. In the case of certain sections of the community we have something to go on. Thus the attitude of Agriculture, at present out of humour at the announcement that wheat and meat are not to be taxed, will depend upon what Mr. Baldwin can do for it, a question that is under consideration. There are, again, great industrial districts whose traditions connect their interests with Free Trade. But, generally speaking, all that can be said of the man in the street is that the new proposals have attracted his attention more certainly than his support. There is, too, since the old Tariff Reform

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days, a new electorate with women's franchise. A very large proportion of the votes will for the first time be exercised on the issue of Protection against Free Trade. No inference of much value can in any case be drawn from the last general election, in which, although the Conservatives won a majority of seats, they did not poll a majority of votes. If, however, we had to prophesy we should confess to a fear that no party would obtain a clear majority.

With three equal parties there might be surprising developments in the way of combination. Two of the parties, it must be remembered, are for Free Trade.

This possible prospect brings home to us the extent to which our old parliamentary system, which depended upon the existence of two predominant parties, has been altered by the rise of Labour. Desirable though the revival of the old Liberal party seems, even to many who are not Liberals, one of its results may well be that after the coming elections we shall find ourselves, in spite of our dislike of coalitions, committed to a system of government by groups, just as the result of the Labour party becoming H.M. Opposition after the last general election was to give an undue security to the Government in office because people were afraid of turning it out to put a party with so extreme a platform in its place.

II. MR. BONAR LAW

THE death of Mr. Bonar Law is not exactly a political event, for it had been known for some time that he would never be able to return to active political life. But it has aroused great sympathy and regret. He was everywhere liked and trusted, and his perfect straightforwardness and disinterested desire to serve his country were universally recognised. The fact that he was an altogether plainer man than most of his predecessors in his great office had, no doubt, its disadvantages. But it certainly had some-

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thing to do with the confidence felt in him. No one could claim for him the commanding qualities of one kind or another by which Disraeli and Gladstone, Lord Salisbury and Mr. Lloyd George, dominated their own country and filled a great space in the mind of the world. But Bonar Law's modesty and simplicity, coupled with a very remarkable power of debate, gave him a command of the House of Commons such as greater men never had, and served him very well, a year ago, even in the country, where he never was so powerful as in the House, by their complete contrast to those qualities in Mr. Lloyd George against which the reaction was then at its height.

So the funeral in the Abbey, with the Prince of Wales as chief pall-bearer, was in accordance with the general feeling. And many who were there must have felt that the presence of the Prime Ministers of the Dominions was no mere accident. It was the first funeral of a Prime Minister who had held his post under the new system of Imperial relations. Bonar Law had not been, and had not claimed to be, more than *primus inter pares*; and it was a fortunate, but also, as it seemed, a natural thing, that his peers from all parts of the Empire should have their part in honouring one who was not only the first English Prime Minister from outside these islands, but also the first who died after the great Dominions had been admitted to equal status with the old country to which most of them owed their birth, and which now proudly recognised their arrival at the full growth of political manhood.

III. UNEMPLOYMENT

IN the shipbuilding trade the dispute with the Boiler-makers about overtime and night shift drags wearily on. It is both difficult to settle and peculiarly harmful in its results. It is difficult to settle because essentially it is a dispute, not between employers and workpeople, but

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between two labour organisations, or rather between one big federation and one of the unions which it includes ; and therefore the ordinary machinery of conciliation is scarcely applicable. It is especially harmful because many work-people belonging to other unions are seriously affected by the stoppage. It is, of course, obvious that if all the riveters in a shipyard come out, sooner or later work in that yard must stop, and a very large number of people who are not directly interested in the dispute must be thrown out of work. Negotiations are proceeding between the Boilermakers and the General Council of the Trades Union Congress, but it is difficult to see how a settlement can be reached unless the former consent to honour the agreement fixing the terms on which overtime and night-shift work should be done which was accepted on their behalf by the Federation of Shipbuilding and Engineering Trades.

Unemployment continues to be the most urgent problem that confronts the country. It is true that the figures are lower by 80,000 than they were at this time last year ; but the figures by themselves do not adequately represent the situation. We are entering on the fourth winter of acute industrial depression, and apart from the seasonal unemployment which always occurs during the winter months, the coming period threatens to prove one of unusually severe distress throughout the country. During the last three years of bad trade both parties in industry have been living on their reserves. Employers in a great many instances have been keeping their works open and accepting contracts at a price below the cost of production in order to maintain their organisations ; while work-people on short time or out of employment have been driven to supplement their diminished wages or the so-called dole with contributions from the funds of their unions or by drawing upon any savings they may have accumulated during the war and the " boom " period which followed it. But there is a limit to the reserves both of

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employers and employed. Many big firms have already closed down the whole or portions of their works, many others are wondering whether it will not be necessary for them to do the same, and all are feeling the exceptional financial strain. On the other side, the funds of even the strongest unions have been gravely depleted, while a man's savings will not last him very long when he has no work, a wife and family to support, and nothing but periodical payments from the Unemployment Insurance Fund on which to support them. Thus, although the figures of unemployment may be lower to-day than they were a year ago, the stamina of industry is also lower.

Nor is there much ground for optimism so far as concerns the immediate future. At the beginning of this year there was a general feeling abroad that the turn had been reached and that the worst was past. Trade figures were going up, unemployment figures were going down—and then the French marched into the Ruhr. In fact, since May, unemployment, so far from declining, has shown a slight rise : during the week ending May 14 it stood at 1,168,521, while during the week ending October 29 it was 1,255,996.

That, of course, is the gloomier aspect, which is so constantly before the public eye that there is a tendency to ignore the existence of any other side. For instance, while it is both true and tragic that there are 1,256,000 men out of work, it is sometimes forgotten that there are over ten million actually employed in Great Britain to-day, and that the problem, serious though it unquestionably is, is pressing with its full weight upon little more than 10 per cent. of the industrial population of the country. Again, if the dimensions of the problem are now greater than they were before the war, the resources of the State are better organised for dealing with it ; while the Government has frankly recognised that unemployment is the most important internal question of the day, and that to cope with it, so far as lies in their power, is their paramount obligation. The chief necessity during the ensuing winter

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is to ensure the men who are out of work and their families against actual starvation, to mitigate as much as possible their privations, and to prevent their future industrial efficiency and earning capacity from being undermined.

For the achievement of these objects the greater part of the burden of simple relief must continue to be borne by the Unemployment Insurance Fund; and it is at least satisfactory to find that although in March of this year the Fund was in debt to the State to the extent of £17,000,000, and although the conditions which created that debt have registered very little improvement, it has since that date been reduced to £13,000,000. While this reduction may be attributed in part to the small decrease in unemployment which has taken place, a number of other circumstances, such as the higher rates of contribution introduced, has also affected the figure.

There has been in some quarters a disposition to criticise the special periods which have been created, by means of which insured persons have been enabled to continue drawing on the fund when they have ceased to have any contributions to their credit. But while these departures from the strictly actuarial basis of the scheme may be regretted, it is difficult to avoid the conclusion that they are necessary. The men and their families cannot be allowed to starve, and there is more than one good reason why it is better for them to be supported out of the Insurance Fund than by the Poor Law. The resources at the disposal of the Guardians are likely in any case to be subjected to a severe strain in bridging the "gaps" during which the payment of Insurance money is suspended; by throwing additional responsibilities upon them, an undue burden would be placed on the localities where unemployment is most severe, and where in consequence the local finances are most embarrassed. Moreover, there is something to be said for the point of view that relief given by the Guardians is nothing but relief, whereas relief in the form of insurance payments can be set against the future

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contributions of the insured, when trade improves and they are back at work again.

The Unemployment Insurance Scheme can be relied upon to mitigate some of the worst results of trade depression; but it can do no more than that. To restore the ruined markets of Europe may be beyond the Government's power, but public opinion expects from it something more than a policy of mere relief. Accordingly, early in October the Minister of Labour, and subsequently the Prime Minister, outlined an extensive programme for the winter. The greater and more important part of the schemes comprised in this programme do not come under the category of ordinary relief; they aim rather at stirring into fresh circulation the waters of trade which at present lie stagnant in their channels; or, to use a medical metaphor, they are intended as a tonic and not as a sedative.

While the public has been told that the amount involved in the Government's programme is fifty million pounds, the mention of a sum of this kind is necessarily a little misleading. The schemes in preparation or already in being vary considerably in character, and though some necessitate actual and immediate expenditure, others merely take the form of guarantees.

The first and most important items on the programme may be termed trade recovery schemes. Apart from the acceleration of work on all Government contracts and the continued arrangement of export credits—in the rather rare cases where the provision of Government security may make the difference between business and no business—it is proposed to assist various big enterprises to carry out capital work of a productive character which they would otherwise be prevented by adverse financial conditions from putting in hand during the present depression of trade. This assistance may take the form of guaranteeing the principal and interest on loans raised for approved purposes, so that the company assisted may be enabled to borrow on more favourable terms than it could obtain in the open

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market; nor, we understand, is the same measure of security required. For example, the London Electric Railways Company is raising a further six million pounds for the new Golder's Green and Central London extensions. By using the credit of the Government it can borrow at a rate of about $4\frac{3}{4}$ per cent., which is probably less than the rate which it could obtain on its own unsupported credit. On so big a sum the difference may well be appreciable. Still more valuable is the Government offer to the Southern Railway for the new electrification scheme on the South Eastern section. In order to carry out this development a sum of £5,600,000 is required, and the terms on which this capital could be raised upon the unsupported credit of the railway company might hold up the work for the present. But, again, by borrowing at the Government rate the company is enabled to start operations at once. On arrangements of this kind, the capital cost of which is all included in the fifty million pounds, no actual outlay of public money is involved or is ever likely to be involved. The Government, in lending its credit to certain undertakings of unquestionable soundness, is merely discounting an optimistic anticipation of trade.

The other schemes included in the programme do involve actual expenditure. They vary greatly in character. For instance, the Government will undertake to pay for fifteen years 65 per cent. of the interest and sinking fund charges on loans raised by local authorities to finance enterprises of a non-revenue-producing character. These cover projects of a kind which would otherwise only be undertaken under more favourable conditions of trade, and the assistance of the Government, equivalent as it is to a contribution of about $37\frac{1}{2}$ per cent. of the capital cost, is intended to induce local authorities to anticipate their future programmes. The Government will also help local bodies and public utility companies on loans for revenue-producing purposes raised for periods of not less than ten years. In these cases the assistance will take the form of paying

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50 per cent. of the interest only on such loans for fifteen years or for the duration of the loan, whichever period is the less. Such assistance is generally subject to the condition that serious unemployment in the locality concerned must have been certified by the Ministry of Labour, and that local labour is employed in the work. On the other hand, the scheme provides for the extension of its facilities to places such as popular seaside resorts, where there is comparatively little unemployment, but where work, involving orders in depressed industries, can be done. Under these headings £20,000,000 of work will be financed by the Government through the Unemployment Grants Committee. Further employment is to be found by accelerating the construction of new roads. The road programme which was prepared in 1920 was designed to be spread over a number of years, and work on this is still proceeding. But, in addition, it is proposed to spend a further £14,000,000 on a supplementary programme, which will cover, among other items, the construction of a number of ferro-concrete and steel bridges.

The general scope of the Government policy for promoting employment during the winter is sufficiently indicated by the examples which have been given. There are, of course, always certain dangers attached to a big programme of this kind. There is the danger that the problem may be approached from the wrong side—that people will not ask themselves, "What schemes are really necessary and desirable and deserving of support?" but will say, "We have got to spend a large sum of money on unemployment during the winter. How shall we spend it?" There is the danger that work will be hastily planned and wastefully executed in the assurance that Government money is supporting the enterprise; that schemes may be put forward and may obtain support which are subsequently discovered to be superfluous or even mischievous; that expenditure may be concentrated in such a way as to benefit certain classes of labour only; or that some of the work

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which is receiving State assistance may on one pretext or another be delayed and not started until the winter is over. There is no reason, however, why these pitfalls should not be avoided, and the public has been assured that every scheme arranged or contemplated is subjected to the closest scrutiny by the Unemployment Grants Committee. The policy at least shows a marked advance on what may be termed pre-war conceptions of relief. To plant trees in the remoter parts of the Highlands, to repair the ravages of coast erosion, or even, as has been seriously suggested, to reclaim the Goodwin Sands, may or may not be desirable objects in themselves, but money spent on them would be unproductive, at any rate for a good many years to come, and would not materially benefit the industrial population.

The new programme of the Government certainly strikes deeper at the problem. Its aim is not to create work for the sake of expenditure, but to assist commercial corporations and local authorities to anticipate development and other schemes which under ordinary circumstances would not be undertaken until trade was more prosperous ; and thereby to increase the purchasing power of wage-earners throughout the country. One important result arises out of such a policy. The relief of the skilled man has always been a most difficult question. Before the war he was, as a rule, either neglected or employed on unskilled work, an undesirable and uneconomic arrangement. Throughout the present depression the skilled and semi-skilled men have been hit particularly hard, and therefore merit particular consideration. Thus it may be hoped that by persuading the railway companies and municipalities to accelerate their contracts, and to initiate new capital undertakings such as the Underground extensions or the South Eastern electrification or the Bournemouth tramways, a great deal of work will be created in the more skilled trades.

The whole policy, of course, depends on the eventual return of British trade to something approaching its old

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prosperity. The Government, the municipal bodies and the big firms are all staking on this, and are bound to do so. After all, the gamble is legitimate. If and when trade recovers they win ; if it does not recover, their extra commitments will be a trivial item in the national bankruptcy.

CANADA

I. THE ATTITUDE TO THE IMPERIAL CONFERENCE

A REVIEW of the politics of the British Commonwealth cannot ignore an event on which the interest of the Commonwealth is focussed. But this is written as the Imperial Conference commences its deliberations, and though they will probably be concluded before it is published, comment upon the accomplishments must necessarily be postponed. The only aspects that can now be discussed are anticipatory; but as the public and official attitude to the Conference will profoundly affect the results, some outline of it may not be valueless as a background to subsequent judgment.

To place this year's meeting in perspective it is necessary to recall the popular attitude to the Conferences which were held before the war. In Canada they were then not widely regarded as very serious political events, but rather as displays of the solidarity of Imperial sentiment, and sometimes as the occasions for junketing trips by ambitious minor statesmen. The war altered this attitude; but the identity of aim and continuity of co-operation between the member States of the Commonwealth until the treaties of peace were signed has had two results, which at first sight may seem contradictory. When the strain was relaxed there arose a tendency to regard close co-operation as less important than it had been while the common danger persisted; on the other hand, periodic meetings of His

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Majesty's Ministers from all parts of the Commonwealth have now become seriously recognised as a normal and necessary feature of its machinery of government. But both public opinion and the Government have been faltering exponents of either the vaguely felt responsibilities of national self-consciousness or the hereditary instinct of Britannic unity.

When a single public issue and an almost unanimous popular aim are the dominating factors of politics, obviously it is easier to elucidate and carry out policy than when issues are many and confused and the public mind is divided and imperfectly informed. But without minimising the difficulties of the problems with which the Imperial Conference is faced, it may be said that Canadian political leaders have shown a disposition to ignore the existence of these problems rather than to attempt to explain them to the public. It is true that the task of explanation would have been difficult; but this is perhaps an insufficient reason for avoiding it. It has now become so commonplace that European chaos is the cause of many Canadian ills that some attempt to instruct the public in the essentials of the problem might have been made by those whose duty it is; and it cannot be said that this has been done. As was indicated in the last number of *THE ROUND TABLE*,* the country will learn for the first time from the despatches of journalists now in London what the problems are with which the Conference has to deal, and what the attitude of its representatives is. And it can scarcely be pretended that this is a satisfactory situation.

For the public mind badly needed a clarifying lead. It is still a turbid mixture of the lees of war propaganda, the staleness of economic deflation, and the froth of racial *malaise*, and neither Press nor political leaders have done much to help it settle. Problems whose roots are widely ramified have been stated in terms of the fabricated hatreds of war-time, the discarded *clichés* or immature postulates

* *THE ROUND TABLE*, No. 52, September, 1923, p. 841.

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of economic panacea, or the hereditary feelings of racial kinship or dislike. To the stupider Press the occupation of Germany is merely a proper satisfaction of a desire for revenge, but its influence is not perhaps very wide. The West, where, despite the abundance of the grain crops, the effects of deflation have been most severely felt, probably most fully appreciates the incidence of international conditions upon domestic well-being; and its increasing political power may hereafter make its influence more decisive in national policy. The Press of French Canada has so almost universally supported French policy in Europe as to raise a suggestion that the influences of the Quai D'Orsay may not be confined to the Press of France; though it was interesting to find Mr. Henri Bourassa, who abates none of his racial dislike of things British, asserting in *Le Devoir* that the policy of Lord Curzon's note "merits the moral support of Canada." In the present confusion of mind and division of counsel it may be admitted that even moral support for any definite policy is likely to be lacking until more vigorous national leadership appears.

In fact, Canada is now struggling not only with her geographical, racial, and economic obstacles to national unity, but with a fundamental difficulty of democratic government. "Out of the private notions of any group no common idea emerges by itself," as Mr. Walter Lippman has said; "by mass action nothing can be constructed, devised, negotiated, or administered." Upon Imperial defence, immigration, preference, or economic development, Canadians have no present policy because they are not led to formulate one. As far as they have been informed, views are not to be advocated in London, but all questions are to be dumped upon the table of the Conference in the hope that they will emerge, not, apparently, as tentative solutions, nor even as recommendations, but as no more than topics for further debate in the Canadian Parliament. Possibly something more or less illuminating will thence reach the public through the Press. But if

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the process is correctly described, it is a curious performance of the duties of responsible government.

Apart from confused public opinion, the Canadian Ministers are somewhat disabled from playing at the Conference a part commensurate with Canada's position in the Commonwealth. Partly this is due to the Ministry's precarious tenure of office and its narrowly sectional support, partly to inexperience in international affairs; both of which they would doubtless gladly see remedied. They suffer also from the inadequacy of their official assistance. In 1909 Sir Wilfrid Laurier erected a Department of External Affairs, and those who foresaw the part Canada might expect to play beyond her domestic sphere welcomed what was deemed to be the creation of a permanent body of officials trained for foreign affairs. This Department was modestly staffed at first, grew slowly, and was never adequately organised; but it acquired some younger blood before the war, and appeared likely to offer a career to educated young Canadians and to become an invaluable branch of the public service. Throughout the war and the period of treaty settlement, and down to the meetings at Washington, it was able to sift and study such information on international matters as was circulated among the Governments of the Commonwealth, to supply counsel and guidance to transient and inexperienced Ministers, and to staff the secretariat of Imperial and international conferences. But Canadian public opinion has never faced the necessity for keeping its Government supplied with an adequate intelligence service about the outside world, and since the war the Department has declined rather than been strengthened.

The result is that, since the meeting of the Conference was announced, time has been unfortunately allowed to drift by without public education or ministerial declaration of policy. It is true that in a speech on his departure Mr. King foreshadowed a quiescent attitude by remarking that he carried with him not a single grievance, and that he

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proposed to advocate no change in the constitutional relations of the Commonwealth. He has very considerable oratorical powers upon broad themes, and great faith in the virtues of conciliation and conference, but in the last department he has yet to show whether he can grasp complicated facts or meet unpalatable situations. He has as colleagues Mr. Graham, an amiable but not specially significant politician of the old guard, and Sir Lomer Gouin, perhaps the most impressive of the three figures. His fifteen years as Premier of Quebec probably gave him no special training upon problems like those with which the Conference has to deal, but they brought him a wealth of experience in council, and in his short time in Dominion politics he has made for himself a place of considerable distinction. He is reported to be less interested in politics than in business, but his poise, and a caninness, which, despite his emergence from French Canada, makes one suspect a Scotch Mendelian dominant in his ancestry, should make him a useful member of the Conference.

As a footnote, one or two facts respecting immigration and national finance may be of interest. In the first four months of the present fiscal year immigration was 67 per cent. greater than it was during the corresponding months of the year before. The following table shows the proportions :—

April-July	British	From U.S.A.	From elsewhere
1922-1923..	.. 16,000	10,449	6,400
1923-1924..	.. 29,593	8,221	17,098

Twenty families from the Hebrides, about whose alleged discontents some paragraphs appeared in the Press last spring, were settled under the auspices of the Settlement Board, and are authoritatively reported to be completely satisfied. Some stir has also been made about the harvesters who came from Britain this autumn. Doubtless the former occupations of some of them unfitted them for

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farm work, but harvest wages were five and six dollars a day, and jobs were on the whole plentiful; there is no doubt that those who are fitted to succeed in the West will not find settlement difficult if they desire to stay. The internal conversion loan of \$172,000,000 was over-subscribed, and the Government increased the amount to \$200,000,000. As the first internal loan since the war period, its success has been a gratifying evidence of national confidence.

II. THE WHEAT CROP AND ITS MARKETING

WHEAT is the great staple crop of Canada, and there was general satisfaction when the last provisional estimate of the Dominion Bureau of Statistics, based on the outlook on September 30, confirmed earlier forecasts and estimated for the 1923 crop an average yield of 20½ bushels per acre (3 bushels per acre above the 1922 yield), and a total volume of 469,761,000 bushels, as against 399,786,400 in 1922. The *Manitoba Free Press*, which specialises in crop surveys, places the figure considerably higher, but the Northwest Grain Dealers' Association is disposed to be more conservative. However, all the experts agree that the wheat crop of 1923 is the most abundant in the country's history, and will certainly exceed 450 million bushels, of which all but some 23 million come from the three prairie Provinces. But this abundance is not evenly distributed, and the credit for surpassing all previous records belongs solely to Alberta, where the crop can only be described as prodigious. The Bureau of Statistics estimates that the 1922 yield of 64,976,000 bushels in that Province has this year been swollen to 157 millions, and the local papers claim that the final total will exceed 180 million bushels. While from favoured fields as much as 65 bushels per acre have been secured, yields of 40 and 50 bushels are not uncommon, and all the

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plant and labour available in the Province will be fully occupied in threshing operations till Christmas. The figures for Saskatchewan, the greatest grain-growing Province, are at 252 million bushels, practically the same as last year's, the crop being good in the north but poor in the south. The Manitoba crop, except in some northerly districts, has been a serious failure through the ravages of rust and other plagues, and in the areas along the American border many farmers will not realise enough to pay their threshing bills. In the rest of Canada the wheat crop is about a normal average. Owing to the heaviness of the straw in the West the cost of garnering is high and the elevator operators complain of abnormal dirtiness. In the earlier shipments from the districts affected by rust, the proportion condemned to the lower grades was alarmingly large, but the carloads now coming in from the fortunate areas are of a very satisfactory quality. The price for No. 1 Northern at Fort William, which has been hovering between 95 and 98 cents per bushel, is still rated too low to be profitable to the grower; but, as the crops of coarser grains are a little better than last year, the *Financial Post* of Toronto estimates that there will be available for distribution among the western farmers at least 543 million dollars. It is, moreover, peculiarly fitting that so large a share of this should accrue to the farmers of Alberta, for they have been hard hit by a succession of bad crops.

The lowness of grain prices has in recent years accentuated the dissatisfaction of the western farmers with the machinery available for marketing their crop; and the two great trading organisations which were founded for its betterment have gradually incurred the suspicion of being accomplices of the private elevator interests and grain dealers in what are regarded in rural circles as plundering exactions. Recalling the high prices which the Wheat Board system with its compulsory powers and stabilisation of prices gave them during the later war years, and perhaps forgetting that world conditions rather than any merits of

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the new marketing system produced them, the farmers' leaders began in 1920 a campaign for the revival of the Wheat Board. Its fortunes have been fully related in previous numbers of *THE ROUND TABLE*; * the pressure of hostile interests, combined with the indisposition of the King Cabinet to give fresh endorsement to an experiment which had provoked the displeasure of the numerous critics of the principle of State interference, resulted in 1921 in the passage of some compromise legislation for a modified Wheat Board system which has in practice proved totally unworkable, and indeed has never operated.

Foiled in this direction, the western farmers turned their attention this summer to a voluntary wheat pool scheme. They imported as an expert adviser and propagandist, Mr. Aaron Sapiro, who had built up a very successful network of co-operative organisations among the fruit growers of California. He was obviously handicapped by his unfamiliarity with local conditions, but he brought a message of hope to a troubled community. After a plan for a voluntary co-operative wheat pool had been drafted under his supervision he conducted an intensive campaign for its acceptance by the farmers. A triplicate organisation was a concession to the provincial particularism which has wrecked so many western movements, but it was agreed to utilise common export machinery. Mr. Sapiro's plan found ready acceptance in Alberta, where the farmers' leaders were enthusiastic for it and contrived to enlist the support of the Press, the banks, and the business community; but in Manitoba and Saskatchewan, where the local agrarian chieftains evinced a marked and perhaps discreet hesitancy to sponsor a pool in a year when prices seemed to be rather liable to steady decline than to be capable of elevation, the response was disappointing, and the promoters did not get within measurable distance of committing to their five-year contracts the 50 per cent. of the total acreage, which Mr. Sapiro had prescribed as the

* *THE ROUND TABLE*, No. 48, September, 1922, p. 860.

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minimum necessary for the success of the pool. Even in Alberta only for 42 per cent. of the total acreage have contracts been secured, but it was decided that this proportion was adequate for the experiment. A trained executive staff has been engaged, the banks and some of the elevator companies are giving their cordial co-operation and the Alberta pool has been able to commence practical operations. But its crop will come late to market, and if by the time that it is available the price of wheat has tumbled down, the supporters of the old order will not be slow to lecture the Alberta farmers upon the folly of rash innovations.

However, even if the wheat pool experiment brings no great salvation this year, the mass of the western farmers, fearful that the downward drift of prices may reduce them to the level of European peasants, and convinced that the present marketing system allows too large a swarm of people to make a rich living out of the grain business between the prairies and the Atlantic, are determined upon a radical reorganisation in the confident hope that economy and the removal of abuses may improve their net returns. They claim that massed marketing under a sound co-operative plan will give some insurance against the saturation of the wheat market and will make possible an intelligent treatment of the problem of over-production, the emergence of which is already discerned by shrewd observers. With the present economic condition of the world and the existing cost of transportation, there must be definite limitations to the profitable growth for export (1,500 miles from tidewater) of such a bulky commodity as wheat. The problem involved in transportation to the seaboard presents annual difficulties which this year appear in aggravated form. Last year the prairie farmers and the Winnipeg grain merchants made common cause in protest against what they claimed to be the monopolistic charges of a ring of shipowners, Canadian and American, who control the tonnage available on the Great Lakes for the

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grain trade. The King Government appointed a Royal Commission, and, in accordance with its recommendations, passed legislation which, among other safeguards against monopoly, ordered shipowners to post their freight tariffs in public places, and empowered the Board of Grain Commissioners to regulate them if they were deemed extortionate. The American shipowners, who in normal years supply 60 per cent. of the tonnage utilised by the Canadian grain trade on the Lakes, announced their intention of boycotting the trade until the obnoxious regulations were withdrawn. Although some of them have succumbed to the lure of profits, and 21 out of the 82 boats which left Thunder Bay ports in the week ending October 11 were of American registry, yet the abstention of the main body of the American grain fleet has created a serious shortage of tonnage, which is bound sooner or later to result in a disastrous blockade at these ports. At the time of writing the railways are pouring wheat into these ports at almost twice the rate of its outflow; unless the outward movement of wheat can be accelerated before navigation closes at the beginning of December by the termination of this duel between the Canadian Government and the American shipowners,* it is difficult to see how more than 150 million bushels of wheat, or less than half the amount available for export, can enjoy this autumn the cheap rates of the water route.

Such a prospect naturally induces the citizens of Vancouver to redouble their efforts to divert the export grain trade to their harbour. The Railway Commission has met their demand for the abolition of the special rate which the railways, on the ground of the greater expenses of operation,

* On October 21 the Government announced that it proposed to end this feud by interpreting the law requiring the posting of grain tariffs in such a way as to defeat entirely the purpose for which it was passed. The wheat blockade at Lake ports had to be ended, and the only alternatives were either to summon Parliament and to repeal the law, openly to countenance its breach, or to make it nugatory. It is an interesting comment on the economic dependence of Canada on the United States.

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have been allowed to levy on the Rocky Mountain sections, with a concession of a 10 per cent. reduction; but the British Columbia Government is meeting public sentiment by its decision to carry the fight for complete equalisation to the Privy Council. The British Columbians hope, and the railways, anxious for the perpetuation of the profits of the long eastward haul, fear, that complete equalisation of rates will divert a large share of the export and import trade of at least the western half of the prairie regions to ports on the Pacific Coast. For the export grain trade, indeed, Vancouver can offer the advantage of continuity of access through the winter months; but her elevator accommodation, although recently increased and improved, is still inadequate, and an even greater obstacle is the scarcity of suitable shipping. The tramp steamers which carry grain can slip over in ballast at little expense to Montreal on the chance of picking up a cargo, but it is a different matter to go empty to Vancouver and pay Panama Canal tolls on a similar hazard. Yet in the end for the woes of the western farmer, the readjustment of his marketing and transportation systems can only be palliatives; his troubles have their real source in the decline of Europe's purchasing power and the general dislocation of the world's economic organisation.

III. THE DEVELOPMENT OF MINERAL RESOURCES

CANADA is almost universally regarded as an agricultural country, the future greatness of which will depend far more on agriculture than on any other industry. The opening up of the prairie Provinces has made this conception predominant. Before that time the outside world was wont vaguely to think of Canada as a chilly source of furs and timber and as the home of irritatingly independent pioneers of discordant races. But a brief

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examination of the facts shows that the idea must be drastically revised that Canadian prosperity must always rest on the export of agricultural products. Agriculture will remain a great Canadian industry; but it is quite possible that before many years Canadian minerals will have become more important than Canadian wheat.

Geologists, of course, have long known that Canada had great potential mineral wealth; but the information has been vague, and no permanent mining field has been proved to the entire satisfaction of the large mining interests. Capital, in consequence, has come in slowly. This is only natural, since the area for exploration is so vast, and has been until recently so inaccessible, that geological data have been very gradually accumulated. The time has now come, however, largely through the work of the able geologists serving the federal and provincial Governments, when sufficient knowledge is available and development accomplished to demonstrate that Canada is to become one of the world's great sources of minerals. This is only just being realised in Canada itself, and public interest in mining is rapidly increasing, especially in the gold developments in Northern Ontario.

The President of the Canadian Institute of Mining and Metallurgy has estimated "that not more than 15 per cent. of the entire surface of Canada is suitable for profitable cultivation," while "the remaining 85 per cent. contains mineral treasures of inconceivable value." Nearly two million square miles, or over half the total area of the country, is made up of the great pre-Cambrian expanse known as the Laurentian shield, the greatest exposure anywhere of the basement formation of the earth. Except for small extensions into New York, Michigan, Wisconsin, and Minnesota, the whole pre-Cambrian field is within the Canadian boundary. Recent developments seem to have justified the most sanguine prophecies of the mineral riches in this formation. The section which has been opened up for the longest time is in the United States along the

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shores of Lake Superior ; in it are to be found the great Lake Superior iron mines, and the Michigan copper mines which have been worked for half a century and produce at present about two hundred million pounds of copper each year. In Canada only one great pre-Cambrian field has so far been thoroughly explored, the Sudbury nickel district. This is the main source of the world's nickel supply. The only foreign nickel of a high enough grade to compete successfully is that produced in New Caledonia ; and 85 per cent. of the world's requirements during the war were met by Sudbury. Over \$400 million worth of nickel and copper has already been mined, and the known resources of the two great producing companies are in excess of 100 million tons of ore.

North of Sudbury are the two latest fields to be developed in Ontario. In the early years of this century discoveries of silver were made at Cobalt ; since then Cobalt has produced over 10,000 tons of silver, a very large quantity of arsenic, and all the cobalt required to meet the world's needs. In 1911 silver production reached its height with 31 million ounces, but by 1921 it had declined to 9½ million. New discoveries have recently been made at Keno Hill in the Yukon ; and an increase in the world-price of silver will revive activity at Cobalt. Large quantities of gold were found first in 1909 at Porcupine, and soon after at Kirkland Lake. In both camps development was delayed first by a disastrous forest fire, and later by the war ; but already the producing mines have shown that this district may be one of the first goldfields of the world. Development has hardly been carried below the one-thousand foot level, yet one mine already ranks among the greatest gold producers anywhere. The output of gold for the whole country, including the Pacific coast mines, this year has increased 25 per cent. ; this is significant in view of the estimate that the total world's production dropped 28 per cent. between 1915 and 1920. The exploration of other parts of the Laurentian shield is going forward rapidly.

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New camps are springing up in Quebec and Manitoba, where interesting discoveries of gold and copper have been reported. In Quebec particularly the ground has only been scratched ; it is the largest Province in Canada, and all but 10 per cent. of its surface is covered by the pre-Cambrian formation.

There are other areas outside the pre-Cambrian expanse which have great possibilities, both in the Pacific highlands of the Rocky Mountains and the coal-bearing formations of Nova Scotia. The gold production of the Klondike is well known. Since it has passed its prime, elsewhere in the Rockies mines have developed which are now producing gold, silver, copper, lead and zinc, while discoveries of platinum have been reported, and coal and iron deposits have been located. British Columbia produces more copper than any other Province, and its production of zinc and lead is already large and rapidly increasing.

Enough has been said to show that the surface of Canada from Atlantic to Pacific is mineral-bearing. Yet only the southern fringe of the mineral areas has so far been thoroughly explored. When exploration has been pushed further north, and means of transport have been devised, it seems likely on the basis of achieved results that great new fields will be opened out. Thus, perhaps, the greatest of Canada's mineral assets will in the end prove to be her coal. The estimates of Canada's coal reserves are so vast as to be almost beyond comprehension, but only in Nova Scotia has large-scale development been achieved. The great western fields are too remote from the manufacturing centres, and Canada still chiefly depends for industry, transportation, and domestic purposes on coal imported from the United States. Iron also is found in many places, but the ore is of too low a grade to compete successfully with higher grade ores from the United States, and there are many technical difficulties to be overcome before profitable production can be maintained. Oil, similarly, is nowhere produced in large quantities, though many dis-

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coveries have been reported and several large corporations are prospecting on an extensive scale, especially in the MacKenzie River district in the far north.

Statistics of the total production of minerals show a steady increase. Between 1887 and 1891 the average annual value was \$14,518,679; this had risen to \$193,547,535 for the period 1917 to 1921, and as yet the extent of the resources is only beginning to be realised. There are certain factors very favourable to further progress. Water power is abundant throughout almost the whole mineral area, and there is plenty of timber. The climate is healthy all the year round, and the winters, though severe, are not so cold as to hamper continuous operations. The country seems to have got past the period of "wild-cat" frauds upon the public which marred the first years of the Cobalt camp. The geological formation in most places is such that a heavy expenditure of capital has to be undertaken before profits can be earned, for the pre-Cambrian formation does not give quick returns; in consequence the older mining camps have turned into mining towns, with an efficient local government, adequate educational facilities, and fairly good housing conditions.

The investment of further capital from abroad is still urgently required. Many Canadians would like to see London entering the Canadian field, and catching up with New York as a source of outside capital. The most recent statistics available show that stocks, bonds, and other securities of a total par value of \$616,522,395 have been issued by Canadian mining enterprises. Of this amount 50.95 per cent. was held in Canada, 32.36 per cent. in the United States, 15.46 per cent. in Great Britain, and 1.22 per cent. elsewhere, and it is believed that the proportion has varied substantially in favour of the United States since these figures were compiled. In the last two or three years a greatly increased interest has been shown, in London especially, in the Ontario goldfields, and some big

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British companies are said to be on the look-out for Canadian properties to replace mines on the Rand, the exhaustion of which is in sight. It is to be hoped that before long British capital will be more largely represented in Canadian mining enterprises.

Canada. October 20, 1923.

AUSTRALIA

I. COMMONWEALTH POLITICS

AFTER the formation of the composite Ministry of Nationalists and Farmers which succeeded that of Mr. Hughes, the Government met the House for a few days and then went into recess for the purpose of formulating its policy. The Imperial Conference was to meet in October, and Mr. Bruce announced that the session would be a short one, as the Government proposed to accomplish necessary business and adjourn Parliament before he left.

In the recess, however, the Prime Minister addressed himself to some of the problems concerning the relations of the Commonwealth and the States which urgently needed attention. A Conference of Premiers was held in May and the Prime Minister submitted suggestions for the solution of a number of these matters. The submission of definite proposals on these excessively thorny questions was a courageous act. Action in these matters is as thankless as it is complicated. The States all have their difficulties of finance and policy and are rather apt to put a good deal of the responsibility upon the shoulders of the Commonwealth. Proposals on general lines are apt to be received with a discordant chorus of protest by the various State Premiers. Mr. Bruce's actual proposals did not fare very well. But it is admitted that the discussions sensibly advanced the conclusion of the various matters. His suggestions challenged a broader outlook on the part of the Premiers, and in some conspicuous instances the original proposition was better than the subsequent decision forced on him by them. The breaks in the railway gauges of the

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Commonwealth are the subject of much comment, but it is questionable whether the inconvenience caused is sufficient to justify the enormous cost involved in installing a uniform gauge, which would be over £50,000,000. From the point of view of defence, however, a single gauge connecting the various coasts is essential. One of the proposals was to connect the West-East transcontinental line with the New South Wales system at Hay and thus give a route from Perth to Sydney without touching Adelaide or Melbourne. Further changes would be necessary in West Australia, and by completing the coast line in New South Wales, the line could be extended to the border of Queensland in one gauge. The Premiers, however, who have no responsibility for defence, missed altogether the strategic aspect of the problem and by their opposition shelved it. Those representing Victoria and South Australia unfortunately allowed themselves to advance a rather parochial and timid point of view. Even if defence were not paramount the loss to Melbourne and Adelaide would be unimportant in through passenger journeys—while the transport of merchandise is almost entirely by sea. Another most important problem dealt with was the clash of jurisdiction in Commonwealth and State industrial tribunals * Mr. Bruce, however, shrank from the difficulty of securing the legislation necessary to accomplish this. He therefore proposed that a tribunal should be set up to determine what industries should be deemed Federal in character and should be left to the Federal Court. This, however, did not commend approval and the matter has been postponed.

The next matter of outstanding importance was the duplication of Federal and State taxation. In its inception it was intended that the Commonwealth should rely mainly for revenue on the customs. It was thought that there would be a considerable excess from this source, and provision was made for returning a proportion to the States for a period of ten years. This was subsequently altered to a

* THE ROUND TABLE, No. 51, June, 1923, p. 640.

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capitation payment and the period extended. The war has changed this financial problem. The Commonwealth had to impose direct taxes to meet the cost of the war, and it now needs them in part to pay the interest on war loans. But the two income taxes were harassing both to the various financial Ministers and the citizen. Only in West Australia was an attempt made to harmonise the various Acts and provide for one collection on behalf of the two authorities. Mr. Bruce's first proposal to the Premiers was that the State capitation payment should be discontinued, and the income tax field left to the States, with the exception that the Commonwealth should tax incomes over £2,000. The Commonwealth tax would then be a third of the super tax. It caused a great deal of opposition, and Mr. Bruce then proposed to raise the money he required by a taxation of company profits. This position was provisionally accepted by the State Treasurers, but at the last moment it was found that considerable miscalculation had been made in the figures presented to the Conference and the enactment was postponed for a year. The only outcome of the discussion so far has been agreement between the Commonwealth Treasurer and the State Treasurers to make the latter the collecting authorities for the Federal tax under a simplified and inclusive schedule.

Few people considered that Mr. Bruce would be able to accomplish in Parliament in a short session of ten weeks the work he needed to do before he left for the Imperial Conference on September 1. These included the Budget and its necessary legislation, besides other important matters. The decision to close Parliament when he left was criticised by men of all shades of opinion. It did not show great confidence in his colleagues. The Labour Opposition set itself to thwart it. The first few weeks were spent in discussing and defeating five no-confidence motions launched by the Labour party, and throughout the session every effort was made to obstruct business. In the end most of the legislation submitted to the House was

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passed. The rush towards the end of the session was terrific and many measures were passed without proper consideration. Decisions were obtained in nearly every important case throughout the session by the firm application of the "guillotine." On the whole, the session has witnessed a personal triumph for the Prime Minister. He has been courteous, resourceful and imperturbable. He has never once lost his temper or his dignity. His policy was carefully thought out. It was based on common sense. It did not satisfy the most advanced, but it was suited to the mind of the average member, and it was enforced on the House with a determination that the opinion of the majority should prevail and should not be thwarted by the obstructive tactics of the minority. On his side there was straightforward presentation and argument.

The output of the short session was quite substantial. Immigration, railway extension for the Northern Territory, bounties on meat and other products, Air Force, Murray River works, and a number of other subjects were dealt with. Forty-one Bills were presented and thirty-six were passed. The Budget showed a surplus for the year of £1,020,150, making an accumulated surplus of £7,428,575. The only reductions which interested the taxpayer were on the postal services. Taxation is not substantially reduced, but a sinking fund for Commonwealth loans was established. Previous concessions granted to sugar and meat producers were continued.

The Prime Minister was not as drastic as he promised with the Commonwealth Shipping Line. For the first time complete accounts were published of this undertaking and they showed a loss of £10,000,000, which, however, included a very large sum for depreciation in value. But the Government could not make up its mind to abolish the Line. It proposes to sell the smaller and older ships and retain only the modern. This decision is due to the belief that the great shipping ring practically controls Australian overseas transport and maintains freights, which are hinder-

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ing the sale of Australian primary products in foreign markets and increasing the cost of living in Australia. For these reasons the Farmers' representatives are keen on the Commonwealth Line.

The most important business of the session was the full-dress debate upon the agenda paper for the Imperial Conference. Mr. Bruce showed his judgment and his intense preoccupation on questions of Imperial co-operation by giving full scope for the expression of opinion on these subjects. In his own speech he rather invited the expression of the feeling of the House than attempted to lead it. He showed how the increase of status which has been acquired by the Dominions placed them in contact with foreign nations and liable to the accidents of foreign relations. The typical incident of Mr. Lloyd George's message in reference to a possible war with Turkey was effectively introduced to show how ineffective is the present system of distributing papers and reports which give little real information, and reach the Dominions too late to be of real use. More regular consultation and a resident Minister at the heart of the Empire were proposed as a solution of the problem of giving the Dominions a voice in the control of policy. On the question of Defence, the difficult situation of Australia was emphasised and the necessity for joining in a co-operative scheme with other parts of the Empire. Mr. Bruce again expressed in clear terms his idea that as the Dominions were being looked to as a means of absorbing Britain's surplus population the marketing of their products should be assisted by a system of preference. The debate was one of the most important discussions of foreign policy which had yet taken place in the Commonwealth Parliament. The contribution of the Labour party to the debate is of peculiar interest. The keynote of its policy is expressed in the following considered formula :—

The Labour Party's policy is to promote world peace and, consistently with Australia's goodwill to her kindred overseas, declares its readiness to take full responsibility for Australia's

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defence, but is opposed to the raising of forces for service outside the Commonwealth and participation in any future overseas war except by a decision of the people.

This statement aptly illustrates the attitude of the Labour party in dealing with Imperial problems. The personal inclination of its members is loyal and even if there were elements of disloyalty they would be prevented by the temper of the constituency from giving expression to it. But there is a complete inability to work out the principles and implications of the idea of loyalty to the British Commonwealth. Most of the time mere tags as to Imperialistic jingoism were cheaply reproduced to the House and used to emphasise the idea that Australia should never take part in any scheme by which her troops might be required to fight outside Australia. One missed the note of healthy and constructive patriotism which marked the contributions of the pioneer Labour leaders, Mr. Andrew Fisher, Mr. J. C. Watson, and Mr. W. M. Hughes, in the early days of the Labour party. From the Labour contributions no clear line can be deduced towards any of the great questions of Imperial policy, and one cannot even spell out from them any intelligible attitude towards the great problem of Dominion status.

II. PROBLEMS OF IMMIGRATION

AUSTRALIA is one of the few countries colonised by Great Britain in which any attempt was ever made to think out fundamental problems of colonisation and to act upon the results of organised thought. The attempt at systematic colonisation was in many respects unfortunate and except in the political sphere traces of its beneficial effects are now difficult to find, but the same problems on a larger scale now confront thinking men in Australia and Great Britain as, in 1830, faced Gibbon Wakefield and his small band of followers. In each case a hitherto unparalleled

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war had left a legacy of depression and unemployment in Great Britain; the "Devil which Malthus had unchained" was roaring through the land; emigration was a favourite remedy recommended to the unemployed worker; the "colonies" were depicted as huge areas of fertile and unoccupied land with a ready welcome to immigrants; a future was predicted in which the "surplus population" of Great Britain working with her "surplus capital" on the waste lands of the colonies would produce a self-supporting empire bound together by ties of common interest, economic, political and racial. But although the problems of 1830 and 1923 are similar, we are at once in a worse and better position for arriving at a solution than was Wakefield. In effect the immediate problem of Australian immigration was solved by the discovery of gold in the 'fifties. Our geological knowledge of Australia now renders unlikely any such easy solution. Great Britain's immediate problem of "surplus population" was solved by the industrial exploitation of her great resources of coal and iron and the marvellous growth of foreign commerce following upon the development of production and transport in other countries. Here, again, we cannot confidently expect such a solution. On the other hand, so far as Australia itself is concerned, we are infinitely better informed as to our economic resources, and can substitute reasonably accurate quantitative statements both for the unavoidable ignorance of 1830, and for the present common but misleading panegyrics of those who either will not trouble to ascertain the facts or believe that patriotism consists in ignoring them.

A comparison is often made between Australia and the United States of America. The obvious facts are pointed out that the superficial area is approximately the same, and that whereas the population of the one is some 110 millions, that of the other is less than 6 millions. From these facts the inference is drawn that the two countries should be supporting approximately equal populations. No com-

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parison of countries could be more misleading. There is nothing in the nature of things which warrants the view that Australia is able to support anything like the number which the United States can on her area. The simple reason is that although the two countries are alike in area their economic resources are greatly different and in almost every case, indeed in all important cases, the comparison is vastly in favour of the United States.

"Of all continents," writes Professor Griffith Taylor,* "Australia is perhaps the least favoured by nature. Africa and Asia have larger arid regions, but so also have they larger fertile regions." Australia contains nearly three million square miles, but approximately one-third † of it comes within the geographical definition of a desert: "A country with such an arid climate and such a scanty water supply that agriculture is impracticable and occupation is found possible only for a sparse population of pastoralists." ‡ In more detail 590,000 square miles are, in our present state of knowledge at least, useless lands, and 655,000 square miles are unreliable pastoral lands where there is not likely to be anything other than very scanty settlement. It is true that in the past some portions of Australia have been hastily dubbed "desert"—such as the Mallee land in the North-East of Victoria, and land even in the neighbourhood of the Murray, Australia's greatest river. In each case the "desert" has been made to blossom like the rose by scientific agriculture and irrigation. But these areas never came within the geographical definition of a desert, and in fact receive not only a much higher rainfall than the "desert," but, what is even more important in Australia, a uniform and certain one. Again, experiments such as those of the late William Farrer in adapting cereals to Australian conditions have increased

* See *Australia, Economic and Political Studies*, edited by Meredith Atkinson, p. 336.

† See Koeppen's estimate.

‡ Gregory & Howchin, *South Australia*, p. 32.

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both the yield of wheat and the area of the wheat belt, but attempts at growing wheat with a rainfall of less than 10 inches have not been, except in rare cases, and are not likely to be, successful. But even if we thus discount common and widespread talk of the "potentialities" and "boundless possibilities" of Australia, the fact remains that it possesses two million square miles of land, of which only a negligible portion is entirely unsuitable for white settlement, and with a population of less than six millions it is by all modern standards underpopulated.

The problem of immigration is two-fold, how to induce sufficient numbers of the right sort of immigrant to come to Australia, and how to provide that they shall make a living when they arrive. The latter part of the problem is discussed first because, unless that is capable of solution, it is little use attacking the former.

Broadly, the choice open to immigrants to Australia is between agricultural and pastoral pursuits, and industrial and commercial occupations. Australia's prosperity is based primarily upon woolgrowing, which provides the largest item of her export trade and is possible over a very wide area, including some "desert" land. Next in importance, perhaps, comes wheat, which can be grown on approximately 200,000 square miles, of which only about one-eighth is at present under any crop. Here, more than anywhere, are there possibilities of great development. In each case, however, the production of wool or wheat is not very successful without an area and capital considerably larger than that needed for other agricultural products, such as butter and fruit. Meat, until recently, was the third great product of rural life, but at present its importance has diminished for lack of overseas markets for beef.

Much of the best land in Australia lies in the coastal fringe extending some hundred miles or so inland from the eastern shores. This region with a reliable rainfall of over 20 inches is especially suitable for all kinds of dairying. In those parts of the country with a fair rainfall of fifteen

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inches or more, and in those where irrigation is possible, fruit of all kinds and of excellent quality can be grown. At present hopes are high that cotton will be successfully grown and become as important an export as wool. Apart from irrigable lands there is a large area in New South Wales and Queensland where conditions of soil, temperature and rainfall appear suitable for cotton. It has been proved that cotton of the finest quality can be grown in Australia, but whether it can be produced successfully for export appears to depend in the main upon the labour cost involved in picking. It is suggested that this difficulty may be overcome by growing cotton on small areas completely worked by the labour of one man and his family, as in many dairying districts. One point which may be noticed here is that much of the land eminently suitable for cotton is also peculiarly adapted for other crops, such as maize, and for dairying. A great extension of cotton growing may in these circumstances not add very much to the population of Australia.

The development of modern manufacturing industry is largely determined by coal, with which Australia, in the black coal of New South Wales and Queensland and the lignite of Victoria, is fairly well equipped. Of other minerals, gold has ceased to play an important part in the national economy, and iron deposits, though good of their kind, are not comparable either with those of the United Kingdom or of the United States of America. Except for Tasmania, Australia is by no means well supplied with water power of any magnitude which may be put to industrial purposes.

The position, then, is that, although there has been considerable development of manufacturing industries, stimulated by the favourable conditions of isolation due to the war period, the future of immigration on any large scale seems to be, immediately at any rate, bound up with land settlement and the production of such commodities as wool, wheat, meat, cotton, fruit and dairy products. It

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is one thing, however, to show that these commodities can be produced; it is another and more difficult thing to show how they can be successfully marketed, and the problem of what the immigrant is to do resolves itself in great measure into the problem of how to market his products. The present population of Australia is, of course, far too small to enable a home market to be found for all the products of rural industries, and if we are to extend these industries greatly, reliance will have to be placed on finding markets abroad. Wool is comparatively an easy matter. The natural advantages of Australia for the production of pure merino wools are such that they find a ready and a profitable market abroad. The fact that several years of high prices have not increased the production of merino wool to any great extent appears to be due not to a natural limitation of pasturage, but to the vicissitudes of seasons, the menace of the rabbit and other pests, and to the time and difficulties involved in converting cattle-land into sheep-land. Other kinds of wool, too, present no insoluble problems of marketing. Australian wheat, especially the harder varieties, sells easily enough abroad. Prices appear to be sufficiently remunerative and the farmers' problem is rather to cope with the periodic droughts than to increase facilities for markets, though the aftermath of Government war-time control has led to various voluntary or State-aided pools to conduct the marketing of wheat, whose policy appears to be to sell abroad at the world's parity and to use their power of partial control to keep home prices a little higher. The marketing of meat is not so easy a matter. For mutton and lamb there exist profitable markets, but at present in the marketing of beef our natural advantages of extensive pastoral industry do not outweigh our disadvantages of distance as compared with the Argentine and other competitors. While American production of cotton is adversely affected by the boll-weevil, the prospect of marketing good quality Australian cotton appears to be bright.

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Dairy produce finds in the main a home market, and any large extension would need an extended export market. Here, again, there is not much difficulty, though distance has to be overcome by special advantages of production, and difficulties attending perishable products by refrigeration and the like. The greatest difficulty occurs with sugar and fruit. Sugar is supplied almost exclusively to the home market and the industry is only maintained by a high tariff, at present even by a system of Government embargo upon the import of sugar grown by black labour. This enables the sugar industry to be carried on in Queensland with white labour and the consumer bears the burden. Recently there has been a great development of the fruit industry, especially in irrigable lands watered by Government expenditure and tenanted by small farmers, including many returned soldiers. Some kinds of fruit find a ready sale abroad, but the problem of marketing dried fruit, and especially canned fruit, is already acute and will become worse as more and more of these orchards begin to bear. Mildura and Renmark, the home of irrigated fruit-growing on the Murray, owe a great deal of their prosperity to the duty on dried fruits, of which the growers take advantage to sell their products at a high price on the local market and to dump the surplus abroad. Even then there are constant complaints of unprofitable prices in London owing to the competition of Greece. A recent estimate is that the increase in acreage will mean that by 1927, 80 per cent. of the production of dried fruits will be available for export, as compared with 20 per cent. in 1914. The Federal Government has in several instances attempted to solve the problem of the marketing abroad of fruits, whether fresh or canned, by financial aid to fruit "pools." In every case, however, there has been considerable loss, as the export prices have not proved profitable.

It seems clear then, that immigration on any but a small scale is conditioned by the provision of land for settlement and by oversea markets. Here it is to be noticed that the

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best lands for production are already in private hands and that the area of land still unalienated by the Crown, although very large, contains almost all the third of Australia which is practically useless for present purposes. This means that the problem of land settlement is in the main one of sub-division and re-settlement. Much of the land used for sheep is well suited for wheat and other products, but any gain from such a change is to be offset by the loss to the wool industry. Sub-division, either by Governmental action or arising from purely economic causes, appears to be a condition precedent of land settlement, and this is already recognised in many States. One difficulty which presents itself here is that the State, in compensating owners for their land, may in practice capitalise the future expectations of the owners and so leave either the State itself, or the immigrant, or both burdened for long with a heavy cost. Another practical political difficulty is that in the division of powers between the Commonwealth and the States, the former controls immigration and the latter the land. This may be overcome by mutual arrangement, but the past history of attempts at co-ordination between the two, especially in such important measures as a uniform railway gauge, compulsory arbitration, and public finance, does not augur favourably.

The main proposal to deal with marketing is that of increased tariff preference. This is the official policy of the present Federal Government, and no doubt expresses the current general, though not unanimous, opinion. Newspaper indignation over the alleged "letting down" of Australia in the matter of meat contracts, and the "refusal" of Great Britain to increase preference, often reflects a popular, if unreasoning, attitude. But apart from whether it is a practical possibility in British politics it appears to be a very precarious and unsatisfactory solution of the problem of marketing. Moreover, it may have the effect of emphasising the tendency already

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apparent amongst Australian producers, especially in those industries for which preference is asked, to be content with careless and inefficient methods of preparing their goods for market abroad.

The second part of the main problem is how to get immigrants. The maintenance of the ideal of a White Australia rules out such a solution as that of Chinese immigration, which otherwise presents many points of advantage. Sentiment, too, for not merely a European civilisation, but an Anglo-Saxon one, means in effect that Australians look for their immigrants to the British Isles. It may be objected that there is no need to encourage immigration and that a slower development of our resources by means of the natural increase of population and by unorganised immigration would be wiser. To this the reply is, not that the rate of natural increase is too low—indeed it ranks amongst the highest in the world—but that the aggregate increase would still leave us with a small aggregate population, while it would be to the advantage of both parts of the Empire, if greater production were made possible by mutual aid.

To bring out an immigrant, and more especially to settle him on the land with as reasonable prospect of success, several things are necessary. One is capital for transport, land purchase, equipment and training. Gibbon Wakefield recognised this, and the chief merit of his plan was that it induced British capitalists to buy Crown lands in Australia and with the purchase money immigration was financed. That expedient, however, is no longer available and it seems that immigration can only be successfully conducted by Government financial aid, which will not only meet the difficulty of transport, but of settlement. Another thing is the careful choice of those who are likely to prove successful in their new environment. The severity of conditions in rural Australia, especially in the inland areas, for small struggling settlers is not easily realised even by Australians, who are largely a race of city-dwellers. It

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is obvious that qualities of hardihood and capacity to endure life in wide spaces and comparative isolation are desirable in intending immigrants. Although farming conditions are not very like those in Great Britain, yet immigrants with experience of the land are much more likely to do well than the town bred. But these are the people whom, although they may desire to emigrate, Britain least wishes to lose.

III. THE QUEENSLAND ELECTIONS*

ON May 12 the Labour Government of Queensland, led by Mr. Theodore, went to the electors with a majority of one; they came back again triumphantly with a majority of 14. In the new Parliament, Labour has 43 members, whilst the Opposition of 29 is made up of 17 members belonging to the United party (which represents the old Nationalist party, with a few Country party members) and 12 belonging to the Country party. For several reasons the elections were of unusual interest and importance. The fate of the single remaining Labour Government in the British Empire—a Government whose record has been debated by the friends and antagonists of Labour throughout the Empire—had a significance stretching far beyond Queensland. The bearing of the elections on Australian national politics is specially important. Not the least interesting point in this connection is the future of Mr. Theodore, who is unquestionably the ablest leader which Australian Labour possesses, and its most challenging and enigmatic personality. He has denied that he has any immediate intention of entering Federal politics, but whether the Federal Labour party can afford to forego his leadership in the next Federal elections remains to be seen. A careful analysis of the Queensland elections is all the more

* This article, which is strictly limited in scope, was preceded by a full discussion of Queensland politics in *THE ROUND TABLE*, No. 52, September 1923, pp. 860-1.

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necessary in view of the wholesale charges of gerrymandering which have been brought against the Labour Government.

The burden of the charges made by the anti-Labour parties and Press is that (to quote the words of the *Sydney Morning Herald* in its issue of August 15 last) "Labour is in power in Queensland to-day not in accordance with the will of the people, but because of electoral manipulation of a very gross nature." The analysis of the results issued by the United party attempts to prove that Labour was actually beaten on the aggregate vote by a majority of 14,369 (Labour 184,562 votes, Opposition parties 198,931).

The question whether or not Labour received a majority of votes in the election is of considerable importance in view of the widely differing estimates which have been made. As against the Opposition's claim to a majority of 14,369, the Attorney-General in Mr. Theodore's Government in his analysis of results issued to the Press on July 21 last claims a Labour majority of 478. Though the claim seems modest, it would represent an important turnover of votes, since in the 1920 election Labour was in a minority of 16,000 to 21,000. An impartial and thorough examination of the election results indicates that the Labour claim to a small majority on the aggregate vote is fully justified.

How on this small majority of votes can we explain Labour's majority of 14 seats? To the charges of gerrymandering it is not sufficient to reply that with single-member constituencies (even with a system of optional preferential voting as in Queensland) a slight swing-over of votes may give a greatly exaggerated majority in Parliament. Two minor charges may be dealt with first. The Labour Government is accused of beginning large public works in several electorates with the intention of using the "navvy" vote thus introduced to turn the scale in its own favour. This is a charge frequently made against Labour Governments, and they could hardly avoid it unless they refrained from initiating any public works for a considerable

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period before an election. In this instance the charge may have some justification. But in the case of the Port Curtis electorate, which is cited as the most glaring illustration, the Labour reply is worthy of note. It is pointed out that the electorate contains the Burnett Valley, which is being opened up by railway and irrigation works—not in virtue of any new policy, but simply in execution of one which has been discussed between the State and Commonwealth Governments for years. The navy vote probably turned the scale, but the electorate was always Labour up to the election before last. The second charge is that Labour deliberately inflated the rolls. The charge is due to the fact that the State rolls showed nearly 63,000 more names than the Federal rolls used in the Federal election five months previously. In this election Labour secured two seats out of ten and was in a minority of 33,585 votes on the total votes cast in Queensland (it must be remembered that the issues and leadership were different, being Federal and not State). The discrepancy is serious. But the anti-Labour forces spent much money and employed capable agents to check votes, without apparently being able to discover any direct evidence for the alleged inflation. A more probable explanation of the deficiency seems to be that the Commonwealth rolls were not kept up to date.

The most serious charges of gerrymandering relate to the redistribution of constituencies which occurred two years before the election. This was the work of a Commission appointed by the Government. The Commission was composed of three civil servants, who are alleged to have been without previous experience. But for a Commission of this character there appears to have been some sort of precedent under the former Liberal (Denham) Ministry. When the Commission was appointed by the Labour Government no objection seems to have been raised against its personnel. When it reported its scheme of redistribution some criticisms appear to have been made, but the confidence of the Opposition in their ability to beat

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Labour in an election was not appreciably lessened. There seems to have been no great or general outcry by the Opposition parties until after the election when they were confronted with the task of explaining their defeat. In reply to the charge that the average quota for seats held by Labour was well below the average quota of Opposition seats, Labour points out that the majority of its seats lie in the country, and that it has always been recognised in Australia as fair to give a greater value to the scattered country vote than to the concentrated urban vote. With regard to the charge that the Commission deliberately manipulated boundaries to suit Labour, the verdict must remain doubtful. On the face of it several of the alterations look rather unduly favourable to Labour. But only a careful investigation of the problem confronting the Commission could determine whether they had been influenced by considerations other than those normally permitted, such as "community or diversity of interest, means of communication, physical features, the area of proposed districts which do not comprise any part of a city or town."

On the whole question the verdict must be that while the redistribution scheme certainly worked favourably for the Labour Party, there is no evidence that this was due to any deep laid scheme on the part of the Labour Government. In fact, if there had been any such deliberate scheme in 1921 when the Commission was appointed to undertake a work which was long overdue, the result must have seemed to the plotters singularly ineffective when viewed in the light of the political outlook at the time. At the general election in October, 1920, the Labour majority crashed from 24 to 3, and soon after it fell to 2. This was followed by disastrous defeat, all the more significant because it came after the introduction of adult suffrage—at the Brisbane Water Board elections in February, 1921, and in the Municipal Elections in July, 1921. In the light of these events it was generally felt that Labour must inevitably fall at the next election. There is no evidence that at the

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time either the Opposition or the Government thought the redistribution would make much difference to the result.

While redistribution proved a factor in the Labour victory it does not appear to have been one of the controlling factors. These factors may be summarised as follows:—

(1) The Opposition was disunited and its leadership weak. The attempt to fuse the Nationalist and the Country parties was only partly successful. Though a working agreement prevented overlapping in all save four constituencies, the Opposition faced the Government with divided ranks and a divided mind. Its party leaders failed to inspire trust in their followers. (2) The personal ascendancy of Mr. Theodore. Electors found it difficult to believe him the unprincipled Bolshevik his opponents would make him out to be, when those same political opponents repeatedly made overtures to him to become the leader of their party. His ascendancy in his own party was strikingly shown by the way in which at the annual Labour Conference held before the Elections he dominated the proceedings from start to finish—despite the fact that the Conference met in a spirit somewhat hostile to him. (3) The policy of Labour was moderate, more positive, and apparently more attractive than that of the Opposition, whose anti-State enterprise principles may have seemed a little difficult to square with their readiness to accept Mr. Theodore as their leader. It is probably correct to say that the thoughtful elector, not strongly attached to either party, believed that Mr. Theodore was more likely to accomplish useful and moderate reform than any of the Opposition leaders, and saw in his policy elements of statesmanship lacking in theirs. Attention may be drawn, for example, to the scheme for the organisation of agriculture on a co-operative basis, which was launched by the Government in 1922. Just before the election Mr. Theodore stated that “this organisation already has 690 local branches, with an aggregate membership of 21,000 working farmers. Its central administration, known as the Council of Agriculture, has formulated plans

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to deal with fodder conservation involving the storage of 300,000 tons of lucerne hay, the stabilisation of prices and markets for dairy products, and rural credits to finance co-operative enterprises and individual settlers.” This scheme, upon which Mr. Theodore has been working for some years, represents the first serious attempt yet made by Australian Labour to solve the problem of rural organisation. Its success or failure will have a vital bearing on the future of Labour in Australia.

Australia. September 25, 1923.

SOUTH AFRICA

I. THE NATIONALISTS AND THE IMPERIAL CONFERENCE

THE interest of South Africa in the restoration of peace to Europe is a subject on which General Smuts is never tired of descanting. Speaking on September 3 at a farewell banquet given to him at Pretoria before he left to attend the Imperial Conference he said :—

If we can have peace in Europe, if Europe can assume its normal peace activities again, the conditions for young producing countries like ours will be enormously improved in every respect. Therefore, quite apart from the point of view of high ideals, quite apart from the point of view of high politics, but purely from the material point of view, from the lowest level, it will be of enormous advantage if we can secure peace in Europe.

This truth has been impressed on all South African primary producers with overwhelming force during the last two years, and yet any suggestion that South Africa should co-operate in any way in attempting to ameliorate the condition of Europe evokes the most bitter opposition from the Nationalists. Their attitude is founded on the argument that if South Africa concerns herself to the slightest degree with the condition of Europe, if she becomes jointly responsible for any action Great Britain may take towards the pacification of Europe, she will inevitably find herself committed to shouldering other incalculable responsibilities with which she should have no concern.

This, of course, is only another revelation of the attitude

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of isolation towards the affairs of the outside world which has always been characteristic of the older population of the Union. Olive Schreiner, in the book of her essays published recently, attributes it to their language, which effectively cut the Boers off from intercourse with the outside world. Whether this be the real cause, or whether it is not due mainly to the huge areas of the old farms, which bred in the heart of each family a desire to live where all neighbours' smoke would be invisible, the fact remains that the outlook of the Nationalist element amongst the Boers towards world problems is immovably based on the assumption that South Africa can, so to speak, be hung in space, and develop a little world all her own. This deeply ingrained trait becomes apparent not only where foreign affairs are concerned, but also exercises an influence in favour of the protection of local industries and the limitation of immigration, and makes it difficult for a South African Prime Minister to advocate at Imperial Conferences policies which involve some sacrifice of parochial South African interests for the benefit of some larger ideal.

On two occasions during the last session of Parliament did this mental attitude display itself. The first was on May 29, when Senator Reitz moved in the Senate that the Union should forthwith withdraw from the League of Nations, and wash her hands of all further responsibility for the Treaty of Versailles. The second was in a debate in the House of Assembly on the Prime Minister's vote, wherein General Hertzog pointed out that the Imperial Conference would have to discuss an international policy for the Empire "in view of the forthcoming war," and demanded to know to what extent South Africa was committed by the Prime Minister taking part in that Conference. He asked for an assurance that Parliament would have free choice when the time came to say what attitude it would adopt. This assurance General Smuts at once gave, and General Hertzog expressed his satisfaction at hearing it. Nevertheless the spectre of an inevitable war con-

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tinued to haunt him and led him into a most remarkable outburst in August.

The South African Party Congress met at Bloemfontein on August 15 and was opened by General Smuts, who again took the opportunity of emphasising the gravity of the European situation :—

They knew how grave it was. As a matter of fact it was graver to-day than it had ever been before. No words of his could describe the seriousness and gravity of the situation as it existed that day. Perhaps it would be better for him not to say too much then, but it was quite clear from what was happening that the occupation of the Ruhr by France and Belgium was largely responsible for what was happening in Germany. Germany was going under. Germany was on the brink of a precipice, and if things went on much longer as they were going now it might mean the break-up of Germany as a State. Very few of them realised what that meant. The break-up of Germany would have a far more serious effect on Europe and the world than the fall of Russia five years ago. If Germany, which was the most powerful and greatest State in the centre of Europe, broke up, the clock might be put back a hundred years or more in Europe and the situation might become very serious.

This drew from General Hertzog what General Smuts afterwards described as “two columns of hysteria,” of which the following are characteristic excerpts :—

A new European war stares us in the face, and this time with France. That is the message which General Smuts felt called upon to make us last week on the occasion of the South African Party Congress. The fact that the message had to come from the lips of the Prime Minister of our country is sufficient assurance of the very dangerous position to which we have come in regard to the ally of yesterday. . . . Only the representatives of the people assembled in Parliament have the right of declaring whether the Union should take part in a war and what share we should take in it. . . . If General Smuts does not summon Parliament before his departure for England in order to obtain the necessary mandate in regard to the existing situation in Europe he will not only have acted unconstitutionally, but will also have caused such a breach in the rights and freedom of the people that discord and bitterness will come and will again play a leading rôle in the country.

The danger of such wild talk, as General Smuts pointed out

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in his reply, is the mischief it may do South Africa abroad where people are not acquainted with General Hertzog's usual violence of expression. Nothing in General Smuts's speeches can reasonably be construed as an announcement of approaching hostilities between France and Great Britain, and yet Parliament is to be forthwith summoned to discuss this remote contingency as if it were already a fact, or another “armed protest,” such as was witnessed in 1914, may be expected. It is indeed impossible to take such flights of imagination seriously, and yet they represent the official attitude of His Majesty's Opposition in the Union of South Africa, and they find their origin in the psychology of a large part of its population.

II. NATIVE AFFAIRS

The Bondelzwarts Affair

SOUTH-WEST AFRICA is a long way from the Union, and a mandated territory is, or rather was, very much the same as a foreign country, so that when, in May, 1922, the newspapers announced that a tribe of Hottentots in South-West Africa had defied the Government and were in armed rebellion, the matter was no more real to the people of the Union than had been the Herero rebellion against the Germans in 1896. Newspaper enterprise, however, made the most of the outbreak, and soon the Press of the Union was filled with scares of a protracted military campaign, the spread of the rebellion into the Union and the expense of a Native War. Then followed news of the dispatch of aeroplanes, hints of military blunders, and stories of drastic punishments. Parliament was sitting at the time, and General Smuts promised that the report of the Administrator would be presented to Parliament at the earliest possible moment. In his report the Administrator took up the position of a man defending his actions instead of explaining a situation, and produced so *ex parte* a state-

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ment that people began to believe that there was truth in the charges of oppression by excessive taxation, unskilful conduct of negotiations, and the like which were being made in the newspapers. At any rate the killing of more than a hundred Hottentots, including some women and children, could not be passed over.

An enquiry was demanded, and General Smuts entrusted this to the permanent Native Affairs Commission of the Union. Their report contained both a majority and a minority report. Senator Dr. Roberts and Dr. Loram, while giving the Administrator credit for good intentions and ceaseless activity, criticised, albeit in moderate and guarded language, his actions during the crisis, condemned the Native policy of the Territory and made suggestions for reform. General Lemmer, the third member of the Commission, disagreed entirely with his colleagues, and approved of both the Native policy of the Administrator and of his actions in dealing with the situation. Public opinion was divided. One section, including practically all the Dutch-speaking South Africans, with whom the Administrator as a true son of South Africa and as a very efficient Clerk to the Legislative Assembly was popular, seemed to think that Mr. Hofmeyr had only done his duty and that the "severe and lasting lesson" inflicted on the Bondelzwarts was fully deserved. Another section of the community, including the more influential English newspapers, while admitting the difficulties, felt that the Administrator had not acted wisely in the crisis and that the natives had not been treated as a "sacred trust" by the mandatory Power. General Smuts, in commenting on the matter in the Budget debate, contented himself with the statement that Mr. Hofmeyr's action had probably saved the country a protracted war, and that the report of the Native Affairs Commission demonstrated the two different opinions regarding natives held in this country, the difference between the views of the missionary and those of the colonist, a difference as old as South Africa itself. He

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informed Parliament that the reports would be submitted to the League of Nations and that Major Herbst, formerly Secretary of South-West Africa and now Union Secretary for Native Affairs, would attend the meeting of the Mandates Commission at Geneva to supply any further information desired. The Mandates Commission, however, has not been content with this, but has blamed the Union for not supplying a further report. It is difficult to see what more the Union Government could have done without appearing to wish to prejudice the judgment of the Mandates Commission.

The Mandates Commission has now published its report to the League. It accepts generally the views of the majority report of the Native Affairs Commission, criticises the administration of Native affairs in the Territory in the past, holds that the trouble might have been averted if the negotiations with the Hottentots had been entrusted to other than the police, regrets that the Administrator should have felt it necessary to take personal charge of the military operations, approves of the remedial measures which have already been taken, and urges that the sufferings of the Bondelzwarts be relieved and that their economic life be restored.

Sir Edgar Walton, the Union's High Commissioner in London and one of its representatives on the League, in commenting on the report, disagrees with many of the conclusions, and says that the report will be read in South Africa with bitter feeling. If we can gauge South African feeling aright we do not think there will be much bitterness. It is, we suppose, too much to hope that political capital will not be made out of the report, but the majority of the people of South Africa, even if they do not accept the Commission's conclusions, will accept the censure calmly, will see that the reforms demanded are carried out, and will proceed with the administration of the Territory with an added sense of responsibility. We believe that the League can safely leave the matter where it stands.

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The Urban Areas (Natives) Act

The passing of the Urban Areas (Natives) Act was the outstanding event in the last session of Parliament. Legislation on the housing and control of natives in urban areas has long been overdue, for the influx of thousands of natives into the cities during the past thirty years has resulted in social, hygienic, and economic problems beyond the powers and resources of most municipalities. The situation is undoubtedly worst in Johannesburg, Cape Town, Port Elizabeth and other large towns, but it is admittedly bad in all towns throughout the Union, with the exception of Bloemfontein and Durban, where it has been faced with courage and wisdom. No proposed legislation has ever been more thoroughly discussed with all sections of the community. The Native Affairs Commission has held over fifty meetings with municipalities, groups of natives, and other bodies all over the Union; the matter was ventilated in the Press for many months, and the Parliamentary Select Committee on Native Affairs, which was specially augmented to secure representation of all political parties, worked daily for almost three months in hearing evidence and in deliberating on the proposals.

The fundamental idea in the Bill was that the duty of providing for the accommodation and control of natives should devolve upon the municipality, which should, however, be given sources of revenue for the expenditure involved and powers of segregation and exclusion of natives where these were considered desirable. The natives were to have a considerable measure of personal freedom in their own villages and locations including security of land tenure, were to be protected from exploitation, and were to learn the beginnings of self-government by means of advisory boards. The Government was to frame regulations for the carrying out of these proposals, and in the event of a municipality failing to do its duty was empowered to take over the native area in the town concerned, effect

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the necessary reforms, and administer native affairs at the expense of the offending municipality.

The Bill as presented to Parliament embodied the views of the natives, and it has been a bitter disappointment to them to find that Parliament has not agreed to views which appear to them to be vital to the situation. The chief grievance is the reduction of the freehold title proposed in the Bill to one of leasehold in the Act. The natives point out that many of them have become permanent town dwellers and have proved themselves fit to assume the duties and responsibilities of city life. If they are to be segregated from Europeans they claim the right to own land in their own areas. European opinion, as reflected in the Act, shows a determination to regard the town as a European area and an unwillingness to regard the presence of natives as anything more than a temporary phase.

The Act comes into operation on January 1, 1924. Special officers will be appointed by the Government to administer it, and the local municipal officers have to be licensed by the Government. With this corps of selected officials and with the example of Durban and Bloemfontein before them it should not be impossible to make a practical success of a very beneficial piece of legislation.

The Pretoria Native Conference

The Native Affairs Act of 1920 provides that the Governor-General may summon conferences of chiefs, leading natives and representatives of native political and industrial organisations to confer with the Native Affairs Commission on matters affecting them. The first conference under this Act was held in Bloemfontein in April, 1923, and the second in Pretoria from September 24 to 26. The difference between the two conferences is most marked, and shows how rapidly native affairs are moving. At Bloemfontein the delegates were called together in private session to consider a special piece of proposed legislation, but at the Pretoria meeting, before the consideration of the

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legislation was begun, the natives asked for open doors, publication of minutes, annual meetings, and an improved system of representation. In short, the gathering became much more than a conference, and to many it seemed as if a new legislative body, the House of Natives, was being born. That some such parliament will be created in the near future seems probable. It is in keeping with the segregation policy of the ruling Europeans, the value of ascertaining native opinion is generally recognised, and a skeleton of the necessary machinery exists in the local and general councils provided for in the Act.

There was a most interesting discussion regarding the constitution of the Conference. Hitherto the members have been nominated by the Governor-General, and while it is admitted that the choice has been wise and impartial, the delegates point out that as long as they are nominated, they and the Conference will be suspected by the mass of the natives. One delegate proposed that one-third of the members should be nominated by the Government, one-third selected by the native chiefs, and one-third elected by native political and industrial organisations. The impracticability of this suggestion and of subsequent amendments resulted in the matter being postponed till next Conference. The discussion was useful inasmuch as it brought home to the delegates the need for the establishment of councils, which are the proper bodies to send representatives to the Conference.

Of the subjects discussed the new Pass Law and the Native Marriages Act were the most important. The Pass Law proposes that instead of the numerous and vexatious laws regarding passes there shall be one law for the whole Union. Every male native on attaining the age of 18 (or earlier if he leaves home with his parents' consent) shall receive a registration certificate which will carry him all over the Union and without which he cannot travel beyond his own "ward." A ward is a magisterial district except in the Cape, where the Colony proper, the Transkei

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and Bechuanaland constitute the three wards. Natives with certain specified qualifications may receive exemption certificates, but these, like the registration certificates, must be shown on demand. An important proviso is that this system shall not apply to places where no pass system at present exists, so that the Cape natives will escape this law.

The necessity for the Native Marriages Act arises from the fact that the dowry given for a wife (the *lobola*, as it is called), is regarded in the Cape (exclusive of the Transkei), the Transvaal and the Orange Free State as an immoral consideration, and cannot be recovered in a court of law. The hardship of this can be realised by those who know how strongly entrenched the *lobola* custom is in native life. The relief afforded by the proposed law was accepted by the Conference, and the measure should pass next session unless it is blocked by those "friends of the native" who are unwilling to allow any differentiation between white and black.

In connection with the Urban Areas Act, the anxiety of the Conference was to obtain sufficiently long leasehold tenure to make it worth while for the natives to put up decent houses. A further request was that the natives should be consulted before the regulations under the Act are drawn up.

The meetings were held in the Raadzaal in Pretoria, and already protests have been made by Nationalists against the use of a building hallowed by the use of President Kruger and others for the purposes of a native Conference. It is hard for those who will not see to judge the signs of the times!

The Dutch Reformed Church Native Conference

Special significance attaches to the Conference on Native Affairs called by the Federal Council of the Dutch Reformed Church inasmuch as that church has hitherto been regarded as apathetic, if not actually hostile, where

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the development of the natives in the Union was concerned. Although the Dutch Reformed Church is said to contribute more per caput to mission work than any other South African church, its missions are for the most part outside the Union, and the recent action of the Cape Branch of the church in following the example of the Transvaal and Orange Free State churches in separating its native from its European congregations had been severely criticised by native writers. That this body should call a Conference of missionaries, Native Welfare Society workers, and representative natives to deliberate on the native question caused considerable interest and not a little hope among those who realise that the Dutch Reformed Church is probably the most influential social and political force in the country to-day.

The subjects dealt with were native education, the Urban Areas Act, social betterment, segregation, the land question, the political rights of the natives, and Christianity as the only basis for a native policy. 'The high level of the papers and speeches and the moderation of the natives' views have created a very favourable impression, and it is expected that the dissemination of liberal views on native matters through pulpit and Press will result.

The Conference recommended that native education be taken out of the hands of the Provincial Councils and be placed under the direct control of the Union Government. There seems every likelihood of this being done now that the Union Government has assumed full responsibility for the financing of native education. The step was perhaps inevitable, but it has certainly been hastened by the illiberal attitude towards native education of the Provincial Councils of the Transvaal and Orange Free State.

The discussion on the Urban Areas Act followed the lines of the Pretoria Conference already referred to, but in connection with the social betterment proposals a truly awful situation regarding gambling, immorality and other forms of vice was disclosed. It was felt that the new Act

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would improve matters very considerably by providing better housing and stricter control, but that it would not meet the spiritual and intellectual needs of the people. The Conference invoked the aid of the Y.M.C.A. and Y.W.C.A. in this connection.

On the question of segregation the feeling of the Conference was that complete geographical segregation was neither possible nor desirable. Where segregation existed, as in locations and reserves, it should be continued, and if further land could be obtained for the exclusive occupation of natives so much the better. "Differential development" for the Bantu based on Bantu traditions and requirements rather than territorial segregation should be aimed at. The view was put forward that an equitable distribution of land would allow natives to return to the rural areas, whereupon the manual work in the cities could be done by the poor whites. There is much to be said for this proposal in view of the comparative failure of the poor white on the land and his need for the discipline and hard work inseparable from the "Kaffir jobs" in our towns.

Strong resolutions condemning the present unsatisfactory state of the Land Act of 1913* were passed. It was urged that more land should be secured for the tribal occupation of natives and that the financial assistance given to Europeans through Land Banks and Settlement Boards should be made available for natives who were holding their land on individual title. The Government's native land administration was closely studied, and the unfairness of allowing Europeans to purchase Crown Lands in European areas and of not allowing the same privilege to natives in black areas was pointed out.

On the matter of the political rights the Conference contented itself with urging that the principle of self-government through councils be developed.

In due course these resolutions will be forwarded to the Government. It may be that they will be there shelved,

* See ROUND TABLE, No. 34, March, 1919, p. 405.

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but it was clear from the spirit of the Conference that this could not be done indefinitely, and it is possible that these resolutions, supporting as they do the Pretoria resolutions and the policy of the Native Affairs Commission, may have a far-reaching effect.

III. SOUTHERN RHODESIA

IN October, 1922, the electors of Southern Rhodesia decided, by a substantial majority, to accept the powers and liabilities of responsible government rather than enter the Union of South Africa as a fifth province. The issue was clear cut, the terms of the Letters Patent on the one hand and of the Union's offer on the other were well known,* and the Rhodesians chose to stand or fall by the Letters Patent. Two questions remained to be settled, the date and procedure for the transference of the reins of authority from the British South Africa Company to the first Rhodesian Governor and Ministry, and outstanding financial disputes between the Company and the Crown. With the latter the Rhodesians always claimed they had nothing directly to do; it was admitted on all sides that the establishment of responsible government was possible without the settlement of the issue; but it was equally admitted that, though possible, such a course would be highly inconvenient. The difficulty arose out of the two closely allied questions which have formed the substance of Rhodesian politics since 1899, the unalienated lands and the Company's administrative deficits. The Privy Council in 1918 decided that these lands, which the Company had long regarded as its own, were Crown Lands; the Cave Commission in 1921 awarded the Company a refund of some £4,435,000 secured upon those lands, less certain amounts for lands already taken by the Company

* THE ROUND TABLE, Nos. 48 and 49, September and December, 1922, pp. 902 and 201, *et seq.*

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for its own use or granted to others for consideration other than cash. H.M. Government proposed to pay off the "Cave sum" piecemeal as the lands were disposed of by a Crown agent; meanwhile the Company would retain a lien on the Crown Lands in a self-governing Rhodesia. Once the debt was liquidated, the lands, or what was left of them, would go to the Rhodesians. The Company, on the other hand, claimed full payment in cash with interest as from March 31, 1918, on the day its administration ended, and filed a petition of right against the Crown to enforce its claim. The Crown retorted by reminding the Company of £2,000,000 which had been advanced to it for its war expenditure.

These questions touched only Southern Rhodesia. In Northern Rhodesia the Company held large land and mineral concessions, besides being deeply interested in the railways; on the other hand, its administration was faced with an annual deficit of about £100,000. The cost and inconvenience of ruling such a territory would become greater than ever once its authority south of the Zambesi ceased; the Directors made no secret of the fact that they would gladly lay down their administrative duties there.

The Legislative Council of Southern Rhodesia met towards the close of May. It was informed that the Letters Patent would be promulgated on October 1, whereupon the Company's administration would cease; but that the Company would close its account with the Crown on March 31, the end of the financial year 1922-23. In other words, owing to the impossibility of dividing the finance of the year into two water-tight compartments, the Company would administer the country for six months after its financial liability had ceased, while the Legislative Council must vote the Budget for 1923-24 as a whole, but would control the expenditure of the proceeds only during the latter half of that period. Should there be a deficiency on the date of handing over the administration, the Imperial Government would make it up, provided the loan was

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repaid by the Rhodesians as speedily as possible. From this arrangement it followed that the Company would take any balance of administrative revenues existing on March 31. There were further difficulties of a financial kind. The Crown had to face the possibility of the Company winning its petition of right in whole or in part, or of seeing that petition still before the Courts on the day the Letters Patent came into force. The Colonial Secretary therefore proposed that, pending the decision of the Courts, the clause in the Letters Patent governing the disposal of the Crown lands on which the "Cave sum" was secured be suspended and a provisional arrangement made, and that some changes be made in the method of paying the Company for the public works taken over in terms of the Charter. He did, however—and this was the most hopeful part of his two dispatches—hint at a general settlement of the Company's claims on both sides of the Zambesi.

On June 1 the Budget was introduced. The Treasurer announced that the deficit for the preceding year had been added to the amount due from the Crown to the Company and that the unexpended balance of the surplus of the year before that (1921-22) had been brought into the account to reduce the said amount. In other words, the Company had retained the balance. At once the elected members were up in arms. Hitherto any surplus had been carried over to fill up a possible deficiency in the succeeding year; since the decision of the Judicial Committee of the Privy Council in 1918, elected members had been given to understand clearly that they must no longer reckon on the cheque-book of the shareholders for capital expenditure, and that deficits must be avoided. To secure that end necessary public works had been held over and economies practised in the public service. The Budget had envisaged a deficit each year; but till the middle of 1922 a surplus had been realised. By closing its books in March the Company annexed a considerable unexpended balance and left Rhodesia to face a deficit on the current year. Worse still,

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they alleged that the Company, by taking the unexpended surplus, while it was still the Government of the country, without any vote by the Legislative Council, had broken the Order-in-Council of 1898 on which the Rhodesian constitution rested.

The debate on the Budget was adjourned for ten days to give time for the receipt of a reply from Downing Street to the members' protest. That reply was soon forthcoming. The Secretary of State explained that the Judicial Committee had decided that the Company at the close of its administration must be reimbursed for its administrative outlay. This could only be done if the total administrative expenditure was balanced against the total administrative revenue, and it was on this principle that the Cave Commission had worked. He admitted, however, that the proposal to close the books on March 31, 1923, had emanated from London Wall and that the Crown had no desire to press it if an alternative course could be suggested. To this the elected members replied, repudiating the idea that either the Judicial Committee or the Cave Commission had anything to do with the disposal of surpluses, the proceeds of taxes voted by themselves for the service of the country; suggesting that the Company should carry on the administration till September 30, and hand over any cash balance there might then be along with the reins of government; and promising all constitutional resistance to the actual course proposed by the Company and acquiesced in by the Crown. On the other points raised, they declined to consider any of the financial modifications suggested by the Secretary of State. They held that these matters had been settled by the Letters Patent and by Mr. Churchill's dispatch of August 11, 1922, on the eve of the referendum. On that basis the referendum had been taken; from that basis they refused to budge.

It was in vain that the Treasurer pointed out that £150,000 of uncollected revenue would fall to the incoming Government, that it would secure some £250,000 worth of

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movable assets without payment under the Cave Award, in spite of the Company's protests ; that the Company would hand over the pension fund as soon as it got a full discharge of the amount and a guarantee that pension liabilities would be honoured. The elected members retaliated by claiming £147,000 revenue from land accrued in 1918. The only way out of the *impasse* was to adjourn the House for a month until July 23.

Meanwhile, for some time past, Sir Francis Newton had been in London negotiating with the Colonial Office. On July 13 the news arrived that a general settlement had, indeed, been reached, not only with respect to Southern but Northern Rhodesia as well. The new Administration in Southern Rhodesia undertook to pay to H.M. Government on or before January 1, 1924, £2,000,000, and to repay the £300,000 advanced by Great Britain during the past two years. As an offset she would receive the unalienated land and rights of the Crown appertaining thereto, public works and buildings, movable assets, excess of debtor over creditor balances, the much debated pension and other special funds, and the net land revenues for the six months of 1923 during which the Company would be relieved of financial responsibility for the administration of the country.

After the storm, a calm. The Company and the Southern Rhodesians saw their financial differences swept away at a stride. An equally comprehensive settlement was reached between London Wall and Downing Street—after many years. The Company agreed to accept £3,750,000 down on the nail at the close of its administration in full discharge of its claims under the Cave Award, provided the Crown waived its claim for a refund of the £2,000,000 advanced to the Company for its war expenditure. The Company, of course, was to give up its lien on the Crown lands and possession of all other assets, which were to be transferred to the new Administration ; on the other hand, it was once more recognised as owner of the mineral rights in Southern

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Rhodesia. The railways are all privately owned, for the most part, directly or indirectly, by the Company itself.

In short, the Crown waives a claim to £2,000,000, spends £3,750,000, and recovers £2,300,000 from the Rhodesians. As a cash transaction, from the point of view of the British taxpayer, the most patient of mortals, it might have been worse. A shareholders' meeting accepted the settlement ; the Imperial Parliament voted the necessary funds ; the Rhodesian Legislative Council went on its way rejoicing ; and on September 12, the thirty-third anniversary of the occupation of Mashonaland by Rhodes's Pioneers, the Administration announced to a small and orderly crowd, including twenty of those Pioneers, assembled in Salisbury, that :—

Whereas the Territories . . . are under the protection of His Majesty the King : And whereas British subjects have settled in large numbers in the said Territories, and it is expedient . . . that they should be annexed. . . . From and after the coming into operation of this Order the said Territories shall be annexed . . . and shall be known as the Colony of Southern Rhodesia.

The Company's flag was lowered, the Union Jack run up, and *Finis* written to an eventful chapter in the history of chartered companies.

The transference of authority has since taken place. Sir John Chancellor, the newly arrived Governor, called on Sir Charles Coghlan to form a Ministry, which took office on October 1. The Cabinet includes, besides protagonists in the struggle for responsible government, Sir Francis Newton and another ex-Company official, whose administrative experience will be of great value to the new régime. The country is faced with a deficit of £63,000 and the necessity of raising a loan of £3,000,000 with which to pay the Imperial Government its dues and to meet capital expenditure. But deficits are part of the normal furniture of governments nowadays, and there is no doubt that Southern Rhodesia can raise and carry the loan. The

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"Responsibles" are full of hope and confidence; and, though the pro-Unionists have in no wise abandoned their aims, they are prepared to give the new system a fair trial.

The Crown will not relieve the Company of the administration of Northern Rhodesia till April 1, 1924. It will then take over all public works, movable assets and so forth; all administrative and commercial rights, other than mineral, conceded by Lewanika, King of the Barotse, in N.W. Rhodesia, certain similar concessions in N.E. Rhodesia, and all such rights to land in N.W. Rhodesia as the Company "claims to have acquired by virtue of the concessions granted by Lewanika," rights which, as far as the public is concerned, await more precise definition. The Company will not receive a refund of its administrative deficits; on the other hand, it will receive £50,000 towards the actual deficit for the year 1923-24, less a proportion of the proceeds of the land during that period, and, by the space of forty years, half the net land revenues of N.W. Rhodesia. It will retain three freehold areas in N.E. Rhodesia; its mineral rights throughout will be safeguarded as fully as in Southern Rhodesia; the railway companies will be similarly protected. No new lines will be constructed unless H.M. Government is satisfied that the existing companies cannot or will not provide the necessary facilities, and that the proposed railway will not unduly harm their interests. No mention is made of the form of government under the new régime. At present the powers of the Company's Administrator are tempered by a purely advisory Council elected by the 5,000-6,000 European settlers dwelling in what is mainly a huge native territory. It is hard to imagine that the Crown, for a time at least, will make any radical changes in that system.

South Africa. October 17, 1923.

NEW ZEALAND

I. THE TWENTY-SECOND SESSION OF PARLIAMENT

THE twenty-second session of the New Zealand Parliament came to an end on August 31. Many long no-confidence debates—some of them productive of situations that were more awkward for the opposing parties than for the Government—took up much time in the earlier weeks, to the exclusion of all other business. The Ministerial majority was always exceedingly slender—in three or four divisions it sank to one—and hence the Government was never free from anxiety. The bulk of the important legislation was brought down in the last fortnight of the session, and the enormous pressure under which legislators were working affected the consideration which so many important measures required.

Relief for Soldier Settlers

The recommendations made by some eleven local Boards set up to enquire into the conditions of its soldier settlers, were embodied in an amendment to the Discharged Soldiers' Settlement Act—a measure which has received unqualified approval throughout the entire Dominion, for it makes exceedingly generous provision for the relief of the men. The case of every soldier settler who applies for a re-valuation of his land is to be investigated by new local committees which will make definite recommendations to a central Board. Each case will be dealt with on its merits,

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and it is estimated that the result will be a writing down of values of land purchased by the Government for soldier settlers by an amount of £2,000,000, with proportionate reductions of rents and mortgages. This is the loss the Government will have to meet on its expenditure of over £21,000,000 in purchasing land for, and in making advances to, soldier settlers.

The Act also provides for additional advances, estimated at £300,000, for those soldier settlers who require additional capital, the majority of whom are at a standstill until they can obtain more, while it gives power to suspend, without interest, payment of arrears of rent, if not more than two years old. Arrears of interest on mortgages can likewise be postponed for a period not exceeding the term of the mortgage. An attempt is to be made to reduce or amalgamate with Crown mortgages any second mortgage which may exist. An important feature of the measure is that the re-valuation and reductions shall date back as from July 1, 1921, while soldiers who have kept up their payments on land which it is proved has been over-valued, will be eligible to receive rebates for the amount thus overpaid. It is notable that the Act does not provide for any fixed scale of writing down. Each case has to be considered on its merits. Amongst the difficulties that will face the Board is the human equation, as to what extent the officials will be justified in allowing unsuitable occupants a reduction in valuation, while that of their more competent neighbours will be continued.

In presenting his report, the Under-Secretary for Lands points out that of the 7,625 repatriated soldiers placed on the land, the farms of 4,322 were inspected by the Enquiry Boards, and of these 50·6 were successful, 30·7 temporarily unsuccessful, and 18·7 were failures. On the other hand, about 3,300 soldier settlers did not respond to the invitation to have their farms inspected, and as it may be safely assumed that a number of these were successful men who were well satisfied with the conditions under which they

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were working, the percentage of successful soldier farmers will considerably exceed those given in the Under-Secretary's report. On the whole, therefore, the soldier settlers' scheme has proved satisfactory.

War Pensions

Further evidence of the care of the country for its disabled soldiers is given by the passing of the War Pensions Amendment Act. This Act carries out the recommendations of a Royal Commission which investigated the War Pensions system. Power is given to the War Pensions Board to grant an economic pension not exceeding 30s. a week to a disabled man, in addition to the ordinary statutory pension, but it is to be granted on economic grounds only. The principle underlying the statute seems to be that if the Government cannot find suitable employment for a disabled man, it will grant him an economic pension. Similar provisions are made in favour of the widow and children of a deceased soldier and of the widowed mother of a deceased soldier. Additional allowances are granted to soldiers for limb amputations, and also to those disabled men who require the services of an attendant.

The Act also makes provision for setting up a War Pensions Appeal Board. Appeals are to be allowed from the decisions of the War Pensions Board in all cases where a claim is rejected on the ground that the death or disablement of the soldier was not due to his employment as a soldier, or, in the case of disablement, that the condition of disablement was not aggravated by such employment. Appeals are also allowed against the assessment of a pension granted to a soldier in so far as the assessment is based on medical grounds. The importance of this Appeal Board is due to the fact that there is a wide belief that the effects of war services are in many cases appearing only after the expiration of a number of years. The Government has shown its sense of the importance of dealing fairly with all soldiers who claim that their disabilities are attributable

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to war service by appointing Sir Frederick Chapman, a Judge of the Supreme Court, as the President of the Appeal Board. With the provision for economic pensions and the appointment of an authoritative Appeal Board, it would seem that the Government has fully discharged its obligations to the ex-soldiers and their dependents.

The Dairy Export Control Bill

During the past Session no measure of legislation has received so much criticism on the part of the outside public as the Dairy Produce Export Control Bill, which was considered in Parliament on August 22, and passed on August 24, and which places the entire control and sale of the export of dairy produce in the hands of a Board of twelve members with compulsory powers; contracts made prior to October 1, 1922, and all exports under contracts if shipped before August 31, 1924, are excluded. Nine members of the Board are to be elected by the producers—six from the North Island and three from the South. Two other members are to be appointed by the Government.*

The Bill was a result of a promise by Mr. Massey that if the dairy farmers wanted a measure providing for compulsory co-operative marketing of dairy produce, he would undertake to produce it—in his speech on the Budget on July 17 he said:—

We will have a Dairy Produce Bill again this session. In so far as I am concerned, we are not taking it up for party purposes. It means nothing to me whether it passes into law or not, but if the dairy farmers of this country want legislation they have simply to say so and they will get it.

This utterance drew a good deal of criticism, and opponents of the measure held that this was a case of government of the people for the people by the farmers. They pointed out that the proposed legislation would deal

* The Government has also the power to appoint a third member to represent the manufacturers or exporters of dairy produce.

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with the largest unit of production in the country, and one which vitally concerned New Zealand's future, yet it was left to the farmers to dictate what should be done. Moreover, a very dangerous precedent of sectional legislation was established, and one which Labour would not fail to utilise to the full when it came into power.

On August 22, Sir George Hunter, on behalf of the Select Committee which had dealt with and heard evidence on the Bill, recommended that it should be proceeded with, with various amendments. Submitted by the Government as a non-party measure, an interesting situation developed, in which city members in the main, whether Liberal or Reform party, were against it. The majority of country members, both Reform and Liberal, were in favour of the Bill, while it is significant that it had the support of the Labour party—although a Labour amendment to the effect that the personnel of the Board should include two workers of a dairy factory was lost on a division. The proposal has met with very strong opposition—particularly from the section of the business community represented by the Chambers of Commerce. The most strongly contested features of the measure are those which give the Board compulsory powers. These are similar to those given to the Meat Control Board, which handles the export of frozen meat of New Zealand co-operatively, but which thus far has never put these powers into operation.

During the debate on August 23 the Prime Minister made an important concession by promising the insertion of a clause that the Bill should not take effect until a plebiscite of dairy farmers was taken. The proposal for a plebiscite was passed next day, and provides that a poll of all producers shall be taken before November. Two proposals are to be submitted—that the Act shall or shall not be brought into operation, and the Dairy Produce Export Control Act is not to come into operation unless and until a majority of the producers have voted in its favour.

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II. THE ECONOMIC OUTLOOK

THE quarterly returns of the banks doing business in New Zealand are always instructive, and those for the June quarter reveal a particularly satisfactory state of affairs. They show the deposits as being again substantially larger than the advances. Further, the note circulation has been considerably reduced. As compared with the same quarter of 1922, the fixed and free deposits show an increase of over £4,250,000, while as compared with the figures of the previous quarter they show an advance of nearly £2,250,000. The free deposits show a particularly substantial gain, the total exceeding that of 1922 by nearly £3,250,000. The free deposits are, of course, credit balances on current account, and it is gratifying to see that the customers of the banks are in a much better position—there is an improvement of nearly £2,000,000 as compared with the March return.

The movements of free deposits during recent years are most instructive. In the September quarter of 1920 they totalled about £36,000,000, for the same quarter 1921 they had fallen below £27,000,000, while at the end of the December quarter 1922 they were down to £23,500,000. June, 1923, again shows them as nearly £28,500,000, an improvement of nearly £5,000,000 in the past six months. This is combined with a very satisfactory contraction of advances from the banks to their customers, and the excess of deposits over advances in the period under review is now nearly £3,000,000, whereas from the beginning of 1921 to the end of 1922 advances were very considerably in excess of deposits. Note circulation is steadily declining—the decrease as compared with June, 1922, amounts to £574,076—or over 8 per cent.—and is another evidence of the favourable change in economic conditions.

The figures of national revenue and expenditure for the

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first quarter (April 1 to June 30) disclose two satisfactory movements—recovery of revenue and the continued holding down of expenditure—and are particularly interesting when compared with those of the corresponding quarter for the last three years, which were as follows :—

		Revenue.	Expenditure.
		£	£
1921-22		5,080,194	8,012,370
1922-23		4,791,766	6,499,408
1923-24		5,225,565	6,483,828

The reports presented to Parliament covering the year which closed on March 31, 1923, disclose an excellent all-round period for primary producers, heavy and increased production in the main staples of export, easier financial conditions, marketing prices which were satisfactory on the average, and high rainfall in the main season, which unfortunately led to severe floods in areas liable thereto. The most phenomenal expansion was in the dairy industry, where, with a surplus output of 66,000 tons of butter and 60,000 tons of cheese, New Zealand advances to the position of the largest exporter of dairy produce in the world. She is the leader in cheese and runs close up to Denmark for first place in the world's butter supply. Further great expansion in this industry is confidently expected, as increasing tracts of land are being brought into production, and from the utilisation of better methods of feeding and herd testing.

The annual statistics taken in January last show an increase of 100,000 dairy cows in the Dominion, bringing the total to 50 per cent. higher than five years ago. The past few years have reported successive declines in the total Dominion sheep flocks (although the numbers of breeding ewes had steadily increased), but the figures as on April 30 last now show a substantial increase of over 859,000 sheep as compared with the previous year. High prices have ruled for export mutton and lamb, while record figures have

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been touched in wool of the finer qualities, and as a result of a substantial increase in value the Dominion's wool clip for the year is placed at some £12,000,000, an increase of over £4,000,000 as compared with the previous twelve months.

An important concession to the business community is the reintroduction of the penny postage, which takes effect as from October 1, combined with halfpenny inland post cards, and reduced postage charges on commercial papers, books and printed matter. The penny rate will apply to letters addressed for delivery out of New Zealand to all parts of the Empire, and to those foreign countries in whose case the letter rate is now 1½d. The concessions mean a temporary loss of approximately £250,000 revenue per annum, but it is anticipated that they will bring a largely increased business to the Department. With the reductions in force, New Zealand will again enjoy the cheapest postal rates in the world.

III. THE ARBITRATION COURT

THE past year has been marked by comparatively little labour trouble. The New Zealand system of wage regulation by Arbitration Court awards has undoubtedly proved a great protection to the wage earner during the recent period of falling prices through which the country has passed; were it not for the control of the Court it is certain that much greater wage reductions would have taken place. Prior to the war the Arbitration Court awards were effective for a definite period—usually two or three years—during which the wages fixed could not be altered or reviewed. In 1918, however, in response to agitation and insistent representations as to the hardship to which wage earners were subjected by rapidly rising prices, the Government passed legislation requiring the Arbitration Court to review wages at six monthly periods

The Arbitration Court

and make adjustments in conformity with the "cost of living." Consequently in 1919 the Arbitration Court declared a "cost of living" bonus which has been altered at each six-monthly period since in conformity with the increase or decrease in the "cost of living." This special legislation expires at the end of this year, after which wages will, as in pre-war days, remain unaltered until the expiry of the award.

It may perhaps be explained that in seeking an award of the Arbitration Court the initiative in a dispute may be taken either by an industrial union (or association of unions) of workers or of employers, or by an individual employer or employers. Workers may cite employers or *vice versa*.* The workers may compel any of their employers to come under the Act, but the employers cannot compel their workers to come under it unless the latter have registered as an industrial union, and registration is voluntary. An award of the Court is binding upon the employers specified in the award, upon any employers commencing business in the district subsequently to the date of the award, and upon all persons working for such employers. Until two or three years ago it was the common practice for unions of workers to cite the employers as parties to a dispute, and only in rare cases did the employers take the initiative. For the last year or so, however, there have been a number of cases in which the employers have cited the workers' unions—*e.g.*, freezing workers, cooks and stewards, seamen, watersiders, dairy employees, shearers, coal miners. No less than thirty-two such cases have occurred during the last three years in the Wellington district alone. When an award of the Arbitration Court is filed it becomes binding on all the parties, and a strike or lockout becomes unlawful. While it has been the practice of the employers to accept the awards of the Court, in a few cases the workers have

* Last March, it was by error stated that the power of citing the workers to appear before the Court was not conferred upon the employers. (THE ROUND TABLE, No. 50, March, 1923, p. 451.)

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objected and have struck work rather than accept the conditions fixed—as, for instance, the recent cases of the freezing workers, seamen and coal miners. In the first two mentioned cases prosecutions were instituted; the workers concerned were fined, and eventually they resumed work under the conditions laid down in the awards. At the time of writing the case of the coal miners is still unsettled. There are nearly 600 awards and industrial agreements in force under the Industrial Conciliation and Arbitration Act.

IV. REDUCTIONS IN TAXATION

THE Land and Income Tax Amendment Bill introduced on August 15 gives further proof of the improving financial position of the Government, for it provides for a reduction of income tax by some 20 per cent. This means that those now paying the minimum of 1s. in the £ will pay in future a trifle over 9½d., while those on the maximum of 7s. 4d. will find the figure cut down to 5s. 10d. The duty on British Empire grown tea was abolished, while the amusement tax was halved. The Government also lightened the load of the farmer by entirely removing the super-tax on land.

In recent years the maximum rate of income tax payable in respect of interest derived from debentures of Local Bodies was only 2s. 6d. in the £1 and on debentures of companies 3s. This undoubtedly resulted in considerable capital investment in these securities which would otherwise have been available for mortgage advances on farm lands. In order to adjust more equitably the incidence of taxation on these investments and to make mortgage advances more attractive the Government increased the maximum rate of income tax on debentures, both of Local Bodies and of companies, to 4s. 6d. in the £. Where, however, the taxpayer's total income is assessable at a lower rate of income tax than 4s. 6d. his debenture interest bears that

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lower rate only. The proposed increase to 4s. 6d. met with such strong opposition from the Local Bodies of the Dominion that the Government had eventually to make it apply only in respect of issues of debentures subsequent to the passing of the Act—i.e., after August 29, 1923.

One clause which received much adverse criticism throughout the Dominion, and which was strongly opposed by some of the Government's own supporters in the House, was the proposal to abolish the tax upon income derived from agricultural land. To this question on Tuesday, August 14, the House of Representatives devoted an all-night sitting, and the Government had a narrow escape from defeat on each of the three divisions. In opposition, it was pointed out that the exemption would not afford any relief to the bulk of the farmers, as those receiving less than £500 could not be affected by the measure. Hence the remission of taxation was practically a gift to the wealthy pastoralists who could well afford to contribute to the country's revenue.

V. IMPERIAL AFFAIRS

DURING the past two months the editorial columns of the newspapers of the Dominion have given an exceptional amount of space to discussion of the Imperial and Economic Conferences and of Imperial matters generally. One of the first and most important incidents to be dealt with was Mr. Massey's speech on July 5 on the Imperial Conference, and the subsequent debate thereon. Before proceeding to detail his views, he moved the following resolution, which was seconded by the Leader of the Opposition :—

That the resolutions passed at the Imperial Conference are only obligatory on any Dominion if they are confirmed by the Parliament of that Dominion—

a resolution which was subsequently claimed by the Leader of the Labour party, Mr. Holland, to be indicative of a

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change of attitude due to the operation of the Labour party. After dealing with various problems which would be discussed at the Conference, Mr. Massey for the first time disclosed the suggestions made by the British Admiralty for New Zealand's share in the general system of naval defence, and which called for the maintenance by New Zealand of the healthy nucleus of a seagoing squadron, for the provision of oil reserves, of docks and depots, and for assistance in equipping Empire naval bases. He then devoted some time to a discussion on constitutional problems, indicating his views thus :—

I hold fast to the constitutional procedure that when the Empire goes to war every part of the Empire should be at war also.

He also advocated a very important step in Imperial relationships, urging that each Dominion Government should have the same right as the Ministers representing the Home Government of approaching the Sovereign, thus :—

We have never yet got to that stage where Dominion representatives were able to join with the representatives of the British Government in making communications to the Sovereign, the Head of the British Empire. We should have exactly the same right as the Ministers who represent the British Government, and we should be in the position of approaching the Sovereign.

Replying to a toast at a banquet given in his honour by the Wellington Chamber of Commerce on August 18, Mr. Massey delivered another interesting speech, and reviewed problems of defence and Imperial preference which are to be considered at the coming Conference.

Dealing with the question of preference, he is reported by *The Dominion* of August 20 thus :—

With a little cultivation by the commercial and industrial communities of the products of the Dominions, they can bring about a greater volume of trade with Great Britain than has ever been done before with her by the European countries. New Zealand is giving

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a lead. At the last revision of the tariff we increased from 200 to 400 the number of articles on which preference is given to British countries. . . . Imperial preference or preference by Customs, it does not matter what you call it, will work wonders.

Referring to the representation of the Dominions at the signing of the Treaty of Versailles (which was also dealt with at length in his speech in Parliament on the Imperial Conference Resolution on July 5), he said :—

The impression gained there that the Dominions were becoming independent of the Empire was quite wrong. That the constitution of the Empire was unwritten had advantages, because it made it more elastic and more easily adaptable to circumstances. But something should be done in the way of record being made that would prevent serious misunderstandings in the future.

The unanimity of opinion in New Zealand on Imperial unity was demonstrated when, at the same banquet, the Leader of the Opposition, Mr. T. M. Wilford, stated :—

There was no difference between the parties in Parliament, Liberal or Reform, on the question of the Empire. There never had been, and never would be while he was Leader of the Opposition.

Later in the evening H.M. British Trade Commissioner had some interesting comments to make on the whole question of British preference, and controverted the general assumption that economic difficulties can be solved by the rapid development of trade with the Dominion, pointing out that extraordinarily little change had taken place in distribution since the war. The proportion of British goods sent to the Empire had grown very slightly, and that of the Continent was the same, while the amount of goods taken by the four great Dominions that give preference is half that taken by Europe.

It is only to be expected that these speeches should have aroused a very great amount of interest throughout the Dominion. The Wellington Chamber of Commerce, at a meeting held on August 7, discussed the question of

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Imperial preference at considerable length, and, while opposing views were ventilated, the following resolution was carried :—

That the Wellington Chamber of Commerce subscribes to the proposals of the 1917-18 Imperial Conference to unite the Empire for the purpose of trade and to give preference to commodities produced within the Empire, in furtherance of which New Zealand has already extended the fullest possible preferential treatment to the Motherland. This Chamber now suggests for the favourable consideration of the Prime Minister a recommendation to place before the Imperial Economic Council a proposal to grant New Zealand preference on all her primary products shipped to the United Kingdom as against those from foreign countries.

Commenting editorially on this resolution on August 9, *The Dominion* writes thus :—

It is distinctly a possibility that unless Britain so far applies the principle of preference to give the Dominions an assured market, the latter may be driven progressively to make alternative agreements with foreign countries. This would mean immediate inroads on the preference already granted to the Mother Country, and perhaps, in some Dominions, its ultimate abolition. . . . It is, in fact, far from certain that direct fiscal preference is the most effective contribution Britain can make to the development of trade within the Empire. There are other ways, however, in which the Mother Country might offer trading advantages to the Dominion. . . . High shipping freights have been a long-standing grievance with our primary producers. In right conditions, and with due precautions, the British Government might take such action as would ensure reduced transport charges. . . .

Another way in which the Mother Country can help the Dominions in trade is by instituting such measures of control as will prevent their products being adulterated, falsely marked, or otherwise tampered with, before they reach the British consumer. It is equally important in this connection that the products of other countries should be honestly marked. It is a matter of common complaint that in Great Britain New Zealand butter is often blended with inferior grades, and then sold as the genuine article. Another abuse is the marketing of foreign meat under New Zealand labels.

The view detailed in the first paragraph of *The Dominion's* editorial does not appear to be widely held in New Zealand, nor has the Chamber of Commerce's proposal received very wide support. The other side of the

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argument is stated by the *Evening Post* of August 8, 1923, in an editorial pointing out that while in 1922 Great Britain took 85 per cent. of New Zealand's exports, the Dominion took only £18,296,173, or 52 per cent., of its imports from Great Britain, with another 22 per cent. from other British contributors. The rest was purchased from foreign countries, and although the United States had very heavy duties as against all foreign countries, New Zealand imported from the States in 1922 goods to the value of £5,379,372, to say nothing of United States interests in certain manufactures in Canada, imported as British goods, while the Dominion exported products to the United States valued at £2,672,776, and *The Post* concludes :—

The Wellington Chamber of Commerce would have been well advised if it had given further thought to, and discussion of, so important a proposal . . . and had gone to the Prime Minister with something of a clear cut and concrete character.

Indeed, it is fully realised here that Great Britain should not, and cannot, take any steps which will mean the taxing of her food, and, as the *Christchurch Press* of August 21 pointed out in commenting on the speech at the Wellington banquet :—

On the question of tariff preference with the Empire, Mr. Massey very wisely abstains from putting this country in the position of one that has demands to make from the Mother Country, and we feel confident that he will not give his support to those who have sometimes seemed ready to affirm that unless Britain grants preference to the Dominions the Dominions will feel free to make whatever terms they can with foreign countries.

The *Otago Daily Times* of August 21 takes a much stronger stand, and points out that in practice the policy of preference to the British Government by the Dominions has meant that :—

A higher protective duty has been imposed than would have been the case in the absence of such a policy. The prime consideration of the matter has been the protection of local industry. The latest illustration of this principle in actual practice has been provided in

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a proposal to suspend the British preferential duty, in the interests of boot manufacturers of the Dominion. . . . The Dominion having adopted protection loses nothing by giving preference to Great Britain, but if Great Britain gives preference to the Dominion . . . she will be forced to adopt a policy of food taxes, and to impose duties on raw materials.

While opinion in general in New Zealand inclines to the view that preference from Great Britain on raw materials is an exceedingly unlikely policy, nevertheless it is felt that much may be done by improving Empire trade communications, by cheapening transport, and by solving the problem of migration within the Empire.

On the question of Imperial defence absolute unanimity has been expressed. Attachment to the Empire, and an honest regard for our own national security alike, makes New Zealanders willing to accept their fair share of the burden of Imperial defence. Further evidence of New Zealand's attitude on this matter was given by the debates on the naval estimates on August 16, when New Zealand's expenditure on naval defence was largely increased. The report of the naval Adviser recommended that New Zealand's contribution to the Singapore base should be £200,000, half of which was voted by Parliament this year. The Labour party was strongly in evidence during the debate, and Mr. J. A. Lee, Labour member for Auckland East, claimed that New Zealand at the present rate was spending five times as much per head on defence as Canada.

Much space has also been devoted to comments on cables summarising an article contributed in the London *Daily News*, cabled to us on August 31, and to extracts from an article in *THE ROUND TABLE** cabled on August 30. Dealing therewith, the leader writer in *The Dominion* of August 31 states the view which, in the main, has been expressed here, thus :—

The article in *THE ROUND TABLE* is largely in tune with progressive overseas sentiment in what it has to say about European alliances,

* *THE ROUND TABLE*, No. 52, September, 1923, p. 682.

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and also with regard to trade and development. Reservation must be entered, however, that the slowing up of manufacturing development in the Dominion is not of necessity essential to a practical co-ordination of Empire Economic policy. The writer of *THE ROUND TABLE* article shows himself less in touch with the trend of thought in the overseas Empire in the suggestion that a possible solution of the problems of the Imperial diplomacy is that each Dominion should develop a special Diplomatic Service. . . . The line of development here suggested is one to which the Dominions are definitely opposed. . . . An elaborate diplomatic organisation is the last thing the Dominions desire to possess. Even if this were not the case, it seems most unlikely that such an organisation would serve any useful purpose.

In its issue of August 29 the *New Zealand Herald*, while indicating that in its opinion the body of feeling which is said to exist in certain Dominions against the impalpable and undefined nature of the bond which has existed up to the present between Britain and other partners of the Empire "is not so deeply felt nor so widely spread as its protagonists would have us believe," stresses the fact that opinion in New Zealand and Australia is in entire accord on this matter. Indeed, the writer claims that :—

Neither country exhibits the impatience with present conditions shown by a section in Canada, and in some degree echoed by South Africa. The two self-governing Dominions of the Pacific may therefore counterbalance the somewhat aggressive nationalism which it is possible will be shown by the other two.

In an interesting editorial on Empire problems, the *New Zealand Times* of August 30 gives a survey of the various Empire missions from this country to the Homeland, and points out that the first carried a petition from New Zealand to the British Parliament in 1865 asking that the Colony might relieve the Mother Country of the burden of the expensive campaign against the Maori, which had proved utterly unsuccessful. From then down to the present time there have been many missions, and Mr. Massey, who left Wellington on August 28 for the Imperial Conference, has gone on one of the most important of all of

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them, for New Zealand feels that the Conference is pregnant with enormous possibilities for weal or woe for the Empire as a whole. In farewelling him, the House of Representatives paid him many graceful and warm tributes, expressions of the deep and abiding loyalty to the Empire felt by the great majority of the members of the House and by the people of New Zealand. He left New Zealand with the good wishes of every citizen of New Zealand. The Dominion is proud of the fact that not only does he represent New Zealand, but, as pointed out by the *Auckland Star* in its editorial columns of Monday, August 27, he is "the only survivor of the war Premiers of the Empire, an interesting link between the crisis of the past and the problems of the present and the future."

During the past few years Mr. Massey has faced many pressing and serious problems, and has triumphed over most of them by sheer force of character, and in sending him as its representative New Zealand feels that nothing petty will be done in its name, nothing mean or mercenary, and that his voice will ever stand for what New Zealand believes to be vital, the unification of the Empire, and for unswerving devotion to the Mother Country.

New Zealand. September 25, 1923.

SUMMARY OF PROCEEDINGS OF THE IMPERIAL CONFERENCE AND THE IMPERIAL ECONOMIC CONFERENCE

THE IMPERIAL CONFERENCE

The following is a slightly abbreviated form of the official summary :—

The proceedings of the Conference opened at 10, Downing Street, on October 1, 1923, and were continued until November 8. During that period sixteen plenary meetings took place.

In addition to the meetings of the full Conference there were eleven meetings of committees, and technical discussions on Defence Questions at the Admiralty and Air Ministry.

In opening the proceedings on October 1, Mr. Stanley Baldwin, as chairman, extended a welcome to the representatives of the Dominions and India, and referred especially to the enlargement which had taken place in the circle of the Imperial Conference by the constitution in 1922 of the Irish Free State.

Mr. Baldwin then made a general statement on the Imperial and International situation, in which he reviewed the chief events which had taken place since the Conference of 1921, and outlined briefly the agenda of the Conference and the main problems which would come before it. Speeches were made in reply.

The Prime Minister of the Commonwealth of Australia was not present at the opening meeting : he was unable to reach London until October 5.

The first official act of the Conference, in accordance with the practice on previous occasions, was to send a message of greeting to Their Majesties the King and Queen.

On October 31 the Conference passed a resolution expressing its deep regret at Mr. Bonar Law's death.

PUBLICITY

The Conference gave special attention to the question of publicity for its proceedings. There was general agreement that at meetings of this nature, where questions of high policy and of the greatest consequence to all parts of the British Commonwealth are surveyed and dealt with, it was of the first importance that the representatives present should feel able to speak among themselves with the utmost freedom, and in a spirit of complete

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confidence. Hence it was considered essential that nothing should be published without the approval of the Conference as a whole, and under its directions.

At the same time it was felt that the proceedings of the Conference would cause wide interest among the peoples of the countries represented, and consequently that, as opportunity offered, information regarding its deliberations should be made public.

It was decided to place the general arrangements as to publicity in charge of a British Minister, and, at the unanimous wish of the Conference, the Chancellor of the Duchy of Lancaster, Mr. J. C. Davidson, C.H., C.B., M.P., was asked to be present at the meetings and to undertake the necessary work.

This procedure, though of an experimental character, turned out to be of much value, and at the conclusion of the meetings the Conference expressed to Mr. Davidson its great indebtedness for his valuable help.

A discussion also took place, at the instance of the Prime Minister of Canada, as to the desire of the Parliaments of the various parts of the Empire to be afforded the fullest information possible on all matters concerning which negotiations were going on, or discussions taking place, between the various Governments. It was felt that as many as possible of the communications passing ought to be made available for the use of the Parliaments, and a general understanding was reached as to the principles which should govern the publication of correspondence between the Governments.

COLONIES, PROTECTORATES AND MANDATED TERRITORIES

The Secretary of State for the Colonies gave to the Conference on October 3 a comprehensive review, subsequently published, of the situation in the Colonies, Protectorates, and Mandated Territories.

A general discussion followed on various aspects of policy in regard to the development of the Colonial Empire and the Mandated Territories, and great stress was laid by the representatives of the Dominions and India on the economic importance of these parts of the world and, in particular, on the value to the Empire as a whole of the great tropical territories in East and West Africa and in Eastern Asia.

One question touched on was the recent arrangement concluded with the Belgian Government for the rectification of the Ruanda boundary, and it was made clear that this rectification still left available a strip of the British mandated territory of Tanganyika west of Lake Victoria, which could be utilised for the construction of a line north and south.

The Prime Minister of Newfoundland expressed his interest in the researches about to be undertaken in the Antarctic by the late Captain Scott's ship *Discovery*. It had already been arranged that any information obtained from these researches should be made available to the Government

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of the Union of South Africa, and the Duke of Devonshire undertook that the information should be supplied also to the Newfoundland Government.

It should be added that the further developments in the Middle East, and particularly in Palestine, which occurred during the sittings of the Conference were placed before it.

The Conference took note of these developments.

FOREIGN RELATIONS

The discussions on foreign relations were commenced on October 5 by the Secretary of State for Foreign Affairs, who gave to the Conference a review of the general situation in every part of the world, and the most frank exposition, first, of the main problems which have confronted the Empire during the last two years, and secondly, of those which seem most likely to arise in the near future.

The greater part of what Lord Curzon said was necessarily of a confidential character, since it was his object to supplement the written and telegraphic communications of the past two years by giving orally to the representatives of the Dominions and India the inner history of the period, but it was thought advisable that extracts from those parts of his speech which related to subjects of immediate interest and importance, viz., the situation in connection with the Reparations problem and the Turkish Treaty, should be published forthwith.

This was a departure from the practice at previous Imperial Conferences, when statements made by the Foreign Secretary have been regarded as confidential throughout.

Lord Curzon's review was followed by a general discussion on foreign relations, in which Lord Robert Cecil as British representative on the Council of the League of Nations, all the Dominion Prime Ministers present, the Vice-President of the Executive Council of the Irish Free State, and the three members of the Indian delegation took part.

Frequent and detailed examination was given not only to the main features of the international situation, but to the different aspects of that situation as they developed from day to day. Nor did the Imperial Conference terminate its sittings until each subject had been carefully explored and a common understanding reached upon the main heads of foreign policy.

It was while the Conference was sitting that the President of the United States renewed the offer of the United States Government to take part in an international conference or enquiry to investigate the European Reparation problem, and to report upon the capacity of Germany to make the payments to which she is pledged. The Conference cordially welcomed, and decided to take immediate advantage of, this overture; and communications were at once entered into with the Allied Powers to obtain their co-operation.

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The Conference, after careful consideration of the policy which has been pursued, was of the opinion that the European situation could only be lifted on to the plane of a possible settlement by the co-operation of the United States of America, and that if the scheme of common enquiry to be followed by common action were to break down, the results would be inimical both to the peace and to the economic recovery of the world.

It felt that in such an event it would be desirable for the British Government to consider very carefully the alternative of summoning a conference itself in order to examine the financial and the economic problem in its widest aspect.

The Conference regarded any policy which would result in breaking up the unity of the German State as inconsistent with the Treaty obligations entered into both by Germany and the Powers, and as incompatible with the future discharge by Germany of her necessary obligations. The strongest representations on this subject were accordingly made to the Allied Governments.

The Conference considered the situation in the Near and Middle East, and recorded its satisfaction at the conclusion of peace between the Allies and Turkey. An end had thus been brought to a period of acute political tension, of military anxiety and financial strain in the eastern parts of Europe; and more particularly had great relief been given to the sentiments of the Moslem subjects of the British throne in all parts of the world.

Another of the subjects that engaged the attention of the Conference was that of Egypt. The Conference was glad to recognise the great advance that has been made during the last two years towards a pacific settlement of this complex problem, which will safeguard important communications between several parts of the Empire.

The Conference, so much of whose time had been occupied two years ago with the question of the renewal or termination of the Anglo-Japanese Alliance and with the future regulation of the Pacific, noted with satisfaction the results of the Washington Conference, which had added immensely to the security of the world without disturbing the intimate relations that have for so long existed between the Empire and its former Ally.

It recognised with satisfaction the progressive fulfilment of the obligations incurred under the Washington Treaties; it registered the confident belief that the future relations between the Governments and peoples of the British Empire and Japan will be not less sincere and cordial than when the British and Japanese Governments were bound by written conventions; and it recorded its profound sympathy with the Japanese Government and people in the terrible catastrophe which has recently befallen them.

During the session of the Conference, the question of the regulation of the liquor traffic off the American coasts and of the measures to be taken to avoid a serious conflict either of public opinion or of official action was

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seriously debated. The Conference arrived at the conclusion that, while affirming and safeguarding as a cardinal feature of British policy the principle of the three-mile limit, it was yet both desirable and practicable to meet the American request for an extension of the right of search beyond this limit for the above purpose, and negotiations were at once opened with the United States Government for the conclusion of an experimental agreement with this object in view.

Finally, the Conference, after listening to a detailed exposition of the work of the League of Nations during the past two years, and more particularly of the recent sitting of the Council and the Assembly at Geneva, placed on record its emphatic approval of the action that had been taken by, and the support that had been given to, the representatives of the British Empire on the latter occasion. There was full accord that the League should be given the unabated support of all the British members of the League as a valuable instrument of international peace and as the sole available organ for the harmonious regulation of many international affairs.

This Conference is a conference of representatives of the several Governments of the Empire; its views and conclusions on foreign policy as recorded above are necessarily subject to the action of the Governments and Parliaments of the various portions of the Empire, and it trusts that the results of its deliberations will meet with their approval.

NEGOTIATION, SIGNATURE AND RATIFICATION OF TREATIES

The principles governing the relations of the various parts of the Empire in connection with the negotiation, etc., of treaties, seemed to the Conference to be of the greatest importance. Accordingly it was arranged that the subject should be fully examined by a Committee, of which the Secretary of State for Foreign Affairs was chairman. The Secretary of State for the Colonies, the Prime Ministers of Canada, the Commonwealth of Australia, New Zealand, the Union of South Africa, and Newfoundland, the Minister of External Affairs of the Irish Free State, and the Secretary of State for India as Head of the Indian Delegation, served on this Committee. With the assistance of the Legal Adviser to the Foreign Office, Sir C. J. B. Hurst, K.C.B., K.C., the following resolution was drawn up and agreed to:—

“The Conference recommends for the acceptance of the Governments of the Empire represented that the following procedure should be observed in the negotiation, signature and ratification of international agreements.

“The word ‘treaty’ is used in the sense of an agreement which, in accordance with the normal practice of diplomacy, would take the form of a treaty between heads of states signed by plenipotentiaries provided with full powers issued by the heads of the states and authorising the holders to conclude a treaty.

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I

1. NEGOTIATION

"(a) It is desirable that no treaty should be negotiated by any of the Governments of the Empire without due consideration of its possible effect on other parts of the Empire, or, if circumstances so demand, on the Empire as a whole.

"(b) Before negotiations are opened with the intention of concluding a treaty, steps should be taken to ensure that any of the other Governments of the Empire likely to be interested are informed, so that, if any such Government considers that its interests would be affected, it may have an opportunity of expressing its views or, when its interests are intimately involved, of participating in the negotiations.

"(c) In all cases where more than one of the Governments of the Empire participate in the negotiations, there should be the fullest possible exchange of views between those Governments before and during the negotiations. In the case of treaties negotiated at International Conferences where there is a British Empire Delegation on which, in accordance with the now established practice, the Dominions and India are separately represented, such representation should also be utilised to attain this object.

"(d) Steps should be taken to ensure that those Governments of the Empire whose representatives are not participating in the negotiations should during their progress be kept informed in regard to any points arising in which they may be interested.

2. SIGNATURE

"(a) Bilateral treaties imposing obligations on one part of the Empire only should be signed by a representative of the Government of that part. The full power issued to such representative should indicate the part of the Empire in respect of which the obligations are to be undertaken, and the preamble and text of the treaty should be so worded as to make its scope clear.

"(b) Where a bilateral treaty imposes obligations on more than one part of the Empire, the treaty should be signed by one or more plenipotentiaries on behalf of all the Governments concerned.

"(c) As regards treaties negotiated at International Conferences, the existing practice of signature by plenipotentiaries on behalf of all the Governments of the Empire represented at the Conference should be continued, and the full powers should be in the form employed at Paris and Washington.

3. RATIFICATION

"The existing practice in connection with the ratification of treaties should be maintained.

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II

"Apart from treaties made between heads of states, it is not unusual for agreements to be made between Governments. Such agreements, which are usually of a technical or administrative character, are made in the names of the signatory Governments and signed by representatives of those Governments, who do not act under full powers issued by the heads of the states; they are not ratified by the heads of the states, though in some cases some form of acceptance or confirmation by the Governments concerned is employed. As regards agreements of this nature the existing practice should be continued, but before entering on negotiations the Governments of the Empire should consider whether the interests of any other part of the Empire may be affected, and, if so, steps should be taken to ensure that the Government of such part is informed of the proposed negotiations, in order that it may have an opportunity of expressing its views."

The resolution was submitted to the full Conference, and unanimously approved. It was thought, however, that it would be of assistance to add a short explanatory statement in connection with part I (3), setting out the existing procedure in relation to the ratification of treaties. This procedure is as follows:—

(a) The ratification of treaties imposing obligations on one part of the Empire is effected at the instance of the Government of that part;

(b) The ratification of treaties imposing obligations on more than one part of the Empire is effected after consultation between the Governments of those parts of the Empire concerned. It is for each Government to decide whether Parliamentary approval or legislation is required before desire for or concurrence in ratification is intimated by that Government.

THE UNITED STATES AND "C" MANDATES

Certain general questions concerning the territories in South-West Africa and the Southern Pacific administered under "C" mandates had been raised by the Government of the United States of America, and the opportunity of the Conference was taken to examine these questions.

CONDOMINIUM IN THE NEW HEBRIDES

The developments in the New Hebrides since the Conference of 1921 were examined, and the present situation and possibilities of action further discussed by representatives of the British Government in consultation with the Prime Ministers of the Commonwealth of Australia and New Zealand.

DEFENCE

The Conference gave special consideration to the question of Defence,

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and the manner in which co-operation and mutual assistance could best be effected after taking into account the political and geographical conditions of the various parts of the Empire.

The Lord President of the Council, as Chairman of the Committee of Imperial Defence, opened this part of the work of the Conference by a statement outlining the main problems of Defence as they exist to-day. He was followed by the First Lord of the Admiralty, the Secretary of State for War, and the Secretary of State for Air, each of whom explained to the Conference the aspects of defence which concerned his special responsibilities.

In addition to these statements there was a full and frank interchange of views in which the standpoints of the various representatives and the circumstances of their countries were made clear. There were also discussions at the Admiralty and Air Ministry at which Naval and Air Defence were dealt with in greater detail. The points involved were explained by the Chiefs of the Naval and Air Staffs respectively, and were further examined.

In connection with Naval Defence, one matter of immediate interest came before the Conference, namely, the projected Empire cruise of a squadron of modern warships. The First Lord of the Admiralty explained that the project was that two capital ships, the *Hood* and the *Repulse*, together with a small squadron of modern light cruisers, should visit South Africa, Singapore, Australia and New Zealand, and return by way of British Columbia, the Panama Canal and Eastern Canada. The light cruisers would accompany the battle-cruisers as far as British Columbia, but would return to England by way of the west coast of South America and Cape Horn. The Dominion Prime Ministers expressed their appreciation of this proposal, and assured the Conference that the ships would be most heartily welcomed in their countries.

After the whole field of Defence had been surveyed, the Conference decided that it would be advisable to record in the following resolutions its conclusions on the chief matters which had been discussed :—

1. The Conference affirms that it is necessary to provide for the adequate defence of the territories and trade of the several countries composing the British Empire.

2. In this connection the Conference expressly recognises that it is for the Parliaments of the several parts of the Empire, upon the recommendations of their respective Governments, to decide the nature and extent of any action which should be taken by them.

3. Subject to this provision the Conference suggests the following as guiding principles :—

(a) The primary responsibility of each portion of the Empire represented at the Conference for its own local defence.

(b) Adequate provision for safeguarding the maritime communica-

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tions of the several parts of the Empire and the routes and waterways along and through which their armed forces and trade pass.

(c) The provision of naval bases and facilities for repair and fuel so as to ensure the mobility of the fleets.

(d) The desirability of the maintenance of a minimum standard of naval strength, namely, equality with the naval strength of any foreign power in accordance with the provisions of the Washington Treaty on Limitation of Armament as approved by Great Britain, all the self-governing Dominions and India.

(e) The desirability of the development of the Air Forces in the several countries of the Empire upon such lines as will make it possible, by means of the adoption, as far as practicable, of a common system of organisation and training and the use of uniform manuals, patterns of arms, equipment and stores (with the exception of the type of aircraft), for each part of the Empire as it may determine to co-operate with other parts with the least possible delay and the greatest efficiency.

4. In the application of these principles to the several parts of the Empire concerned the Conference takes note of :—

(a) The deep interest of the Commonwealth of Australia, the Dominion of New Zealand, and India, in the provision of a naval base at Singapore, as essential for ensuring the mobility necessary to provide for the security of the territories and trade of the Empire in Eastern waters.

(b) The necessity for the maintenance of safe passage along the great route to the East through the Mediterranean and the Red Sea.

(c) The necessity for the maintenance by Great Britain of a Home Defence Air Force of sufficient strength to give adequate protection against air attack by the strongest air force within striking distance of her shores.

5. The Conference, while deeply concerned for the paramount importance of providing for the safety and integrity of all parts of the Empire, earnestly desires, so far as is consistent with this consideration, the further limitation of armaments, and trusts that no opportunity may be lost to promote this object.

STATUS OF HIGH COMMISSIONERS

Certain questions were discussed relating to the status of the High Commissioners in Great Britain, particularly in connection with precedence and with exemption from taxation, Customs duties, etc.

The representatives of the British Government undertook to examine the points raised, while explaining that any alteration of the existing rules of precedence would require the approval of His Majesty the King.

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POSITION OF BRITISH INDIANS IN THE EMPIRE

The position of British Indians in other parts of the Empire was reviewed by the Conference in the light of the developments which have taken place since the resolution which formed part of the proceedings at the 1921 Conference. The subject was opened by a general statement from the Secretary of State for India as head of the Indian Delegation. He explained that the intensity of feeling aroused in India by this question was due to the opinion widely held there (which, however, he did not himself share) that the disabilities of Indians were based on distinction of colour, and were badges of racial inferiority. This statement was followed by a full presentation of the case on behalf of India by Sir Tej Bahadur Sapru and His Highness the Maharajah of Alwar.

It was found possible to publish these speeches, and those made in the course of the discussions by the Prime Minister of Great Britain, the Secretary of State for the Colonies, the Dominion Prime Ministers and the Minister of External Affairs of the Irish Free State, shortly after the speeches had been delivered. In this respect the procedure differed from that at the Conference of 1921, when only the resolution adopted was made public. It is unnecessary in the present report to do more than refer to the main proposal made on behalf of the Indian Delegation, and the views expressed and conclusions reached with regard to it. The Indian proposal was to the effect that the Dominion Governments concerned, and the British Government for the Colonies and Protectorates, should agree to the appointment of Committees to confer with a Committee appointed by the Indian Government as to the best and quickest means of giving effect to the resolution of the 1921 Conference.

In the case of the Union of South Africa, which was not a party to the 1921 resolution, Sir Tej Bahadur Sapru expressed the hope that the Union Government would agree to the Government of India sending an agent to South Africa who would protect Indian nationals there, who would serve as an intermediary between them and the Union Government, and who would place the Indian Government in full possession of the facts regarding Indian nationals in South Africa.

The Conference expressed its high appreciation of the able and moderate manner in which Lord Peel and his colleagues had presented the Indian case. The opinions expressed, and the conclusions reached with regard to the above suggestions were, in brief, as follows :—

The Prime Minister of Canada observed that, so far as he knew, Indians now domiciled in Canada did not suffer any legal or political disability in eight out of the nine provinces of Canada ; as regards the ninth province—British Columbia—he was not aware of any legal disability, and even the political disability that existed in the matter of the exercise of the franchise

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does not apply to all Indians because the federal law relating to the franchise lays it down that any Indian who served with His Majesty's military, naval or air forces is entitled to the franchise. He explained the present difficulties in conceding the franchise to Indians generally in British Columbia, which are due, not to distinction of colour, but to economic and complex political considerations, and he reiterated what he had already said to Mr. Sastri on the occasion of the latter's visit to Canada in 1922, namely, that the question whether natives of India resident in Canada should be granted a Dominion parliamentary franchise on terms and conditions identical with those which govern the exercise of that right by Canadian citizens generally was necessarily one which Parliament alone could determine, and that the matter would be submitted to Parliament for consideration when the franchise law comes up for revision.

Mr. Mackenzie King added that he was somewhat doubtful whether the visit of a Committee appointed by the Government of India would make it easier to deal with this problem in Canada, but that, should it be desired to send a Committee, the Canadian Government would readily appoint a Committee to confer with the Committee from India.

The Prime Minister of the Commonwealth of Australia explained the principles underlying the present attitude of Australia on this question. He stated that the representatives of every shade of political thought in Australia had shown sympathy with the claim that lawfully domiciled Indians should enjoy full citizen rights, and that he believed that public opinion was ready to welcome, so far as concerned the position of such Indians, any measure conceived in the interests of the Empire as a whole.

The Commonwealth had the right to control the admission to its territories of new citizens, and its immigration policy was founded on economic considerations. He felt that, in view of the position which existed in Australia, there was no necessity for a Committee, but assured the Indian representatives that he would consult his colleagues on his return to Australia as to what action should be taken in connection with the resolution of the 1921 Conference.

The Prime Minister of New Zealand said that the New Zealand Government would welcome the visit of a Committee from India such as had been suggested, should this be desired ; New Zealand practically gave the natives of India now resident in the Dominion the same privileges as were enjoyed by people of the Anglo-Saxon race who were settled there.

The Prime Minister of the Union of South Africa intimated that so far as South Africa was concerned it was not a question of colour, but that a different principle was involved. He stated that the attitude of thinking men in South Africa was not that the Indian was inferior because of his colour or on any other ground—he might be their superior—but the question had to be considered from the point of view of economic competition. In

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other words the white community in South Africa felt that the whole question of the continuance of Western civilisation in South Africa was involved. General Smuts could hold out no hope of any further extension of the political rights of Indians in South Africa and, so far as the Union was concerned, he could not accept Sir Tej Bahadur Sapru's proposal.

The Secretary of State for the Colonies, on behalf of the British Government, cordially accepted the proposal of Sir Tej Bahadur Sapru that there should be full consultation and discussion between the Secretary of State for the Colonies and a Committee appointed by the Government of India upon all questions affecting British Indians domiciled in British Colonies, Protectorates and Mandated Territories. At the same time the Duke of Devonshire was careful to explain that, before decisions were taken as a result of discussions with the Committee, consultations with the local Colonial Governments concerned, and in some cases local enquiry, would be necessary.

Further, while welcoming the proposal, the Duke reminded the Conference that the British Government had recently come to certain decisions as to Kenya, which represented in their considered view the very best that could be done in all the circumstances. While he saw no prospect of these decisions being modified, he would give careful attention to such representations as the Committee appointed by the Government of India might desire to make to him.

Sir Tej Bahadur Sapru, while taking note of the above statement of the Duke of Devonshire, desired to make plain that the recent Kenya decision could not be accepted as final by the people of India.

The Secretary of State for India, summarising as Head of the Indian Delegation the results attained, pointed out that the discussion had demonstrated that it was a mistake to suppose that Indians throughout the Empire were given an inferior status or that such disabilities as might be felt to exist were based on race or colour.

CONTRIBUTION OF INDIA TO THE EXPENSES OF THE LEAGUE OF NATIONS

The question of the contribution of India to the expenses of the League of Nations was raised by the representatives of India at the Conference, and was referred to a Committee under the chairmanship of the Secretary of State for the Colonies. It was there explained by Sir Tej Bahadur Sapru that India was assessed far higher than any other part of the Empire except Great Britain. In 1922 Lord Balfour had stated publicly at a meeting of the Assembly that the various parts of the Empire represented on the League would settle among themselves the exact amount which each would find. India desired to ascertain whether, in view of this statement, some relief could be afforded by the other parts of the Empire.

The members of the Committee representing Great Britain and the

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Dominions, while expressing sympathy with the difficulties of India, explained that their Governments were not able to agree to any variation from the standard of contributions already laid down by the Assembly for 1923 and 1924.

In the circumstances it was, of course, impossible for the Committee as a whole to make any recommendation. Sir Tej Bahadur Sapru intimated that India must necessarily reserve the right to raise the question of its contribution at the League Assembly of 1924, and the Secretary of State for India, as Head of the Indian Delegation, affirmed this attitude when the matter came up before the Conference.

The Conference took note of the position.

NATIONALITY QUESTIONS

Certain questions connected with the law of British nationality were brought before the Conference at the instance of the Commonwealth Government, and were referred to a Committee under the Chairmanship of the Secretary of State for Home Affairs. These questions were shortly as follows :—

1. The grant of naturalisation to persons resident in Mandated Territories.

Apart from certain special cases, there is under the existing law no power to grant an Imperial certificate of naturalisation to a person who is not qualified by residence in His Majesty's Dominions. The Commonwealth Government proposed an amendment of the law so as to provide for the grant of certificates on the basis of residence in "B" or "C" Mandated Territories—i.e., the territories administered under mandates in Africa and the Southern Pacific. To this proposal (which accorded with certain recent decisions of the Council of the League of Nations) the British Government added the suggestion that similar provision should be made, generally speaking, in the case of persons resident in British protectorates.

The Committee decided to recommend that the power of granting certificates of Imperial naturalisation be extended so as to cover persons resident in "B" and "C" Mandated Territories and also in Protectorates.

2. The appointment of Committees of Enquiry in connection with the revocation of certificates.

A self-governing Dominion which has adopted Part II of the British Nationality and Status of Aliens Act, 1914, as amended, has power in accordance with the provisions of Section 7 of that Act to revoke certificates of naturalisation. Provision is made in the Act for investigation of the circumstances, in given instances, by a committee of enquiry, presided over by a person who holds or has held high judicial office. The Commonwealth statute adopting Part II of the Imperial Act laid down a definition of high judicial office which it is now anticipated may cause difficulty in some cases,

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as persons of the prescribed standing may not be available. The Commonwealth Government accordingly contemplated the adoption of a somewhat wider definition.

The Committee came to the following conclusion: "Having heard the reasons for which the Commonwealth Government is disposed to provide that the presidency over such Committees of Enquiry may, where convenient, be taken by persons holding judicial office of lower standing than that prescribed at present by the Commonwealth statute, the Committee see no objection to a question of machinery of this nature being settled according to local circumstances and needs, if after examination of the experience of the Committee of Enquiry, and of the practice which has grown up, in the United Kingdom, the Commonwealth Government desires to make an alteration."

3. The nationality of married women.

The Commonwealth Government proposed an amendment of the Imperial nationality law as to the nationality of British-born women married to aliens. Under the present law the national status of the wife follows that of her husband; a British woman becomes an alien on her marriage to an alien, and there is no power to naturalise her during the continuance of the marriage. The Commonwealth Government have found that the wife's loss of British nationality tends to give rise to hardship in cases where the wife is separated from, or has been deserted by, her husband, and they accordingly suggested an alteration of the law to cover such cases.

This proposal raises wider questions of principle and policy in regard to the national status of married women, which have attracted considerable attention in recent years, both within the British Empire and in certain foreign countries. A number of arguments for and against maintaining the existing rule that "The wife of a British subject shall be deemed to be a British subject and the wife of an alien shall be deemed to be an alien" will be found in the two draft reports * prepared by members of a Select Committee of both Houses of the British Parliament who examined this question earlier in the year in connection with proposals which had been made for a fundamental alteration in the law.

The discussion of this question by the Committee of the Conference did not disclose any opinion in favour of altering the existing law as to the nationality of husband and wife; and the following resolution was passed:—

"The Committee are of opinion that the principle of the existing law that the nationality of a married woman depends on that of her husband should be maintained. They nevertheless recommend that power should be taken to re-admit a woman to British nationality in cases where the married state, though subsisting in law, has to all practical purposes come to an end."

* Published in House of Commons paper 115 of 1923.

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The conclusions of the Committee were reported to the Conference and received approval.

VALIDITY OF MARRIAGES BETWEEN BRITISH SUBJECTS AND FOREIGNERS

Another matter suggested by the Commonwealth Government for consideration by the Conference concerned the law relating to the validity of marriages between British subjects and foreigners. The main difficulty appears to be that such a marriage, although validly contracted in British law, may nevertheless in certain circumstances be invalid in the law of the foreign country concerned.

The Committee under the chairmanship of the Home Secretary, to whom this question was referred, came to the conclusion that having examined the action which is being taken by the Foreign Office and the Home Office to carry into effect the Marriage with Foreigners Act, 1906, they had no recommendation to make. The Committee's resolution to this effect was laid before the Conference, and accepted.

PROPOSED EXTENSION OF THE POWERS OF THE IMPERIAL WAR GRAVES COMMISSION

During the course of the Conference a proposal was received from the Imperial War Graves Commission that the powers conferred upon the Commission by the Charter of May 10, 1917, and the Supplementary Charter of August 10, 1921, should be extended so as to enable the Commission to comply with a request based on public expediency and economy that they should undertake the public duty of the future maintenance of such cemeteries and graves as the Old Military Cemetery at Tel-el-Kebir, the Crimean Cemetery at Scutari, which is in the same plot of ground as the Commission's War Cemetery, and the older cemeteries in Turkey which could more conveniently be maintained in conjunction with the graves of those who fell in the Great War.

This proposal was submitted to the representatives of the Governments concerned, all of whom have indicated their acceptance of the proposed amendment of the charters by the addition of a clause to the following effect:—

The Commission, if in their absolute discretion they deem it desirable, may, at the request of any Government of any part of our Empire responsible for or desirous of maintaining any place of burial or memorial, whether or not of, or relating to, such officers or men as may fall within the descriptions contained in our original charter of May 10, 1917, or our supplemental charter of August 10, 1921, or of or relating to any other officers, men or civilians whatever, exercise with regard to such place of burial or memorial aforesaid, and the graves in such place of burial, all or any of their powers as if the said original and supplemental charters were applicable to the said

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burial place or memorial and graves, provided that the cost of or incidental to any exercise of the additional powers given by this our charter be provided by the Government making the aforesaid request.

Accordingly the necessary steps will be taken forthwith to incorporate a clause on the above lines in a further supplementary charter for submission to His Majesty the King.

ADDRESS TO HIS MAJESTY THE KING, EMPEROR OF INDIA

The following Address to His Majesty was moved by the Prime Minister of Great Britain at the concluding meeting of the Conference and was unanimously adopted. Mr. Baldwin, as Chairman of the Conference, was asked to submit the Address to His Majesty.

"To His Majesty the King, Emperor of India.

"We, the Prime Ministers and representatives of the British Empire, who have been assembled to take counsel together during the past six weeks, desire, before our meetings come to an end, to give expression once again to our affection and respect for Your Majesty and Her Majesty the Queen, and to reaffirm our fidelity to the Crown.

"We have had to face, in the course of the deliberations at both our Conferences, many and serious problems which confront the sister nations and the peoples of the British Commonwealth. We shall count ourselves fortunate if we have been able to contribute towards the solution of these problems, even to a small degree.

"Yet as we look back on the years which have passed since the Great War, we are proud to feel that, amid the economic and political convulsions which have shaken the world, the British Empire stands firm, and that its widely scattered peoples remain one in their belief in its ideals and their faith in its destiny.

"To the task of promoting that unity, of which the Crown is the emblem, Your Majesties have long devoted your strength and labours. We pray that the consciousness of the devotion of the peoples and the members of your Empire may encourage and uphold you in that task for many years to come."

The Conference, at its concluding meeting, placed on record resolutions expressing the appreciation of the British Prime Minister and Government of the readiness of other members of the Conference to come so far to take part in it, and the thanks of the representatives of the Dominions and India to the British Prime Minister and Government.

THE IMPERIAL ECONOMIC CONFERENCE

We do not propose to set out the official summary of the Economic Conference. Detailed accounts of the greater part of its proceedings have already appeared in the Press. The summary, though of considerable length, only contains the

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actual conclusions. The full report, which is to be issued in the form of a Blue book, has not yet been published.

The conclusions of the Conference, which are subject to the approval of their respective Parliaments, fall under eight heads :—

I. OVERSEA SETTLEMENT WITHIN THE EMPIRE

The resolutions are not given in the official summary. The report of the Committee, whose recommendations were adopted, will be published later.

II. CO-OPERATION IN FINANCIAL ASSISTANCE TO IMPERIAL DEVELOPMENT

The British Government undertook on certain conditions to pay part of the interest on the loan capital employed on public utility undertakings approved by the Dominion or central Government concerned, provided such Government certifies the work to be in anticipation of normal expenditure.

III. IMPERIAL PREFERENCE

1. *Tariff Preference.*—The resolution of the Imperial War Conference of 1917 was reaffirmed. It reads as follows :—

The time has arrived when all possible encouragement should be given to the development of Imperial resources, and especially to making the Empire independent of other countries in respect of food supplies, raw materials and essential industries. With these objects in view, this Conference expresses itself in favour of :—

1. The principle that each part of the Empire, having due regard to the interests of our Allies, shall give specially favourable treatment and facilities to the produce and manufactures of other parts of the Empire;
2. Arrangements by which intending emigrants from the United Kingdom may be induced to settle in countries under the British flag.

The British Government will ask Parliament to agree to :—

- (i) an increase of the preference already given to Empire dried figs, raisins, plums, currants, wines and tobacco ; *
- (ii) a preference to Empire dried and preserved fruits other than those mentioned in the last paragraph, and also to raw apples, canned salmon, lobster, crayfish and crabs, honey and lime, lemon and other fruit juice, by imposing a duty on these articles when they come from foreign countries ;
- (iii) the stabilisation of the existing preference on sugar.

The actual amount of the preference is in each case set out in the summary, and has already appeared in the Press.

2. *Public Contracts.*—The principle was reaffirmed that in all Government contracts effective preference should be given to goods made and materials produced in the Empire, except where precluded by existing undertakings

* There was at first a question of stabilising instead of increasing the preference, but the Dominions concerned preferred an increase.

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or special circumstances; that the materials used should be of Empire production, and that State, provincial and local Governments should be encouraged to take note of these resolutions.

IV. FURTHER STEPS FOR THE IMPROVEMENT OF MUTUAL TRADE

These fall under eleven heads :—

(A) *Imperial Co-operation in respect of Commercial Intelligence.*—Resolutions were passed with the object of enabling the whole Empire to use the commercial, diplomatic and consular services, and of admitting commercial travellers' samples and trade catalogues free of duty.

(B) *Statistics.*—A scheme for making British trade statistics of use to the Empire generally is to be prepared.

(C) *Imperial Communications :—*

(i) *Shipping.*—The resolutions passed favoured keeping the Imperial Shipping Committee alive; the adoption by the whole Empire of the Brussels rules relating to bills of lading.

(ii) *Air Navigation.*—The benefit of British experience in air navigation should be given to the Dominions and India, and arrangements made for the exchange of information.

(iii) *Wireless and Cables.*—The establishment as soon as possible of an efficient Imperial wireless system, and the support of the State-owned Atlantic cable route.

(D) *Reciprocal Enforcement of Judgments, including Arbitration Awards.*

(E) *Imperial Co-operation with reference to Patent Designs and Trade Marks.*

(F) *Economic Defence.*—The established practice of our various Governments of not discriminating between the flags of shipping using their ports was reaffirmed, but if any foreign country should try to discriminate against the British flag in any case, the Governments of the Empire will consult together as to what should be done.

(G) *Customs Formalities.*—The adoption of a common form of invoice and certificate throughout the Empire and the favourable consideration of the conclusions of the League of Nations' Conference on Customs Formalities were recommended.

(H) *Empire Currency and Exchange.*—The Conference considers that the difficulties of inter-Imperial exchange will disappear when the currencies of Great Britain and the Dominions are again made convertible into gold. They are against a scheme of Empire currency bills, but in case of inter-Imperial exchange difficulties they are of the following opinion :—

(a) The position could be ameliorated if the note-issuing authorities were to accumulate sterling assets and to undertake to exchange their local currencies for sterling and *vice versa*.

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(b) This measure might be further developed and assisted by the creation of central banks and by mutual co-operation as recommended by the Genoa Conference.

(c) In some cases the bank charges for buying and selling sterling appear to be unduly high and should be capable of reduction.

(J) *Co-operation for Technical Research and Information.*—A scheme for the future of the Imperial Institute and the Imperial Mineral Resources Bureau was recommended, subject to modifications designed among other things to restrict the reconstituted Imperial Institute work of investigation to preliminary investigation of raw material. The report containing the scheme has not yet been made public.

(K) *Immunity of State Enterprises.*—Resolutions were passed with the object of making Governments that engage in trade anywhere liable to taxation there like individuals.

V. IMPERIAL POLICY WITH REGARD TO THE IMPORT OF LIVE STOCK

Steps are to be taken to promote inter-Imperial trade in pedigree stock throughout the Empire on reciprocal lines, subject to precautions to avoid disease. A Conference is to be held between the British and Canadian Governments to settle the difficulty about the administrative interpretation of the "Importation of Animals Act, 1922."

VI. IMPERIAL POLICY WITH REGARD TO FORESTRY

The resolutions of the Empire Forestry Conference (Canada, 1923) were recommended to the various Governments of the Empire.

VII. WORKMEN'S COMPENSATION

The opinion was expressed that British subjects entitled to compensation benefit should not be deprived of it simply because they had moved to another part of the Empire. Such restrictions would discourage movement within the Empire. A similar view was expressed with regard to claims in respect of accidents to seamen. As regards foreign countries, it was suggested that the Governments of the Empire should in workmen's compensation legislation consider the possibility of reciprocity.

VIII. IMPERIAL ECONOMIC COMMITTEE

It was decided to adopt the following resolution :—"That in the opinion of this Imperial Economic Conference (Canada dissenting) :—

(1) "It is desirable to establish an Imperial Economic Committee, comprising representatives of the Governments represented in the Imperial Conference, and responsible to those Governments.

(2) "The function of the Committee should be to consider and advise upon any matters of an economic or commercial character, not

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being matters appropriate to be dealt with by the Imperial Shipping Committee, which are referred to it by any of the constituent Governments, provided that no question which has any reference to another part of the Empire may be referred to the Committee without the consent of that other part of the Empire."

It was further decided that in the constitution of the proposed Imperial Economic Committee representation should be allotted to the various constituent Governments as follows :

Great Britain	..	..	..	..	4 members
Dominions	..	..	..	..	2 members each
India	..	..	..	..	2 members
Colonies and Protectorates	..	..	..	..	2 members.

AFTERTHOUGHTS ON THE IMPERIAL CONFERENCE

I. AFTER THE CONFERENCE

THE advent to power of the first Labour Government serves to illustrate the essential inadequacy of our present system of Imperial relations. In October last there assembled in London the second regular Imperial Conference since the war. There were present all the Prime Ministers of the Empire. There were long and intimate discussions about foreign policy. There was a protracted discussion on Imperial economics and Preference. The problem of Indian immigration within the Empire and of Imperial citizenship was explored. The establishment of a naval base at Singapore was approved. Problems of migration and many other minor matters figured on the agenda.

Despite these activities many people have said that this last Imperial Conference was the least successful of the whole series of Conferences since the first Colonial Conference in 1887, that it accomplished less and meant less than any of its predecessors. Those who hold this view say that there was an infinity of talk but little accomplishment, that the Empire took counsel how to end the *impasse* in Europe, but that the only tangible result was a brilliant but fruitless speech by General Smuts, that all the oratory about economic reconstruction of the Empire ended in the proposal to give a preference on a few minor articles such as canned salmon and dried fruits, that neither

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on migration, nor defence, nor the relations of India to the rest of the Empire was any real conclusion reached.

We do not share this view. It is certainly true that the visible achievements of the Conference were few. None the less it marked the close of a definite period of Imperial development. The system of Imperial co-operation, long regarded as the *summum bonum* of Imperial attainment, was at last put into full and untrammelled effect. The prestige of Great Britain had disappeared. She claimed no position of superior influence or authority. She exercised none. The power of knowledge denied to others, or of personality and world resounding success such as had attached to her representatives at earlier Imperial gatherings had vanished. The Conference was a conference of equals, with General Smuts as probably the most distinguished international figure, conferring together freely and without reserve about problems which Great Britain confessed herself unable to solve.

The real accomplishment of the Conference was that it perfected the machinery of the British Commonwealth according to the ideals of the co-operationist school of Imperial thought. Not only were its discussions conducted manifestly between equals, but a resolution was passed about the treaty making power, and the conduct of foreign relations which defined in constitutional language the theory and practice of the Commonwealth as it had emerged from the testing time of the great war, and as it had been recognised at the Peace Conference, and in the Covenant of the League of Nations. The resolution, in full, reads as follows :—

“ The Conference recommends for the acceptance of the Governments of the Empire represented that the following procedure should be observed in the negotiation, signature and ratification of international agreements.

“ The word ‘ treaty ’ is used in the sense of an agreement which, in accordance with the normal practice of diplomacy, would take the form of a treaty between heads of states signed by plenipotentiaries provided with full powers issued by the heads of the states and authorising the holders to conclude a treaty.

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I

1. *Negotiation.*

“ (a) It is desirable that no treaty should be negotiated by any of the Governments of the Empire without due consideration of its possible effect on other parts of the Empire, or, if circumstances so demand, on the Empire as a whole.

“ (b) Before negotiations are opened with the intention of concluding a treaty, steps should be taken to ensure that any of the other Governments of the Empire likely to be interested are informed, so that, if any such Government considers that its interests would be affected, it may have an opportunity of expressing its views or, when its interests are intimately involved, of participating in the negotiations.

“ (c) In all cases where more than one of the Governments of the Empire participate in the negotiations, there should be the fullest possible exchange of views between those Governments before and during the negotiations. In the case of treaties negotiated at International Conferences where there is a British Empire Delegation on which, in accordance with the now established practice, the Dominions and India are separately represented, such representation should also be utilised to attain this object.

“ (d) Steps should be taken to ensure that those Governments of the Empire whose representatives are not participating in the negotiations should during their progress be kept informed in regard to any points arising in which they may be interested.

2. *Signature.*

“ (a) Bilateral treaties imposing obligations on one part of the Empire only should be signed by a representative of the Government of that part. The full power issued to such representative should indicate the part of the Empire in respect of which the obligations are to be undertaken, and the preamble and text of the treaty should be so worded as to make its scope clear.

“ (b) Where a bilateral treaty imposes obligations on more than one part of the Empire, the treaty should be signed by one or more plenipotentiaries on behalf of all the Governments concerned.

“ (c) As regards treaties negotiated at International Conferences, the existing practice of signature by plenipotentiaries on behalf of all the Governments of the Empire represented at the Conference should be continued, and the full powers should be in the form employed at Paris and Washington.

3. *Ratification.*

“ The existing practice in connection with the ratification of treaties should be maintained.

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II

"Apart from treaties made between heads of states, it is not unusual for agreements to be made between Governments. Such agreements, which are usually of a technical or administrative character, are made in the names of the signatory Governments and signed by representatives of those Governments, who do not act under full powers issued by the heads of the states; they are not ratified by the heads of the states, though in some cases some form of acceptance or confirmation by the Governments concerned is employed. As regards agreements of this nature the existing practice should be continued, but before entering on negotiations the Governments of the Empire should consider whether the interests of any other part of the Empire may be affected, and, if so, steps should be taken to ensure that the Government of such part is informed of the proposed negotiations, in order that it may have an opportunity of expressing its views."

The resolution was submitted to the full Conference, and unanimously approved. It was thought, however, that it would be of assistance to add a short explanatory statement in connection with part I (3), setting out the existing procedure in relation to the ratification of treaties. This procedure is as follows:—

(a) The ratification of treaties imposing obligations on one part of the Empire is effected at the instance of the Government of that part;

(b) The ratification of treaties imposing obligations on more than one part of the Empire is effected after consultation between the Governments of those parts of the Empire concerned. It is for each Government to decide whether Parliamentary approval or legislation is required before desire for or concurrence in ratification is intimated by that Government.

This resolution is an adequate and accurate expression of the present-day system of Imperial co-operation. It defines clearly that each self-governing part of the Commonwealth is entitled to enter into relations with foreign Governments if it pleases, that it can negotiate treaties only affecting itself, but that in all matters affecting other members or of general moment, there should be consultation before negotiations are begun or commitments are entered into. It will lead on to what THE ROUND TABLE

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has long advocated, the appointment of Dominion representatives in certain of the more important capitals in order to bring them into more direct touch with foreign affairs. The official terminology now recognises the British Empire as that free association of free and equal nations, which in fact it has long been.

In its enthusiasm for form, however, the Imperial Conference seems to have forgotten a little the substance. In an article published in THE ROUND TABLE for September,* while emphasising that the Empire was now a Commonwealth of free and equal nations, and that no member, neither Great Britain nor any other, could commit the other members either to an Imperial policy or to a foreign policy, without its own consent, it was pointed out that the inevitable corollary of that system was the improvement of the means of consultation between its members. Of this simple and central fact the Imperial Conference seems to have taken no account. Nothing whatever was done to improve the channels of inter-Imperial consultation. Unfortunately, however, the passing of resolutions by the Imperial Conference does not alter in the least the practical facts of the world in which we live.

The system embodied in the resolution may and probably will work perfectly well so far as treaties are concerned. But treaties are the smallest part of foreign affairs. We are living in a changing, quarrelsome and unstable world. Events happen, such as the defeat of the Greeks by the Turks, policies are initiated, such as the invasion of the Ruhr or the occupation of Corfu, which profoundly disturb the international equilibrium and vitally affect other nations and indeed the whole world. Episodes, such as that of Chanak, are bound to recur, and in so far as they concern the nations of the Commonwealth probably in unequal degree, and the Commonwealth as a whole, sudden and disconcerting telegrams are bound to pass, for the reason that there is no other way for any one member of

* THE ROUND TABLE, No. 52, September, 1923, p. 683.

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the Commonwealth to inform its partners of such occurrences and of ascertaining their opinions and whether they feel themselves engaged or not. Such telegrams pass continually between foreign Powers, especially if they are associated or allied in any way, and the resolution of the Imperial Conference about treaties will not diminish the occasions on which quick decisions must be taken, but will rather multiply the occasions when consultation will be necessary.

The rise of Labour to power, which was almost exactly coincident with the departure of the overseas delegates, illustrates forcibly the justice of the view expressed in THE ROUND TABLE last September. The Labour Government holds very definite and strong views about foreign policy, about Imperial policy, about economic policy. Fortunately, in the sphere of foreign affairs at any rate, their policy does not diverge in its fundamental aims from that of either of the other two British parties, of the Dominions, or of the Imperial Conference. But it is likely to differ considerably from them in emphasis and in its ideas of method. At the time of writing its policy in regard to the Franco-German struggle in the Ruhr has not been disclosed. But it has decided to accord instant recognition to Russia. It is reported to have decided against proceeding with the naval dock at Singapore. It is evidently very reluctant to confirm the proposals of the British Government about imposing new taxes on foodstuffs consumed in Great Britain, in order to give Empire products a preference. It seems likely to take a different view of the Egyptian problem to that of preceding Governments, with possibly far-reaching results on the future of the Suez Canal. And it has yet to declare and determine its attitude about the still unratified Treaty of Lausanne.

Its policy on all these matters may be wise or unwise. We are disposed to think that it is likely to be quite as wise as that of its predecessors. But the central fact remains that within two months of an Imperial Conference attended by

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all the Prime Ministers of the Empire at great expense and expenditure of time, a new Government comes into power in England, with definite and somewhat different ideas from those confirmed by that Conference, and *there is no means of consultation between the Governments of the Empire*, save those ancient ones of cable and despatch, which every single Prime Minister of the Empire—Mr. Mackenzie King, Mr. Bruce, General Smuts and Mr. Massey—declared before the Conference assembled to be unsatisfactory, and one of the urgent reasons why it was necessary that an Imperial Conference should be held. It is surely a very serious reflection on the imagination and prescience of Governments at home and overseas that, after assembling from all over the world, they should have ignored the one really useful bit of practical work which the Imperial Conference might have done.

The present system, thus described by the Prime Ministers of the Commonwealth before the Conference as unsatisfactory, does not work well because it is inferior to the system of inter-communication which exists between all foreign Governments. The basis of the international diplomatic system is that it combines correspondence by mail or cable with personal contact. Each country has a representative in every other, chosen because he understands the views of his own Government, or has been specially trained, or is otherwise qualified for diplomatic work, who can discuss questions with the Foreign Minister or other Ministers face to face, explain more fully and more understandingly than is possible by letter, and report upon the results afterwards. Experience shows that without this form of contact misunderstandings constantly arise and the transaction of business is continuously delayed—experience which is fully confirmed by the business world. At one time that system existed in an even more perfect form in the British Commonwealth in the person of the Governor-General, because the Governor-General was a political personage and was in the complete confidence of

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the Ministry of the day. It exists no longer, partly because the Governor-General is becoming more and more a purely constitutional figure divorced from political training and selected for other than political or diplomatic qualifications, and partly because the High Commissioners are immersed in commercial and economic duties, and are not usually selected because of their knowledge of Imperial and foreign problems or their ambassadorial capacity. Hence almost the only channel left is that of the notoriously inadequate cable and the mail.

In the article already mentioned it was therefore suggested that if the Commonwealth was really to be conducted as an association of equal nations it was imperative that some better system of inter-communication between these nations should be contrived. Many solutions have been proposed—a permanent Imperial Conference Secretariat, the appointment of Dominion Ministers to London to consult regularly with British Ministers, the appointment of British High Commissioners accredited to the Dominions, and so forth. The proposal favoured by *THE ROUND TABLE** was that the political and commercial functions of the High Commissioners should be separated and entrusted to two separate officials, one selected for his political and diplomatic qualities and confined to such work, the other for his commercial and consular aptitudes and allotted to that sphere. We do not wish to discuss the merits of these different proposals again. But it must be obvious to all that it would now be to the advantage alike of the British Government and the Dominion Governments if the new departure in foreign and Imperial policy which the Labour Government contemplates making could be discussed with persons who understand fully the problems involved and who understand the ideas and the needs and have the confidence of each of the Dominions, before they are carried into effect. It will certainly be anomalous if the means of communication and consultation between

* *THE ROUND TABLE*, No. 52, September, 1923, pp. 696-97.

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the Dominions and foreign countries is put on a practical and sensible basis before the means of consultation between the nations of the Commonwealth itself. So do the timidities and half-truths of the past dog our footsteps in the present.

If there is any value in the Imperial connection at all it is that the nations of the British Commonwealth should stand together as a unit in a very discordant and dangerous world for ideas of freedom, stability and international morals. They are not likely to do so, with grave consequences alike to themselves and to the outside world, unless there are the fullest opportunities for the interchange of information and for common counsel. The true idea is that just in proportion as the self-governing nations of the Commonwealth claim and assert their equality and independence in Imperial and foreign affairs, so should the machinery for consultation between them be improved. The last Imperial Conference considered one half of the problem, but entirely neglected the other. It is well that events should now recall its members to a sense of the realities which they ignored.

II. THE PREFERENCE RESOLUTIONS

AS we go to press no decision as to whether the proposals of the Conservative Government for new preferences will be ratified has been reached. It is not necessary to discuss this matter at any length because the general view which has prevailed in the Press of the Empire is manifestly sound. Clearly every decision of the Imperial Conference is subject to acceptance or rejection by each Parliament in the Commonwealth. That is the fundamental basis of our Imperial practice to-day. Constitutionally the British Parliament has the clear right to approve or reject the recommendations of the late Ministry without incurring any charge of breach of faith. Moreover, in this case the

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Preference proposals were in no sense the result of a bargain, or of a joint resolution of the Conference itself. They were a free-will proposal put forward by the British Government in order to meet the expressed wish of the Dominions that Great Britain should respond more generously to their own grant of Preference than she is doing to-day.

We do not think that there was or is any real obligation on Great Britain to respond to this request on the ground that she is enjoying a benefit freely given by the Dominions and giving nothing in return. From the beginning the Dominion preference has been recognised as a sort of offset to the greater proportionate burden for defence and foreign policy borne by the people of Great Britain. That disproportion still exists to-day. As was pointed out in the September number of *THE ROUND TABLE*,* Great Britain is spending £122,000,000 per annum on defence, as against £3,000,000 by Canada, £4,500,000 by Australia, £900,000 by South Africa and £600,000 by New Zealand.† The proposal, too, made by the British Government went considerably beyond Dominion practice. No Dominion has ever imposed new duties in order to give a preference. Yet the Baldwin proposals not only involve an increase in the rate of preference on certain existing duties, but the imposition of new duties, inevitably involving a rise in price, on certain foodstuffs consumed by a population suffering from low wages, high prices and unemployment, in order to give the Dominions a preference thereon. We do not think, therefore, that on moral grounds the argument for confirmation by a Government returned as a result of the decisive defeat of Protection, is particularly strong.

But we do think that the constitutional argument for so

* *THE ROUND TABLE*, No. 52, September, 1923, p. 700.

† The figure given for Great Britain is the figure for the estimates for 1923-24; in the other cases the figures were taken from the estimates for 1922-23.

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doing is strong. The basis of the present constitution of the Commonwealth is that it consists of a number of independent self-governing peoples, united by a common crown exercising no real political functions, by common ideals and traditions, and depending for its unity in policy and action on the results of voluntary consultation at recurring meetings of a biennial conference of its Prime Ministers. Those meetings will not take place with such regularity and their authority will not be maintained if they are treated merely as a medium for the exchange of opinion. The Imperial Conference is, in reality, the supreme advisory body of the Empire. Though it has no authority of its own, its deliberations do in fact set the general direction of Imperial and foreign policy because it enables the Governments of the Empire to understand one another's points of view, and to discuss Imperial and foreign problems together, and because it thereby defines the broad limits within which agreement and co-operation may be confidently expected and beyond which it will not be wise for any Government within the Empire to trespass. Any proposal, therefore, made to the Conference by any one Government and accepted by it, still more any resolution adopted by the Conference, has the weight and significance of a definite and authoritative act of the Government concerned. It ought to be treated as such. It ought not to be abandoned just because the opinion or political complexion of the Government of one of its members has changed, but only after grave thought and the most careful and considerate weighing of the opinion of the other Governments of the Commonwealth. Unless the deliberations of the Conference are treated in this spirit we shall soon find that the Commonwealth has no central clearing house of ideas in which its peoples have confidence, no machinery for securing common policy and common action, and that the unity and power of the Commonwealth as a force for peace and freedom in the world has become impaired.

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Despite the fact, therefore, that there seems no moral obligation, and that the protectionist policy of the Government which made the proposals for Preference was decisively defeated at a general election, we consider that the course of wisdom and statesmanship would be for the British Parliament to go to the utmost practical limit to fulfil the promises of the late Government. If it cannot add new taxes to foodstuffs in order to put a preference upon them, it ought to consult the Dominion Governments as to how the promised benefits can be given in other and less objectionable ways. In the same way we think that the decision about Singapore should stand until a fresh interchange of views has taken place between London and the Dominion capitals through that machinery which is the only one which the Prime Ministers of the Commonwealth, denying in their collective way what they proposed in their individual capacity, think sufficient for the purpose.

III. PROTECTION, PREFERENCE AND FREE TRADE

IN a discussion of the economic problems which confronted the Imperial Conference which was printed in the September ROUND TABLE* the view was expressed that the Commonwealth had already reached the limits to which the policy of Imperial Preference could be carried, and that the real question to be considered was whether the economic problem ought not now to be lifted from a national to an Imperial plane, whether, that is to say, the time had not come for giving serious consideration to the question of whether it would not serve the interests of all parts of the Empire better to make the Commonwealth a single protective unit, with complete inter-Imperial free trade. In support of this view it was urged that any real extension of the preferential system involved the taxation of food and raw materials in Great Britain and the lowering

* THE ROUND TABLE, No. 52, September, 1923, p. 705.

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of Dominion duties below the protective level, and that public opinion neither in Great Britain nor in the Dominions, looking at the question from its own standpoint, would support such a move.

Subsequent events have abundantly justified the first of these contentions. At the recent general election the proposals of the Conservative Government expressly excluded any taxes on wheat or meat. But they were overwhelmingly defeated, and although the issue defeated was Protection for Britain, a different principle to that of Imperial Preference, and one for which this Review has never stood, the principle of Imperial Preference was none the less involved in their failure, for it was plain that the public would not have a new tariff imposed for either purpose. They were defeated principally on two counts: The first was that inasmuch as Great Britain contained a large population in a small area, she had to import a large proportion of her food and other necessities from abroad, and therefore had also to sell a large proportion of her products abroad, and that Protection by artificially raising the cost of production would inevitably diminish her capacity both to sell and purchase abroad. The second was that Protection would increase the cost of living for a population already suffering from low wages and unemployment. Whatever, therefore, may be the decision about the minor preferential proposals made by the late Administration, the general progress of the idea of Imperial Preference has been blocked, and things return to where they were before.

It is worth while, therefore, to recall attention to the alternative policy of inter-Imperial free trade, not as one which can be given effect to at any early date, but which it is right to consider as a possible solution of the economic difficulties alike of Great Britain and the Dominions. There is no doubt that the British Commonwealth can supply practically all its own needs if these are intelligently developed. It has almost every variety of food product,

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mineral resource, and tropical growth, in enormous quantities. The system of dividing it up into a vast number of highly protected areas is bound to delay its development and reduce the productivity and standard of living of all its peoples. Every economist will agree that its resources would be more rapidly developed under a system of internal free trade than in any other way.

But that is not the only consideration which is involved. The Dominions and India have become protectionist, partly because they wished to develop industrial production in their own territories, and in some cases partly as a means of keeping up the standard of wages and living. Great Britain has remained Free Trade to the point of resisting Preference on the ground that she believes that policy to suit her own economic conditions best. If these policies are really wisely conceived there is nothing more to be said. But it is at least open to doubt whether they are so conceived—and if so it is worth while to raise the doubt even though it challenges dogmas which have reached the rigidity and which claim the infallibility of the Athanasian creed. Is this policy of Protection really the best way of securing development and high living conditions in the Dominions, and is universal free trade really the best method of securing the prosperity and full employment of the people of Great Britain? It is at least arguable that it would serve the Dominions better to concentrate on the development of their primary industries if they could secure a protected market for their products in Great Britain, and that it would serve Great Britain better so to arrange her tariff that she derived the foodstuffs she needed from the confines of the Empire in return for a protected market for her manufactured products within the Empire. This is quite a different thing from the adoption of complete Free Trade by the Dominions, or of complete insular Protection by Great Britain.

The cost of production is high in the Dominions because that is the price deliberately paid for the national policy

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of transferring manufactures by means of Protection to areas which have no sufficient market to make large scale and therefore cheap production possible. In consequence the power of the Dominions to compete in the world markets in food and raw materials is lowered, population flows in slowly, and industrial employment cannot expand because the local market is inadequate. On the other hand, where sufficient local markets do exist, or where, as in Canada, industries are associated with those of the United States, competition from Great Britain is not really formidable. Either Dominion products can be produced more cheaply, as in the case of Canadian agricultural implements and motor-cars, or distance and the difference in local standards is in itself a considerable defence. What matters most to the Dominions from the economic point of view is a sufficiently low cost of production to enable them to expand their primary industries. For experience shows that where population grows manufacture looks after itself. This is conspicuously so in the United States, where the centre of manufacturing in the country has moved steadily westward almost exactly parallel with the centre of population. If this is so, the quickest way of developing a country and the surest way of keeping up real wages, and the most certain way of establishing a permanent and wholesome manufacturing industry, is to concentrate first on the sufficient development of primary industries, knowing that the rest will follow naturally in due course. And the easiest way of doing this, and one which is open to the Dominions alone among the smaller nations, is to persuade Great Britain to give Empire food products and raw materials protection in her own markets in return for a protected market for her manufactured products in the Dominions, the trade between the two being left entirely free.

It is at least arguable that this policy would also be best for Great Britain. What does matter to Britain is that she should have a sufficiently sure market for her products

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to base her fundamental industries on mass production. Her competitors in future will be the United States and Germany, and possibly an economic unit which includes both Germany and France. No doubt the ideal system for Britain would be universal Free Trade, and some day we shall get there. Nothing is more certain than that people will come to recognise that one of the principal reasons for European and indeed world poverty, is the criss-crossing of the globe—now economically one—with protective barriers to trade. But it is not within sight of practical politics to-day. If Great Britain, however, is to keep her standing in relation to these great free trade areas protected from foreign competition in which mass production industries have sprung up, she must have a larger home market than free trade Britain can supply. The Empire affords such a market, a market, too, capable of infinite expansion, and it would seem to be well worth her while to consider securing such a large protected market at the price of assuring to the Dominions a similarly wide protected market for their primary products.

We do not wish to argue the case fully. It is not a matter which can be decided quickly or without hearing every side. There is in particular the question of the non-self-governing parts of the Empire. We have no right to impose tariff systems upon them in our own interest, and to do so would be to arouse the opposition of all foreign countries. But it is well at times definitely to challenge accepted dogma and urge consideration of other and perhaps wiser points of view. This matter of economic policy is a case in point. Neither the Empire nor the units within it can really prosper as a multitude of almost trade-tight compartments. The policy of each part may have had much to recommend it in the pre-war age. But times have changed and it is at least reasonable to suggest to people to reconsider their attitude from the bottom, and test the wisdom of the policy they adopt in the light of the events of the great war and the economic consequences

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which have followed. It is in this spirit, as a proposition worth consideration, and not as a considered editorial conclusion of our own, that we suggest that the question of lifting the preferential problem from a national to an Imperial plane, should be seriously considered by all students of Imperial affairs.

FRANCE AND GERMANY

SINCE the publication of the last number of THE ROUND TABLE there have been many changes in the European situation, some of them unforeseen, others merely the expected consequences of earlier events. The general election in Great Britain has brought into office, if not into undivided power, new men, whose views indeed are known in broad outline, but who have still to prove that they can show courage, judgment and pertinacity in the daily battles of diplomacy. In France the shadow of an early general election and the sudden financial crisis have unmistakably modified the relations of parties and the position of M. Poincaré. Germany, after years of progressive inflation, has now for three months renewed the experience of a stable currency, and however painful in its immediate economic effects this condition may be, and however precarious its continuance, it has an important influence on the outlook of the nation and the individual. In the Ruhr work has been resumed under temporary agreements between the French authorities and the local industries, but only partially, and on a basis which is already recognised to be untenable. The Separatist movement in the Rhineland and the Palatinate survives where it receives French support, but the prospect of the successful inauguration in those territories of a régime of ex-criminals has receded in face of the determined opposition of the last British Government. Finally the Reparations Commission has appointed two Committees, on which American representatives are serving, to investigate the questions first of balancing the

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German budget and stabilising the currency, and secondly of determining the extent to which German capital has taken refuge abroad.

It is still too early to judge whether these changes, taken together, mark a definite advance towards the settlement of Europe. For that there are as yet too many uncertain factors, too many hidden dangers. The most that can be said for the moment is that the promise of spring is in the air. In these circumstances, it is to be expected that any Foreign Secretary will proceed with caution, and to a certain extent be content to wait on events. It is right that the same spirit should animate any article on the immediate problems of foreign policy. For that reason we propose to refer only briefly and in general terms to the task which confronts Mr. MacDonald. In order that our own views may be intelligible, it is necessary first to examine in more detail the political and economic position brought about in France, Germany and the Occupied Territories by the changes which we have already indicated, and to that examination this article will be mainly devoted.

I. GERMANY

THREE months ago Germany was in the last agony of an unprecedented currency depreciation. The paper mark had fallen in foreign exchange to 45 billions to the pound sterling. In internal circulation it had come to be regarded as worthless; farmers everywhere were refusing to accept it in exchange for their products, and for the urban population the problem was no longer how to pay for food, but how to obtain it. In the final stage of depreciation even the financier and the manufacturer, who for years had accepted inflation with equanimity even if they had not welcomed it, found the value of the mark falling so rapidly that whatever they did proved to be wrong. A point had been reached where it had passed beyond the power of the

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human mind to extract profit from the depreciation of the currency. Business life and household management had both become a nightmare; and the real promise that Germany can still be saved from financial and economic disaster lies in the determination, for the most part unspoken, of all classes of the German people never again, if by any human endeavour it can be prevented, to go through such an experience as that of September and October last.

The step which arrested the fall of the paper mark was the creation of the Rentenbank and the issue by it of a limited number of rentenmarks, secured on 5 per cent. gold bonds which themselves are secured on the whole of the fixed property in Germany. The bank is under independent control and not, in theory at least, subject to interference from the Government of the day. To meet its immediate needs and to enable it to stop printing paper marks the Government received from the bank a proportion of the rentenmarks issued. As that proved insufficient, the Government tried to persuade the management of the bank to issue more rentenmarks, and failing in that, was driven to cover its requirements by selling three-months rentenmark Treasury Bills. Whether these Bills can be redeemed by the Government at the due date remains to be seen.

But whatever may be the uncertainties of the future, there can be no doubt as to the success of the Rentenbank in restoring confidence for the moment. The return of stability was welcomed on all hands. The nominal value of the rentenmark is one gold mark; its sale outside Germany is forbidden; and it has been possible up to the present to keep the rentenmark and the paper mark at the fixed ratio of one rentenmark equals one billion paper marks. The two currencies circulate side by side, and the sense of real value, however precarious, associated with the one has so far rehabilitated the other that it is again accepted by the individual for the ordinary transactions of life. Internal prices in Germany are now extremely high,

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but they are relatively stable, and the fact that it is no longer necessary to adjust prices and wages daily and, indeed, almost hourly is an immense simplification, not easily appreciated, perhaps, in countries which have escaped the riot of inflation, but sufficiently important to the harassed mind of the individual German to be set off as material compensation for the many disadvantages of the present conditions.

The disadvantages, indeed, are real and obvious. In the first place, stability has brought widespread unemployment. The unemployed in Germany at present number between three and four millions. Inflation acted as an artificial stimulus to industrial production; as long as money was valueless, there was an almost unlimited internal demand for goods of all kinds. That demand has to a great extent disappeared. The barriers which have been set up between occupied and unoccupied Germany, and the industrial unsettlement and uncertainty in the Ruhr and Rhineland, add to the disorganisation of German production. More important still, perhaps, the lack of working capital is for the moment crippling German industry. It was not until the illusory creation of wealth by inflation ceased that the real poverty of the German nation became apparent. The working capital of industry is derived ultimately from the savings of the nation, and for years saving in Germany has been almost negligible. The most powerful concerns in Germany are at present clamouring for capital to carry on their businesses, and are prepared to pay rates of interest unheard of in this country. It is unlikely that their needs can be fully met. The difficulties with which industry is faced are far from being the only cause of unemployment. Wholesale retrenchment by the public services and the great banking institutions is another. The first essential if stability is to continue is that the German budget should be made to balance. That task the present Government has taken in hand with an energy as ruthless as it is belated. The difficulties are very great, probably insuperable, as long as the Occupied Territories absorb revenue for the costs

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of the armies of occupation and in other ways, while they are effectively cut off from the German central Administration, and in particular from the tax-collecting system. The yield of German taxation has much improved, but the inland revenue authorities are still hampered not only by conflicts between the central Government and the States, but by the failure of the Reichstag and the Government properly to adjust the incidence of taxation. The burden of the income tax still falls mainly on the salaried and wage-earning classes. The present Government has found it easier to approach budgetary equilibrium by the wholesale reduction of certain items of expenditure than by a complete reform of taxation. Economy clearly is essential, but the extent to which it is now being enforced in the public services (with the exception, apparently, of the Army) and on the railways suggests an indiscriminating precipitancy which may end by creating the illusion of an equilibrium that cannot be maintained.

Unemployment on the present scale, whatever its causes, obviously contains the germ of social disorders. The dole has its counterpart, but on a scale so low that it is scarcely recognisable. The real value of the wages and salaries of those who are in employment is much below the pre-war level. The eight-hour day has been abandoned, written off, like most other ideals, as an illusion. The trade unions are weaker than they have been for a generation. Democracy, and in particular Social Democracy, is discredited. The prevailing mood is for peace at almost any price. In international affairs this leads to a desire to come to terms with France, to the impulse to leave Great Britain out of account, indeed to regard her as the only remaining obstacle to a Franco-German agreement. That the political value of Great Britain to Germany should be discounted is not, on the whole, surprising; but the belief that a tolerable agreement with France could be obtained by direct negotiation may seem an odd conclusion from the quite genuine hatred inspired in the German

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mind by the French proceedings of the last few years. Odd, indeed, it is and not easily intelligible; but we have a feeling that, as a nation, we should more readily comprehend the workings of the individual German mind at the present time if we should ever have the misfortune—and the assignment of responsibility is here irrelevant—to pass through an experience such as that of Germany in the last seven or eight years. We ought, perhaps, to add that, however it is to be accounted for, we regret the tendency we have just described. Any direct Franco-German agreement that could be come to in present conditions would, it seems to us, inevitably be a dictated peace, just as the Treaty of Versailles was dictated, and would impart an unreal sanction to economic and political arrangements doomed in their nature to be impermanent. In the interests of Europe, of Germany, and of France herself—we ignore for the moment the plain rights of Great Britain—it is essential that the settlement, when it comes, should be a general settlement. It should, in our view, be the first aim of British policy to restore in Europe such belief in the name and justice of Great Britain that a settlement in which she were not included would be universally felt to be inconceivable.

II. THE OCCUPIED TERRITORIES

IN a leading article on November 28, *The Times* described the situation in the Occupied Territories in the following words:—

The exhaustion of Germany, the helplessness of the Berlin Government and the threat of widespread starvation in the Ruhr have left no resource but complete submission. The control of the Ruhr has now definitely passed from Berlin into French hands. It should be plain by now to the most superficial observer that the French have acted on a singularly consistent method. The seizure of the railways and the institution of the Régie, the erection of a Customs barrier between occupied and unoccupied Germany, the

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periodical interruption of travel in and out of the occupied area, the harrying of the population by bands of hooligan Separatists—all these have been stages in the accomplishment of a deliberate plan. Obdurate German officials have been expelled from the Ruhr and the Rhineland; the local police have been reorganised in accordance with French wishes; the administration of German law has been overridden at a hundred points by military orders or regulations issued in the name of the Rhineland High Commission; German polity has been steadily undermined. Finally, the German Government, reduced to a miserable plight, with a ruined currency and a country too weary even for civil war, has found itself unable to finance further the Ruhr and the Rhineland. The Ruhr industrialists have come to terms with the French, and the responsible political leaders in the Rhineland are now negotiating in the last faint hope of securing the consent of the French to the maintenance of some, at least formal, connection between their homeland and Germany. At the same time currency changes are in progress; a Régie franc circulates on the railways, and a Rhineland Bank of Issue is being formed.

This was a sober and accurate statement of the position. If there is reason to think that the "victory" of the French has been less complete than it then seemed, it is because of the inherent weakness of many of the arrangements made at that time.

Work was resumed in the Ruhr at the end of November under agreements entered into between groups of German industrialists and the M.I.C.U.M. (the Franco-Belgian mission of control). Those agreements expire on April 15 unless they are renewed, revised or extended beforehand. They provided, roughly, for the payment of 15 million dollars in respect of arrears of coal tax; for the delivery to France free of about 20 per cent. of the coal output; for other deliveries, *e.g.*, to Italy and the army of occupation; for the delivery of by-products; and for the regulation of the iron and steel export trade. These agreements have been supplemented by countless separate agreements between the French and individual firms throughout the whole occupied area, including the Cologne district. The general effect of these arrangements has been to compel individual German industries and undertakings, as a

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condition of being allowed to continue in business, to accept the liability to make reparation payments which under the Treaty of Versailles is imposed on the German State. No industry can continue for long to operate on the basis of giving for nothing 20 to 25 per cent. of its output, and it is clear that the agreements which the French have obtained cannot continue to be carried out unless the German Government pays its manufacturers for the goods which they deliver to the Allies. We are brought back to the central problem of German finance—to what extent reparation payments can be provided for out of a balanced budget, and if a moratorium is required, for what period and on what terms it should be given. It is true that the French can, if they choose, when the inevitable breakdown of the present agreements occurs, enter even more fully into possession and attempt to exploit the industries of the occupied territory themselves. That is an alternative before which they are likely to hesitate. Their whole experience in the last twelve months has shown them the almost insuperable technical obstacles to the foreign operation of so intricate an industrial system. Moreover, ownership and management of that system carry with them the obligation to find the necessary working capital, and it is beyond the power of France, burdened as she is at present, to finance the Ruhr, whether in work or out of work, in the present impoverished condition of its industries.

For the moment the agreements have restored some kind of activity to the industries of the Ruhr. There are a million unemployed, and the inability of the railway Régie adequately to organise the transport services automatically restricts output. At an immensely greater cost of collection, France's reparation receipts even now are less than they were when the Ruhr was occupied. The ring round the Cologne area has been drawn even closer. At the frontier stations there is, at the moment of writing, hopeless congestion of goods and parcels awaiting

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Customs examination. The railway Régie, failing to persuade the British authorities to hand over to it the running of the railways in the British zone, recently declared a formal blockade by refusing to accept traffic from or to that area; but that attitude has now been modified in face of British resistance, and a reasonable agreement which was negotiated in December for providing facilities for through traffic seems to be about to come into force.

Politically, too, a subtle change appears to be coming over French policy in the occupied area. French support of the Separatist movement has become much more cautious. In the Rhineland the attempt to place and keep in power an autonomous Government with the help of armed gaol-birds seems definitely to have failed; it was killed by publicity and the opposition of the inhabitants. For a time the French seemed likely to succeed in the Palatinate where they had failed in the Rhineland. The district is off the beaten track, and the French authorities with the imported criminals had a long start in their work of terrorising the population to support "autonomy" before the world knew what was being done. It is to the credit of the English Press that the exposure of French methods in this district has in the end been so full and effective. The report of Mr. Clive, the British Consul-General in Munich, who was sent by the Government to inquire on the spot into the conditions in the Palatinate, has finally disposed of the pretence that Separatism is a spontaneous popular movement. Mr. Clive found

1. That the overwhelming mass of the population is opposed to the autonomous Government.
2. That the Government could never have come into existence without French support, and would immediately be driven out if that support were withdrawn.
3. That according to the admission of the Separatist leader, 75 per cent. of his followers came from outside the Palatinate, and that they included a large element of ex-criminals.*

* The conclusions are summarised and only the most important of them are given here.

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It now seems certain that the French will drop the attempt to obtain for the ordinances of the autonomous Government the official sanction of the Rhineland High Commission.

Sporadic oppression by Separatist bands may continue. The quite distinct and genuine movement for separation from Prussia and Bavaria and the establishment of a Federal State of the Rhineland within the Reich may well increase its adherents. But for the moment the prevailing mood is one of weariness, even exhaustion.

III. FRANCE

IT is probably a sound instinct which has led English opinion to identify French policy of the last twelve or eighteen months with the person of M. Poincaré, and to think that if he were removed from office the worst extremes, at least, of that policy would soon disappear. It is true that there are responsible leaders in France who criticise M. Poincaré for his moderation. It is even possible that one of them might succeed him. But there is little evidence that they command the remarkable qualities which have carried M. Poincaré through the last two years without disaster. His eloquence and conviction and his unyielding persistence in negotiation have enabled him to maintain his policy towards Germany in face of the facts. He has created the illusion that the honour of France is involved in the Ruhr adventure, and that even failure offers no good reason for withdrawal. Thus, in spite of the increasing difficulties of internal politics, he has remained in power as the indispensable defender of France before the world.

Since the turn of the year there are clear signs that M. Poincaré's position is weakening. It is true that his foreign policy remains to all appearance the same. He has recently concluded a treaty with Czecho-Slovakia

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which, however innocuous in form, in fact extends the principle of surrounding Germany with dependent allies of France. He continues to press for further credits for military equipment for Poland and Jugo-Slavia. Such concessions as he has made in the Occupied Territories have been made half-heartedly and almost under compulsion, but it is with the repercussions of his foreign policy on domestic affairs that his troubles have become serious. The first and most important of his problems is now that of French finance. For years the nation has lived, financially, in a fool's paradise. The policy of showing the expenditure on the restoration of the devastated areas not in the ordinary budget, but in a special "Budget of Recoverable Expenditure," was not unnatural. It is the extravagant scale of that expenditure—an extravagance which has affected every other department of administration—and the failure to recognise that it was not in fact being recovered that have induced the present crisis in French finance.

Up to the end of 1923, 118 milliards of francs had been spent and counted as recoverable, but only one milliard had been recovered through the Reparations Commission. The rest had been subscribed by the French public in the form of loans. The programme for 1924 provided for the raising of a further 19 milliards by direct borrowing from the public. The annual burden of the loan charges threatens soon to overwhelm the ordinary budget. The rate of interest which the Government finds it necessary to pay for these reconstruction loans has risen from the original figure of 6 per cent. to 7·6 per cent. Debt charges already absorb half the total French revenue, and by 1930 it is estimated that they will have risen to the enormous figure of 11 milliards of francs per annum. That the expenditure on restoration was excessive has long been suspected abroad, and is now being demonstrated in France through the inquiries which have been instituted into fraudulent claims after an epidemic of scandals. Exten-

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sive commitments have also been entered into for public works and improvements entirely unconnected with restoration or the devastated areas, and the general failure to face realities is shown by the annual deficit on the railways, estimated at 1,650,000,000 francs for the present year. Fares are to be raised 47 to 50 per cent., and goods rates 12½ per cent., but if this fails the loss again falls on the State.

The spectacular collapse of the franc during January* forcibly directed the attention of the French Parliament and people to the financial situation. The Government were soon compelled to take steps more serious than the arrest of a few speculators on the Bourse. They introduced proposals for financial reform without delay. Their programme includes an increase of 20 per cent. in all taxes—which had been suggested, only to be withdrawn, a year ago—the postponement of all unnecessary expenditure, measures to prevent tax evasion, and substantial increases in railway fares and rates. The effect, on paper, of these proposals is that the greater part of the recoverable expenditure will be met without borrowing. M. Poincaré has made the acceptance of his scheme a matter of confidence in his Government, and up to the present he has survived in an extremely confused Parliamentary situation, and has even obtained the right to legislate in detail by decree. It is obvious, however, that the financial crisis has introduced an entirely new factor into all calculations as to the probable result of the general election which falls due to be held in April or May. Doubts as to the wisdom of the Ruhr policy have begun to find expression in the most unexpected quarters. M. Herriot, the leader of the Radical party, has for the first time openly discarded that policy, and has declared that "he is willing to exchange the Ruhr pledge for others of a better and more acceptable sort in a general

* The following figures show the fall for the last year :

1922. December 31 ..	63·75	1923. December 31 ..	80·90
1923. June 29 ..	75·35	1924. February 14 ..	97·55
1924. February 18 ..	102·45		

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settlement." Almost throughout the French Press there is a marked change of opinion. Even the *Temps* has taken to praising the ideal of the League of Nations. The *bloc* of the parties of the Right, who have supported M. Poincaré's foreign policy, has had to be invoked to enable him to carry his financial measures. They and he now find themselves, on the eve of an appeal to an electorate which by universal consent is moving towards the Left, yoked together as the authors of a programme of economy and increased taxation that is inevitably unpopular with all classes. In those circumstances the sterility, from the financial point of view, of M. Poincaré's policy towards Germany is not likely to escape attention. French opinion is divided as to the outcome of the elections between those who expect the move to the Left to be only partial and those who think it will be decisive. Obviously the issue is not yet determined, and everything must depend on the events of the next two months. All that is yet clear is that for the first time M. Poincaré has to face serious opposition in his own country on foreign affairs.

IV. BRITISH POLICY

THE general outlook of Mr. Ramsay MacDonald and the Labour party on the European situation up to the time they entered office was sufficiently familiar. It did not differ materially from that of the Liberals or of a large section of the Conservative party. The responsibility of office will no doubt bring a fuller realisation of the practical difficulties in the way of a diplomacy working for a settlement, but it is not likely to bring many changes in principle or, if they have the courage of their convictions, to reveal the Government in a position where they are out of sympathy with the general sense of the country. The fullest recent expression of Mr. MacDonald's own views is contained in an interview which he gave to the French newspaper *Quotidien* shortly before he became Prime Minister.

British Policy

There, while stating his conviction that "the two peoples feel at heart a mutual friendliness and a profound esteem," he frankly reviewed the reasons for the present estrangement. He made it clear that British opinion was opposed to the occupation of the Ruhr, and regarded France as having "insufficient consideration for the superior interests of Europe and no consideration at all for the special interests of Great Britain." He indicated that he would not be prepared to open the question of the French debt to Great Britain "unless the whole European situation were brought simultaneously under discussion." He advised France to look for security in a League of Nations strengthened by the admission of Germany and Russia.

Since then Mr. MacDonald has not had time to do more than to open friendly relations with the French Government. His letter to M. Poincaré and the steps he has since taken to remove the unfortunate impression created by the Lloyd George "interview" have brought him an almost embarrassingly favourable Press in France. If he can retain even a small part of this goodwill without compromising his opinions, he will indeed have been fortunate in his hour.

The imminence of the French elections and the possibility that they may raise to power a more moderate Government would suggest that the best course for Great Britain to take in the next few months is to mark time, to allow the ferment in French opinion to develop in its own way, to give M. Poincaré no opportunity to rally the electorate beneath his banner in defence of the honour of France. It is a course which might naturally appeal to a Labour Government, with its instinctive belief in the power of the workers in all nations ultimately to bring about a settlement. On the other hand, it is a course likely to be irksome to a new Government, uncertain of its tenure and rightly anxious not to fail in achievement. Moreover, there are many factors operating against delay. Nowhere is the situation stationary. The ability of Germany to hold out unaided until May or June, with no certainty of relief even

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then, is doubtful. The present arrangements in the Ruhr come to an end on April 15, and it is hardly likely that M. Poincaré will be content to see the initiative pass into other hands and to face the electors without a final attempt to prove that his methods have borne fruit.

Finally there are the Committees set up by the Reparations Commission. Their reports may be expected in March, and whatever their tenor they are bound to affect the position. The more important Committee, that which is investigating the German budget and currency, has been at work for some weeks, first in Paris, and then in Berlin. It appears to have accepted, in general outline at least, the scheme of the new President of the Reichsbank, Dr. Schacht, for a Central Bank of Issue, with foreign participation in the capital, and a return to the gold standard. Beyond that little or nothing has been disclosed as to any conclusions which the Committee may have reached. The Committee received a plain hint at the beginning to avoid politics, and its Chairman, General Dawes, at its first meeting laid stress on the fact that they were not there to inquire into the legality of the occupation of the Ruhr. None the less, it is difficult to see how politics can be excluded if the Committee is to carry out its reference, or what value can attach to its views on the measures necessary to balance the German budget if it is debarred from inquiring whether the Occupied Territories are to form part of the German administrative system or not, or what provision is to be made in the budget in the immediate future for reparation payments.

For any or all of these reasons it seems possible or even probable that the new Government may be called on to decide, even before the elections have revealed the nature of the reorientation in French opinion, whether it will defend its general position in regard to the settlement of Europe or, like its predecessors, take refuge in compromise. That decision will be fraught with grave consequences for European peace.

SOME ASPECTS OF AMERICAN POLITICS

I

SOMETIME during the fall of 1923, on a date which doesn't particularly matter, a horse by the name of Zev won at Belmont Park, Long Island, from another horse by the name of Papyrus. And because the race bore something of the character of an international contest, it aroused a certain degree of international interest. The result brought prestige to Zev's owner, Harry Sinclair, to Zev's trainer, Mr. Hildreth—and to a friend of Sinclair, Colonel Zevely, from whom the horse had been named. Now Sinclair had oil interests, Hildreth had sporting interests—and for these they were already well known. But on that fall day, when the merit of a British horse was pitted against the merit of an American horse, the only famous thing about Colonel Zevely was the fact that his name had been given to a splendid three-year-old.

It now transpires that Colonel Zevely for many years past has been the attorney for Mr. Sinclair in delicate matters pertaining to his oil interests. One such delicate matter, to which Colonel Zevely diverted his legal training and talent, was the matter of a lease granted by Albert Fall, Secretary of the Interior under President Harding, to his old friend, Harry F. Sinclair. By its terms wide areas in Wyoming, known as the Teapot Dome, and held by the United States Government as the source of reserve oil for the Navy, were turned over to Mr. Sinclair for "development"—on terms which assured fabulous profits to the

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"developers" and an appallingly slight residue of oil for naval use. Subsequently Colonel Zevely, in pursuance of his duties as Mr. Sinclair's attorney, loaned Mr. Fall \$25,000—in the shape of Liberty Bonds, in acknowledgment of which he holds Mr. Fall's demand note. Mr. Fall is in Washington, too ill to be seen by reporters; Mr. Sinclair is "somewhere in Paris," suffering from a sudden indisposition; and Colonel Zevely is bearing the brunt of a merciless Congressional investigation conducted by one of the ablest lawyers in the United States, Senator Walsh, of Montana.

Senator Caraway, of Kansas, has characterised the transaction: "Albert B. Fall stands indicted at the bar of public conscience of the greatest crime a man can commit—that is, treason. Everybody in the country knows that the country has been betrayed. The country knows that Albert B. Fall sold out." President Coolidge, just after midnight on Sunday, January 27, issued a statement, the significant parts of which are as follows: "The Department of Justice has been observing the course of the evidence which has been revealed at the hearings conducted by the Senatorial Committee investigating certain oil leases made on naval reserves, which I believe warrants action for the purpose of enforcing the law and protecting the rights of the public. This is confirmed by reports made to me from the committee. . . . Counsel will be instructed to prosecute these cases in the courts, so that if there is any guilt it will be punished; if there is any civil liability it will be enforced; if there is any fraud it will be revealed; and if there are any contracts which are illegal they will be cancelled. Every law will be enforced. And every right of the people and the Government will be protected." Mr. Fall is embroiled, and so is Mr. Sinclair. The Secretary of the Navy, Mr. Denby, is in danger of impeachment proceedings. The name of Attorney-General Daugherty has been mentioned, Senator Walsh, of Montana, stating "that there are some features of the matter which have come before the Department of Justice

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in connection with which the Attorney-General himself is under some degree of suspicion and criticism." It appears on the record that President Harding, by executive order, authorised the transfer of control of these fields from the Navy Department to the Department of the Interior, under Mr. Fall, and it further seems to be true that the granting of these leases was discussed by the Cabinet and sanctioned by them before the leases took effect. The relation of these several responsible officials to the transaction will be determined in the manner outlined by President Coolidge. So in all the excitement which is bound to attend further developments in the case, Colonel Zevely may be forgotten. For, after all, now as before, nothing much is known of him except that a splendid horse carries his name. Animals, like children, seem to have no option in the matter.

Nor is that the whole story. There is another oil-field, in California, known as Naval Reserve Number One. This second field, in similar manner, was turned over to Mr. Edward Doheny and to the oil company of which he is the head, on terms which Senator Walsh calculates will produce the following net result: out of an estimated 250,000,000 barrels of oil the Navy will possess in storage tanks sixteen and a half millions. The rest, over two hundred and thirty millions, will go to Mr. Doheny for his expenses, cost of labor, cost of erecting storage tanks—and as compensation for his exceptional virtue as "developer." Mr. Fall has made it clear that these terms should be considered as most favorable for the United States. And Mr. Doheny, in turn, seems to have regarded them as not too harsh upon his own interests; for by his own statement he expected to make a profit from the arrangement of \$100,000,000. These are not matters of well-grounded speculation: they are the facts as found by the Senate Committee. And in that record it likewise appears that Mr. Doheny, actuated purely by "motives of friendship," loaned Mr. Fall one hundred thousand dollars on a date prior to the date of the lease. It is no exaggeration to say that a national political

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scandal of unparalleled dimensions has been uncovered. The stench of it, day after day, rises off the pages of the Press. And bottom has not been touched yet.

II

A NATIONAL disgrace is a national disgrace, and, as such, might well remain buried in its own country. But this particular story has been cabled in outline all over the world until it is no longer a village secret, and it entails such consequences that it cannot be overlooked by anyone who is dealing with current American politics. Some of the aspects of the case may, for present purposes, be mentioned and quickly dismissed. It is true that the policy followed by Mr. Fall means a reversal of the conservation program of Roosevelt and Wilson—that oil for the Navy should be hoarded underground and not “developed.” It is true that the Navy Department and the Department of the Interior, in granting these leases, flew directly in the face of Congressional prohibitions. It is true that President Harding, in transferring control of these fields from one department of the Government to another, exercised an exceedingly doubtful authority. It is true that a number of persons, public and private, have passed under the thick cloud of public abhorrence. It is true that there is scarcely a man or woman in the United States who does not wonder whether any justification can still exist for faith in the integrity of public officials. A discussion of these matters, however, would carry us pretty far afield. We may more profitably concern ourselves with certain direct political consequences of the disclosures.

Until this reeking scandal was aired, it seemed as though President Coolidge was sure of the Republican nomination in June and almost equally sure of election in November. In the first place, he had assumed the leadership of his party. In his exceedingly quiet way he had gathered the threads of the Republican organisation into his own hands :

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from all parts of the country local leaders came to Washington, saw and were conquered. Moreover, during the last six months of 1923, active opposition to his candidacy had dwindled away. Henry Ford, the most dangerous of all opponents, was played upon by some *leger-de-main* and gracefully withdrew from the field. Senator Watson, of Indiana, not a formidable rival, but a rival nevertheless, bowed himself out of the arena. Governor Pinchot, of Pennsylvania, stopped “grooming” himself for a moment, cast a canny eye round about, realised that his chances were hopeless, and scratched. Only Senator Hiram Johnson and Senator La Follette stood in the way, and their chances for the nomination were not highly regarded.

In the second place, President Coolidge had himself won the esteem of a great number of voters who long kept him at arm's length. To be sure, he was favored at the beginning of his term of office, even the bitterest Democrat stayed his bow for many weeks following Harding's death. Nor was the armistice really ended until the new President delivered his message to Congress in early December. Then it became evident that Coolidge had not wasted his months of grace. He had become President in the full sense of the word: and his address, though conservative in character and largely directed towards Eastern interests, was clear and courageous. It cost him few words to declare himself definitely in favor of the tax-reduction plan offered by the Secretary of the Treasury, definitely opposed to a soldier's bonus, and definitely against the League of Nations. People rubbed their eyes, and, though they could not all agree with him, they joined in gratitude for a straightforward statement by a man who appeared to know his own mind.

When a phrase has captured the public, it is likely to outlive the seed of truth which it contains. But “Coolidge luck,” once alleged to be the only virtue of this cold unassignable citizen, has died a quick death. The President may have enjoyed rather exceptional good fortune during

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his political career ; but he has taken full advantage of it. And the popular mental picture of a shy, wooden figure-head has yielded to the image of a silent, shrewd executive. When six months ago men saw him—thin, close-lipped, erect and stiff—walking like a graven image through the streets of Washington, surrounded by secret service men, with never a word and never a change of expression, they felt that nothing but luck could have brought him his distinction. Now they wonder among themselves whether he may not be one of the few really great Presidents. They just "begin to wonder." Nothing more. One thing, at least, is acknowledged on every hand : "Coolidge luck," whatever it may have been, or may again be, is having a rude set-back now. And if the Republican ship weathers the storm blown off the oil-fields of Wyoming and California, the passengers may well salute their pilot for his prodigious skill.

Now, so far as the Republican *nomination* is concerned, Mr. Coolidge was a certainty two weeks ago, and he is a virtual certainty to-day. For this trouble was not of his own brewing : it descended upon him from his predecessor. Nor was he, in any real sense, privy to it ; for even though it may be shown that the oil-leases were examined by the Cabinet before they were signed, Coolidge (as Vice-President) was then attending Cabinet meetings by courtesy only and was not entitled to a vote. Moreover, however this sorry business may turn out, they must nominate him just the same. Mr. Coolidge announced his candidacy some weeks ago and his announcement won general approval from his party. This approval set the seal upon him for better or for worse, for good and all. Therefore, if the delegates to the Republican Convention in June should fail to nominate him, their failure would be a repudiation of him, a repudiation of Harding, and thereby a repudiation of their own two Administrations. According to the "laws" of American politics, such a course would be fatal.

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As for the November *elections*, their result hangs in no small degree upon the events of the next few days, and particularly upon the attitude exhibited by the President toward some of his Republican associates. To show no particular favor appears to be the only possible political tactics. The surest way to save the party would seem to be to direct the attack upon certain of its principal figures. If the President will throw his full weight behind the investigation, if he will hew to the line and let the heads fall where they may, the injury done to the party will be more than offset by the credit which will accrue to Mr. Coolidge personally. And in these days, when many Americans cast their votes for a candidate in his personal quality rather than for a party, we may enjoy the curious paradox of the continuance of the Republicans in power because the acts of some of their chief men have been courageously exposed by their party leader.

III

MEANWHILE, from now until the end of the present Congressional session, little or nothing may be hoped for in the way of constructive legislation. This is the prospect even in the most normal of election years ; it is particularly true to-day. A resolution now lies before the Senate calling upon the President to remove Mr. Daugherty from his Cabinet and stating that, as Attorney-General, he failed to bring proceedings against former officials of the Veterans' Bureau whose conduct has aroused suspicion, failed to prosecute to a conclusion certain war frauds cases, and failed to bring to justice certain people believed to be responsible for the oil transactions. These issues go straight to the root of politics ; they involve endless hearings and suggest antagonisms of the bitterest sort. A second resolution demands the resignation of Mr. Denby as Secretary of the Navy, on the ground that he joined

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with Mr. Fall in signing away the oil-fields. And these resolutions, which affect executive appointments, introduce a fresh phase of the unending battle between President and Senate. One Senate Committee is trying to dissipate the haze which surrounds the relation of this Government to the Government of Soviet Russia, and another committee is frittering away good weeks in examining the methods employed by Mr. Bok in making his peace award. So the time passes.

Every effort on the part of Republicans will be devoted to the justification of their record in office, and every effort on the part of Democrats will be calculated to besmirch it. In this atmosphere it can hardly be expected that internal legislation of a serious character will be entertained by the Senate. And there is an even greater likelihood that the present session may come to a close without ratification of the Lausanne Treaty, or of the treaty lately negotiated between the United States and Great Britain over the question of rum-running. From the point of view of foreign relations such a result would be most unfortunate, but the possibility exists nevertheless. The outlook for getting things done, at home or abroad, is a poor one.

The situation in the House of Representatives is scarcely more encouraging. Early in November the Secretary of the Treasury proposed important reductions in taxes, affecting all classes of taxpayers. At the same time he made it clear that these reductions could not be carried through unless the soldiers' bonus were abandoned. A month later, in his message to Congress, the President unreservedly supported his Secretary on both these points. Since that time the Mellon Tax Reduction Bill has been in the hands of the House, it has been submitted to the Ways and Means Committee for consideration, and it will emerge from this committee for full discussion on February 11. The appearance of Mr. Mellon's proposal and the promise of reduced taxes which it holds out have seemingly disposed of

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the bonus agitation—at least to the extent that a bonus Bill could not now command a large enough majority to pass over the President's veto. But the tax plan itself—particularly the provision for a reduction of the surtax on large incomes from 50 to 25 per cent.—has aroused controversy which will continue long after the Bill reappears on the floor of the House.

The President, Mr. Mellon, and those Representatives who are regarded as Administration men are inflexibly behind the Bill as it stands. Against it are the Democrats, together with a considerable number of nominal Republicans who are out of hand, and who believe that this Bill is an offering to the capitalistic Eastern seaboard, as against their own less wealthy people of the Middle West. And a majority against the present Bill is insured by the support of a few other Republicans who would prefer to compromise the Bill as it now stands rather than let it become a campaign issue.

The "politics" involved in the situation are familiar all over the world. Successful Treasury operations, coupled with unexpectedly high revenue, have put the party in power into a position where it can safely propose a reduction of taxes. The Republicans are able to confer an unexpected favor upon the voters. No Democrat can view this prospect with an easy mind. So Democratic strategy consists either in framing a new tax Bill (as Representative Garner has done on their behalf) which distributes larger favors to more people, or in reaching such a compromise between the two plans as will insure a division of the political glory. And if, in these intricate matters, the Republicans take a false step, and the Democrats are able to make themselves appear as the real authors of the final tax reduction plan, it will be of enormous advantage at the election next November.

As they look ten months ahead, some of the Democrats are taking heart. They remember their success in the Congressional elections of 1922, when they practically

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wiped out Republican majorities in both House and Senate. They are still in opposition, and they can once more capitalise all the feelings of those who are chronically "agin the Government." They have been armed with an unexpected weapon by the oil disclosures; and they run a fair chance of gathering some credit for the reduction of taxes. All these are sources of strength, but they are in no wise due to merit within the Democratic party itself, and some of their own clearer heads, seeing behind these rather deceptive present advantages, are greatly disturbed. We can't cry down the Tariff of Abominations, they say, when the country has actually prospered under it. We can't, with any success, cry up co-operation with Europe, when Coolidge has captured our wind by permitting three Americans to work under the Reparations Commission. We can't oppose Mr. Coolidge's personality with a strong candidate of our own, for no one of our long list of eligibles has really caught the imagination of the people except Governor Smith, of New York, and he is both Roman Catholic and "wet." We were never very enthusiastic about Mr. McAdoo, but we might have nominated him. Now even he is handicapped by the fact that he spoke too soon in favor of the bonus.

Without question the most distinguished Democratic candidate is Mr. John W. Davis, formerly Ambassador to the Court of St. James. His record has been a splendid one, both as foreign envoy and as one time Solicitor-General of the United States. He is recognised as possessing the ablest mind of any man in the field. But his chances are very greatly limited by the fact that the law firm of which he is a member has close affiliations with Wall Street, and this connection would make him unpalatable to the West. The innocent by-stander, who knows nothing of the involutions of politics, but longs for a fine Presidential fight, would like to see Davis and Coolidge—both Conservatives—contest the issue of their respective personalities. But if that pleasure be denied him, and if McAdoo will stand

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squarely behind his declaration for the bonus, for prohibition and for lower rail-rates on grain—thus representing Liberalism and the West against Conservatism and the East—he would overlook Mr. McAdoo's personality in the joy of battle joined over real and fundamental political differences.

At the present time, Mr. McAdoo easily leads the field in the number of delegates to the Democratic Convention who are pledged to vote for him. However, as any one who is acquainted with American politics can understand, this early strength has united other Democratic candidates against him. To gain the nomination he must carry the votes of three-quarters of the delegates; and in the deadlocked situation which may well arise, the Convention—in the whimsical manner of conventions—is apt to dismiss all the candidates and nominate the door-keeper! But that verges dangerously on prophecy.

IV

ON January 23, in the midst of these alarums and excursions, Secretary Hughes visited New York City and made a detailed report before the Council on Foreign Relations concerning recent activities of his Department, under three heads: (1) the rum-running treaty, signed that day in Washington; (2) the action of the Administration with respect to the Mexican rebellion; and (3) the story of American participation in the Lausanne negotiations. His argument with respect to the two treaties was doubtless directed at those in the Senate and on the outskirts of politics, who, through bigotry of one kind or another, are opposing ratification, without even the suggestion of an alternative. But his references to the Mexican embroglio were directed to ears outside this country as well. The sale by the United States Government of arms to support the recognised Government in Mexico, the exceptional permission accorded to Obregon's troops to march across

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a strip of Texas in the course of a military campaign, and the dispatch of warships to Mexican ports for the protection of American interests—all these things seemed to require explanation. And because the policy of the United States was frankly and clearly indicated in Mr. Hughes's address, his argument is here reproduced at some length.

After reciting events which preceded and led to the recognition of General Obregon as the constitutional President of Mexico, the Secretary of State continued: "After this happy result had been achieved, and as we were looking forward to a period of quiet and to opportunities of advantage to both peoples, suddenly there was an attempt to overthrow the established Government of Mexico by violence. It is plain that the purpose of those engaged in the enterprise is simply to determine by forcible measures the succession to President Obregon. It is not a revolution instinct with the aspirations of an oppressed people: it is a matter of personal politics. It is an effort to seize the Presidency; it means a subversion of all constitutional and orderly procedure. The contestants, seeking to overthrow the established Government, have taken possession of certain portions of the Mexican territory, and either are claiming tribute from peaceful and legitimate American commerce or are attempting to obstruct and destroy it.

"In these circumstances the established Mexican Government asked the Government of the United States to sell to it a limited quantity of arms and munitions. This request was one which could not be ignored; it had to be granted or denied. This Government had the arms and munitions close at hand; it did not need them, and could sell them if it wished. If the request had been denied, we should have turned a cold shoulder to the Government with which we had recently established friendly relations and, whatever explanations we might make, we would in fact have given powerful encouragement to those who were attempting to seize the reins of government by force. The refusal to aid the established Government would have thrown our moral

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influence on the side of those who were challenging the peace and order of Mexico, and we should have incurred a great responsibility for the consequent disturbances. In granting the request, there was no question of intervention, no invasion of the sovereignty of Mexico, as we were acting at its instance, and were exercising our undoubted right to sell arms to the existing Government.

"So far as precedents are concerned, we have followed rather than departed from them. In standing for constitutional procedure and frowning upon attempts to conduct political campaigns by force of arms, we create no precedent that embarrasses us. Many of our people are solicitous with respect to the contribution of the United States to the cause of peace. That duty and privilege begins at home. In aiding stability in this hemisphere, in throwing our influence in an entirely correct manner in favor of the development of constitutional government and against unwarrantable uprisings, in protecting the legitimate freedom of commerce, we are making the greatest contribution directly within our power, and in accord with our established traditions and manifest interest, to the cause of world peace."

Oddly enough, no widespread demand had arisen in the United States for an explanation such as Mr. Hughes put forward. The leading organ of the Opposition, the *New York World*, supported the Department of State step by step. The Foreign Policy Association, a liberal organisation which has never been sparing in its criticism of the Administration, accepted the Mexican measures as inevitable. Fortunately, the state of affairs in Mexico has not called for more drastic interposition by Washington, but one is led to wonder whether Mr. Hughes answers to Viscount Grey's "jocular questions" would be the same as those once made by Walter Page: "'Suppose you have to intervene, what then?' 'Make 'em vote and live by their decisions.' 'But suppose they will not so live?' 'We'll go in again and make 'em vote again.' 'And keep this up 200 years?' asked he. 'Yes,' said I.

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'The United States will be here two hundred years and it can continue to shoot men for that little space till they learn to vote and to rule themselves.'"[†]

One brief reference, with its innuendo, in the address of January 23, should not be passed over without comment. "Many of our people," observes the Secretary of State, "are solicitous with respect to the contribution of the United States to the cause of peace. That duty and that privilege begin at home." It is not impossible that Mr. Hughes had in mind 22,165 American citizens who submitted plans for the \$100,000 Bok peace prize, innumerable friends of the contestants who discussed these plans before they were sent in, and the hundreds of thousands who are now voting on the merits of the winning document by means of a "referendum" conducted through newspapers, organizations and industries. The very fact that a Senate Committee is investigating the enterprise is a fair indication of its public significance, and Mr. Hughes may have shared in their excitement.

There is nothing new or startling in the proposal which received the judges' award.* It calls for immediate adhesion to the World Court and for associate membership in the League of Nations. But it has two important effects:

* The plan in brief proposes:

1. That the United States shall immediately enter the Permanent Court of International Justice under the conditions stated by Secretary Hughes and President Harding in February, 1923.

2. That without becoming a member of the League of Nations as at present constituted, the United States shall offer to extend its present co-operation with the League and participate in the work of the League as a body of mutual counsel under conditions which—

1. Substitute moral force and public opinion for the military and economic force originally implied in Articles 10 and 16.

2. Safeguard the Monroe Doctrine.

3. Accept the fact that the United States will assume no obligations under the Treaty of Versailles except by Act of Congress.

4. Propose that membership in the League should be opened to all nations.

5. Provide for the continuing development of international law.
(Statement of Committee of Award.)

[†] *The Life and Letters of Walter H. Page.*

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first, it is a dispassionate explanation of the League as it exists in fact rather than in morbid fancy; and second, it leads the more visionary seekers after peace away from the windows where they have been watching for the phantom of perfection back into the middle of the room, face to face with an existing instrument of international co-operation. Probably not even Mr. Bok expects that his award and referendum will have any immediate practical consequences; nor is it likely that Mr. Hughes will suffer any new embarrassment on their account. "Your whole scheme is on a par with Henry Ford's Peace ship," said one. "Not exactly," Mr. Bok replied. "Mr. Ford failed to get anyone out of the trenches for the sake of peace, while the present undertaking has succeeded in putting more than twenty thousand into the trenches for the same good cause." In fact, one can do several things with \$100,000. One can, for example, lend it to Mr. Fall.

Perhaps there are other "visionaries" than those who plot for peace, even in the United States. For was it not a distinguished Navy official who recently justified the proposed flight of the airship *Shenandoah* to the North Pole: "We must be first in the field. For the land (if any) must be discovered and annexed to the United States. It will certainly serve as an important base for air operations in the next war." And there is Professor Robert H. Goddard, of Clark University, Worcester, Mass., long famous as the originator of a project for shooting a rocket at the moon: "Whatever we do," says Goddard, "must be done this year. The time is ripe for it. The other nations of the world are hard at it, and if the United States is to make the great step, we must prepare to make it soon."

This is not a laughing matter. It is not a page which slipped by mistake out of *The Napoleon of Notting Hill*. It is science. But it threatens foreign entanglements of a peculiarly vivid character.

United States of America.
January 30, 1924.

A BASIS FOR IMPERIAL FOREIGN POLICY

IN the first half of the nineteenth century when the readjustment necessitated by the Napoleonic Wars was still in progress Great Britain in 1839 gave a pledge which became and remained, though almost forgotten, an integral part of the succeeding political régime of the Continent. Three quarters of a century later in a wholly new scene the pledge came into its own; not that it was strictly the cause of what followed, for in any case the events then gathering required of us the gravest action, but this guarantee to Belgium in effect precluded any other valuation of our position whether in degree or kind than that actually reached in August, 1914; the British Empire, now comprising communities at the ends of the earth unimagined in 1839, was committed to a struggle of unlimited liability on the Continent. The war has set a new scene demanding from the peoples of the Empire a fresh definition of their position. So little is the present position to our liking that it is evident that this phase, begun at Versailles five years ago, has produced some serious miscalculations. Doubtless, too, these arose, in our nearness to the events, from faults of perspective rather than of intention.

The task requires a calculation of what posture will, in the longest run and, looking as far ahead as possible, be best for us; it is concerned only with dominant factors and tendencies, leaving particular contingencies to be met, as they arise from time to time, in the sense of the

The World War and the Peace of Versailles
broad result. Failing an effort of this sort and some generally agreed conclusion, our action or inaction in the face of immediate events must be unintelligent and may become dangerous.

I. THE WORLD WAR AND THE PEACE OF VERSAILLES

I

IN the pre-war decade, to minds whose duty it was to weigh the vital aspects of international relations, the world appeared to be Europe and almost nothing else. It was scarcely an unnatural reading. America, though in truth she was gathering a force that in the event fell with decisive impact upon the European system, deliberately held off, and the indications of her place in affairs seemed vague and uncertain to those who conducted pre-war diplomacy. Asia was reckoned rather as a prize than as a counter, though as an outgrowth of the European affair the Empire did make an arrangement with the strongest Power in that region. Essentially it was a distinctively European system in which in the vital sense our foreign policy was involved.

In spite of the diplomatic prelude, however, the sequel assumed a far deeper significance. Beginning in East Europe as a European conflict, the war not only developed important extra-European theatres on land and sea; it involved the peoples themselves of every region of the earth: first the British Empire, then Japan, finally America, and indeed other peoples, Asiatic and South American. The names men use have their significance. In conversation, in writings and in official proceedings, Americans were and are in the habit of calling it "The World War." Others, to judge from their words, seem more inclined to envisage it merely as a European struggle, like the Napoleonic Wars, with world-wide ramifications. There are vital differences. For the first time in history we had the

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spectacle of the New World invading Europe, doing it, moreover, for specific aims of its own. Colonel Repington and his friend, the American Intelligence Officer, in the conversation which is recounted in his diary, were on a suggestive speculation when they agreed that the conflict should be called "The First World War." The point bears on the question of our policy; for a prudent criterion of the future rôle of the belligerents may be derived from the circumstances of their participation in the war.

Though chronologically unnatural, it is for the purpose of arriving at an ultimate perspective convenient to examine first the object of the American invasion of Europe. There was a picture, evoked by war propaganda, that portrayed America as returning to Europe with no distinctive aim of her own but merely to serve purely European purposes, and it was a further easy step to imagine her as naturally a new element in a future European system. Though doubtless it was not the whole of the propaganda, the picture has lingered far too long into our present phase.

The immediate issue on which America declared war grew from the submarine campaign; her ultimate necessity, however, was, in view of its character, to block the German project of world power. British naval power, a traditional object of suspicion, had remained unchallenged because it contained no menace and had even been at times actively friendly towards American interests. If for America the threat had merely been the substitution of another fleet and another Power in command of possessions and bases, some of them at her doors, many of them across her lines of communication, doubtless it would not have been enough; but such a naval Power, deliberately aggressive, based upon and controlling the great resources of the Continent, insular America, having regard especially for the social experiment she was conducting, could not tolerate. She accordingly threw in her weight with the Allies to destroy the menace. Her delay up to the point when informed American opinion seriously envisaged the possible success

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of the Central Powers, the preceding public discussion, the perplexities of patriotic Americans in the face of certain cross purposes in the pre-war European diplomatic scheme, their reluctance to accept the assertions of either camp as evidence of purpose—these are a few of the clues that may be recalled to make this point clear. It is doubtless true that her final act was surrounded by much irrational discussion and that this somewhat simplified picture of her object was never thus bluntly put by American officialdom. But officialdom and publicists everywhere were often somewhat verbose on the point of purpose. Except on the assumption that men are, like the beasts, incapable of thinking beyond the moment, it surely must have been on some such estimate of her interest that the decisive managing minds in America, official and other, took the responsibility of leading their country into such a vast commitment. Though perhaps not always plainly seen at the time, events since the war leave no doubt that for the future America will more clearly apprehend her position. If any hypothesis at all is possible as a working basis, something of the character suggested seems both natural and appropriate to the facts; there may have been more, but beyond it the footing is insecure.

As for the Empire's position, it is enough at this point to observe that, taking the largest view, we were from the outset confronted by a necessity to which the American necessity bore a remarkable resemblance when it became known. We, too, could not tolerate a dominating land and sea power based on the Continent. As regards Japan, while the lines may be somewhat different, the picture gives the same broad effect.

Such then was the essentially similar object of the British and the American invasion of Europe. Many people everywhere, notably in the Empire and the Republic, came also, as the war took its exhausting course, to entertain a hope that there might emerge some world political system to secure peace and order, based upon a community of power

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among the nations analogous in some sort to the community of power among individuals in the national State. Vague in outline, in large part an improvisation, the idea came into great prominence and was even at times declared to be the "object" of the war. But to suggest that such an end could be gained by fighting is surely to abuse words. The nations fought each for its own necessity, but this other aim is one for mental processes working in peaceful days of reflection.

The war, then, was a World War; it was, too, a stand made once again by the insular peoples, not to impose their ideas of life upon the Continent, but to resist a project of land power that imperilled their own scheme. The character and object of their action testify to the likely limits of their future rôle. The struggle moreover brought to light a redistribution of values not only within the Continent, but, what is even more significant for us, as between the Continent and the New World. In America there is now, in respect of intelligent and healthy man power, of natural resources and of industrial plant, the greatest concentration of force that has ever existed in one unit and responsive to a single Government. If a century ago "the New World was called in to redress the balance of the Old," to-day, observing this latest development and reckoning our own future oversea in men and resources, we see that through a fresh transformation the nations have arrived at a new balance—the balance of the World.

2.

The task of the British Empire was and is to estimate the resulting distribution of values, to recognise it, and to strive constantly for the most favourable and least provocative relationships toward what confronts us everywhere. How have we performed this task, whether at the Paris Peace Conference or later?

New title deeds to the soil of Europe were drawn up by

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the Conference, but we need not examine them here; in any case the main task of the negotiators was simply to accept accomplished facts. It remained to adjust the relations to each other of the various peoples thus settled on the soil and other peoples of the earth. Under this heading, however, we need only recall here how the Conference dealt on the one hand with the relations between the peoples of France and Germany and, on the other, with the relations between the peoples of Europe and those of the rest of the world—that is to say, with the question of a world political system. We must consider how it assessed these relations and the plan that it devised for their future interplay. In effect these distinct relationships were treated together, as though they were indissolubly linked, as though the affairs of mankind must necessarily follow an orbit fixed by the French and German people. Through the Covenant of the League of Nations the Conference sought to set up a world organisation, with the machinery of the Council and Assembly to balance the needs of the great and the small Powers, with the allocation of seats on the Council to balance the position between Europe and the rest of the world, and with certain political guarantees based on an intricate system of sanctions. Alongside of this it attempted in effect to create, or rather to perpetuate, another system, the pre-war European system, adapted, however, to the results of the war, and, more than that, with the extra-European Powers, the British Empire, America and Japan, drawn in as integral elements. On this side it is enough to recall the British-American-French Reinsurance Treaties, the joint commitments under the reparation and occupation clauses, the phraseology of the Peace Treaties—*e.g.*, the expression "Allied and Associated Powers"—and the exclusion of the enemy Powers and Russia from the League.

What has happened to this ambiguous design? America went out of the picture at once, both sides of it, and every day makes more certain the impossibility of her co-operation

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on any similar basis, though she has otherwise shown a readiness and even an initiative in co-operation on world issues. Japan, while apparently not eager to participate in the European system, has also displayed elsewhere, along with her adhesion to the League, a readiness to co-operate in world affairs provided that her needs are reasonably recognised. Meanwhile Great Britain, acting for the Empire, has steadily, for more than four years, under a diversity of Governments and Prime Ministers, made the greatest efforts in the way of conciliation and compromise, almost to the point of desperation, to stick to both sides of the picture. In the result, the Reinsurance Treaty is gone, the occupation is in a highly unsatisfactory state, and we have been virtually side-tracked on the Reparation Commission. As for the Dominions, while they are doubtless anxious for the universal growth of the idea of the League, some of them seem distrustful of their new status in what now seems a less friendly world than hopes had pitched it, and others are apprehensive of implication in affairs with which neither interest nor knowledge justifies them in dealing. On the other side of the design, none of them have any part in administering the reparation and occupation clauses, and two of them showed at the outset that they could not enter the Reinsurance Treaty.

3.

The intricate and ambiguous design evolved at Paris for adjusting the relations between the peoples of the earth has thus broken down. Many ingenious epithets have since been flung to and fro across the sea, but the object of this article is not controversy, but to find some intelligible explanation of the breakdown which may be of use to us.

The problem is one of management or government by negotiation. For example, A, B and C are property owners in London, Z in Edinburgh. While A, B and C may find

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many common interests which induce co-operation, such as their concern in London rates and sanitary measures, they would never invite Z, nor would he consent to join them; he has neither local knowledge to contribute nor a stake in their affairs to stimulate his sense of responsibility; his intervention would be harmful. An unmistakable threat of a communistic régime in the country might unite them all, but, the peril over, they would separate; or if they had formed an organic association it would tend to become perfunctory in operation, or might perhaps be seized by a faction for a special purpose, in which case the other members would turn from it. The parable may be developed, and A, B, C and Z envisaged as communities, municipal, provincial or national. With each stage, however, you have to add, as between A, B and C on the one hand, and Z on the other, new factors relating to the distinction between action by individuals and action by groups, great and small, factors of race and language, and many others of that order. Human imagination is limited in itself; the material upon which it may work has physical limitations; only a minute fraction of humanity can travel, and, though there are facilities for broadcasting a vast number of words, the communion of ideas between different peoples is still severely restricted. All these factors alter drastically the basis of effective co-operation; they affect Z's real knowledge of the others' problems, and his own stake in their affairs, for he must have one if his sense of responsibility is to be engaged. Misled by the war propaganda, building perhaps overmuch on political and economic co-operative devices improvised by the war mind, like the Allied Councils, over-valuing also the achievements of the mechanical age, it seems likely that we greatly misjudged at Paris the limits within which useful political intervention as between human beings grouped as nations is feasible in normal times when no common incentive of fear is the uppermost consideration.

The point becomes the more clear as between different

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regions of the earth, and it is our purpose to enlarge on it for a moment, especially in relation to any effective political association that may be expected between Europe and America. At the moment when the domination of the Continent by a single military and naval Power was definitely defeated the political object of the American invasion was accomplished; there was no longer a national necessity to intervene, and from that moment the political affairs of Europe properly became, in the American phrase, "the local affairs" of another region of the earth, in which it was unwise to attempt to prolong America's experience of "taking sides." She saw this after a distracted interlude, during which her leaders and others made their regrettable and confusing miscalculations of her position in the world. Could it have been resolutely recognised that Europe must be envisaged by America as a distinct region to be considered politically as a separate whole, into which the intrusion of her weight would necessarily be abnormal and disruptive, a design might still have been conceived to meet the two great aspects of the problem that confronted the Peace Conference. On the one hand it would have aimed at some simple world system unencumbered with political guarantees and would have been based upon the conference idea limited to a few great issues of common concern to all regions. On the other hand, as regards the distinctively European aftermath, it would have been realised that though America might reasonably be expected to co-operate economically and even to lend her good offices politically during the immediate post-war years in a common effort to repair the chaos produced by acts in which she had participated, yet if she was to play a true moderating rôle, the intrusion of her force into the European system must not be prolonged by special alliances or otherwise. On such terms, as we may see in regard to the reparation inquiry, there is a possible basis for discussion. But the actual Paris design was a wholly different thing; and it is far from certain that America's intimate partici-

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pation according to plan in the European affair during recent years would have been helpful.

All this may in a sense be academic; but it is not without value for the future. The British Empire, which has learned through experiments with the federal idea that in human management you must couple responsibility with interest and knowledge, will appreciate the point as well as any people. Europeans will naturally be sensible each for his own nation of the immediate value of gaining American support; but, when as "good Europeans" they reflect upon the years 1917-18, and the devastating possibilities of America's "taking sides," they may well doubt the wisdom of courting an intimate association.

As for the Empire's position, the breakdown of the Paris design and the futility of much of our effort suggest their own questions. Was not the political object of our invasion of Europe also accomplished at the moment of the definitive overthrow of German arms? Even if there remained for us certain economic objects, were we wise to undertake a rôle that for a long period tied us to the European system and required such intimate intervention in its political affairs? Might not another method have been found? And since the Empire is still seeking a policy, these again are not wholly academic questions.

II. SOME ELEMENTS OF PERMANENT POLICY

I

IN seeking the outlines of a sound policy for the coming generation, it is evident from these events that we must try to get in clear perspective the main foundations of the structure of the world in which we live.

There is the globe, and there are the continuous oceans occupying nine-twelfths of its surface. There is the great continuous stretch of land—Europe, Asia and Africa—covering about two-twelfths of the surface. There are

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North America, South America, Australia and the other islands which account for the remaining one-twelfth.

The human race numbers about 1,700,000,000 people. Of these, fourteen-sixteenths inhabit the great stretch of land. The British Isles and Japan contain nearly another one-sixteenth. The lesser continents, or islands as they really are, together include only a little over one-sixteenth.

The white races number about 700,000,000 people. Of these about two-thirds inhabit the great stretch of land, and about one-third are islanders, chiefly British and American.

Very briefly we may recall too the relation of sea power in insular hands to land power. Roman land power, having closed the Mediterranean and subdued the British Isles, ruled the then world. British sea power, on the other hand, has enabled the British Empire, an insular system, to develop against all the projects of the land peoples; and this is so, first, because it rests on a productive and detached base; and, next, because the continental nations have never united against it. British sea power has never sought to rule the world—ships cannot walk or climb hills—but it has been able to envelop and contain the great continent from the British Isles to Japan, and thus at times to exercise a veto on any world dominating project from the land. The Napoleonic Wars were a struggle between East and West Europe, with the British weight thrown to the East to decide the issue. The World War again began between East and West Europe, though this time the British weight was thrown to the West, and there was added America in the end.

In the redistribution of values disclosed by the war a portentous concentration is seen in America, with its base both productive and detached. The British Empire, America and Japan are islanders in relation to the bulk of humanity, and in proper conditions, wisely chosen, can exercise a decisive though never a dominating rôle. But a land power in control of the Continent and of a navy

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resting on a base of such man power and resources would be irresistible by us and probably by us and the other islanders as well.

We may conceive, too, of the world as consisting of several regions or systems of people. There is a European system which by reason of the Mediterranean includes the Near East and North Africa; there is an American system; there is an Asiatic system—i.e., Eastern and South Eastern Asia beyond the great middle desert.*

While to a considerable extent they are inter-related economically, these regions regard themselves as politically involved with one another only when the political processes of one region become so surcharged and active as actually to over-reach its own boundaries and impinge on another region.

Where does the British Empire lie as seen from such perspectives? It will be convenient to examine two opposing conceptions, either of which, if adopted as a starting point and pursued day by day, would entail far-reaching consequences both with regard to the disposition of our forces and the extent to which we promise their delivery, and to the sense in which we speak in the councils of the nations. There are also risks to be balanced.

2

On the one hand, the Empire seems to be viewed by some as an integral part of the European system, bound therefore to submit to constant implication in the political processes of that region; there is conceived, as in the pre-war decade, a continental combination imperilling our future; we must therefore address our energies to the balance on the Continent, while America and the other islanders are reckoned as incalculable forces as before.

* The foregoing analysis, some of it virtually a paraphrase, is taken from a book published by Sir Halford J. Mackinder in February, 1919, *Democratic Ideals and Reality*; indeed the main argument of this article derives from that stimulating work, to which every acknowledgment is made.

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Broadly speaking, there is the choice between East Europe and West Europe. Apparently some adherents of this view believe, as in a sense the Paris Conference did, that the threat of a fresh attempt from the East to gain a dominating land and sea power is so calculable that we must perpetuate the Alliance against it. But this, especially in view of the East Europe territorial settlement, will scarcely be accepted as a proved necessity. Others seem to consider not only that French policy is aspiring to such a power, but that its success is so likely as to demand a counter-arrangement. Such a view really conceives that France from the western fringe of Europe can control or manipulate the 70,000,000 Germans, the 70,000,000 people of the Little Entente and Poland, and the 136,000,000 Russians, and then rest upon the continental base a preponderating naval force; that she can in fact succeed from West Europe in what Germany failed to do from Central Europe, a feat of speculation even for these speculative times.

The inevitable risk inherent in either choice is of course that of re-aligning East and West Europe, since the Empire would be taking the one step in its power to make that event probable. For it is in the nature of things that when our insular Empire is allied or aligned with a land Power, our land ally will in the long run be the arbiter as between us and the land Power against whom the alignment tends. Of this, the past four years have given a telling illustration, and as they doubtless realise this point, the apprehensions of the French lest Germany may in time get the position of arbiter as between the Empire and France are completely intelligible. The truth is that in attempting to behave as though we were a land Power we become as ridiculous as a fish out of water. We went on the land perforce during the war, but it was *expeditions* we sent.

A still deeper risk lies here: that this order of calculation practically ignores America and the other island

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peoples. To the question of the effect of a European Alliance upon the equilibrium of the Naval Limitation Treaty we will, however, return on a later page.

The risks, let it be repeated, would be of our own seeking.

3

(1) On the other hand, in the true view, we see the Empire as an island Power, but also as a special system with a peculiar intermediary relation toward the other regions, bound therefore to scrutinise, though not necessarily in the exact sense to interest itself in developments in all of them. We look at the Continent as a whole, since the Continent substantially controlled against us would be the vital threat; but conceiving that this is not the normal state, our true posture becomes one of avoidance of definitive ties with any continental faction, since our detachment is less likely than our implication to provoke the vital contingency, while it also puts us in the most favourable relation to the other regions. An attack from a single continental nation the Empire could meet alone, but since it has nothing to gain from any war, its constant effort would be to remove points of friction with every Power. The essence of this posture is a resolute abstention from all alliances, guarantees, or promises of force that would link the Empire either to the European or to any other system. In a sense it is an assumption of independence; but at the same time it is an avoidance of anything like the substitution of enmity for old friendships, just as we avoided this when altering our arrangement with Japan.

The still unsolved Franco-German question in this view becomes an affair that does not necessarily imperil the Empire, which need fear neither side in the sense that it must evoke a combination against it. Having achieved a detached position we may be ready in a true sense to exert mediatorial offices if and when these are acceptable to

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both, but we must give no guarantees, and this must be so notwithstanding the quite proper American desire for agreement between us and the Continental Powers, while in contemplation of the contingency that these two Powers may fight again, our policy becomes one of "keeping the ring."

In reality it comes to this: that the worst case we must consider, a combined threat from the Continent, will imperil also the interests of the other islanders, thus obliging them, like ourselves, to consider the position as it develops, and in the end to resist it. Although America, for example, has withdrawn from participation in European political affairs, which no longer compel her intervention, she physically cannot withdraw from the world; and, as she had once to act decisively, so, in a comparable contingency affecting her world position, will she be forced to act again. There is here no suggestion of seeking a "firm" contract with America. Such an engagement would be undesirable, for anything like an English-speaking domination would fail even more surely than the German dream. For the purpose we have in view nothing more is needed than the Naval Treaty of Washington, under which in effect the parties are bound to confer together in the contingency in question.

The view thus outlined doubtless involves risks as does any view, but it means that we build upon the deepest truths of our concrete position as it has developed in space and time, to say nothing of more intangible factors, rather than upon the more striking surface phenomena of a swiftly changing scene of human relationships in a revolutionary period of history. The Empire is not a land Power; the war, to repeat what we have said, was an expedition for all of us. The names we gave our forces are worth recalling: The "British Expeditionary Force," the "Canadian Expeditionary Force," the "Australian Expeditionary Force," and so on. There was also the "American Expeditionary Force." This view puts us

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in harmony with the true function of sea power in insular hands. Such power, while incapable of world domination, may exercise a certain veto function, which is valid so long as it does not provoke the land peoples to unite against it. By abstaining from alliances either on the Continent or with America we avoid giving such provocation. Again, by abstaining from continental engagements we avoid another risk which, however remote it may appear, cannot be ignored in the longest survey, for if it is not conceivable that either we or America or both of us could get at the Continent with ships, it is conceivable that insular America could effectively cut the lines of communication of the outlying parts of the British Empire.

Alliances, though giving the illusion of security, may become treacherous if the underlying truths are ignored. For any alliance, "neutrality" guarantee, or other engagement of the sort, is in reality the anticipation of armed forces in action; and from the moment of its inception it sets in motion, in the minds of those against whom it either tends or may be conceived to tend, precisely those forces which reach their full strength at the sight of a threatening army actually on the march. It is on this basis that its ultimate consequences must be reckoned, however much its appearance of immediate value may be idealised.

(2) If these are the dominant elements of our position there is yet something more. The Empire has its special intermediary position; its chief member, Great Britain, and certain Crown Colonies, are inescapably placed in constant contact with Europe; so with Canada and certain Crown Colonies in relation to America; so also with Australasia and the Asiatic region; while South Africa again as part of the great stretch of land is in touch with Europe. Though we should not bind ourselves to any of these regions, we cannot ignore the problems arising from our contiguity to them.

Thus the Empire has some day-to-day concern with the

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processes of European diplomacy. But everything will depend on the sense in which it speaks in European chancelleries and conferences. If it could properly be considered as an essentially European Power, it would speak with the masterful voice of authority, asserting a *right* to fix the direction of European life at all stages. But from its true independent posture the Empire will naturally regard normal continental politics as primarily a thing for that region itself. To assert a decisive voice in every question, on some theory that this alone can forestall the abnormal condition—the only condition in which we have a vital interest—is to court indeed the risk of precipitating that condition. Our true *normal* voice becomes the voice of the mediator, not authoritative but cautious and uttered when advice is acceptable to all concerned. If prudent and effective intervention in the affairs of others must be based upon interest as well as upon informed knowledge, the Empire has not in fact the proper degree of interest to justify active authoritative interference in any but a few great European developments of an exceptional kind, and we must be exceedingly careful about choosing the occasions. Must not our general tendency be to disinterest ourselves in the strict sense in some disputes and even wars which in the past might have seemed of vital concern?

4

Practically, then, we seem to have two alternatives.

On the one hand we may attempt to behave as a distinctively European Power, either joining with France, in response to what seems the constant invitation of her policy, to secure the hegemony of Europe, or forming a combination against her, and running in either case far-reaching risks of our own seeking. For this alternative in either form there seems indeed nothing to be said.

On the other hand—and there is no third course—we are left with this. Recognising our true posture to be that

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of an island Power and of a system intermediary between the great regions of the earth, and avoiding all special bonds with any of them, we share with America the veto function which sea power in insular hands is capable of properly exercising in world affairs. This posture implies that we hold an active brief in the councils of the World, but normally only a watching brief in the councils of Europe. It looks primarily to our own security, but it is also the only one from which we can play a “moderating and mediatorial rôle” toward the affairs of the Continent or of the World; for, though the British Empire and American Delegations seem to have overlooked it at Paris, one can scarcely be a true mediator if he is bound to one side or the other of the dispute needing mediation. It seems calculated in the long run to give us a greater influence in the world than any other posture. Finally, it leaves room, as and to the extent that opinion everywhere permits it, for the development of the present League of Nations or of some other mechanism devoted in the true sense—indeed in the words of the Covenant—to “the peace of *the world*”; though meanwhile it indicates that the Empire, while making use of the machinery of the League and declaring at all times for the promotion of the idea for which it stands, should, on the political side, walk no less warily than when it is using our older methods of negotiation. In both, regard must always be had for our place in relation to the various regions of the earth, and for the true limits of our responsibility and of wise intervention.

In the more domestic political sense too, there can be no doubt about the choice for the Empire as a whole. The one alternative contains endless perplexities, the clear explanation of which to our various widely separated democracies is impossible. The other is a simple conception that can be made intelligible to all; for it is essential to start from a commonly intelligible idea, since the power of conscribing men and money for Imperial

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defence is vested in the different Governments of the Empire *severally*. What is called the problem of the British Commonwealth—the problem of its unity—is in reality one of foreign policy, for the problem would be meaningless apart from the existence of other nations and the consequent need to determine our posture toward them. It may be noted also that until we find some more effective means of consultation and continuous co-operation—which seems unlikely until the Dominions acquire more population—the task will fall mainly upon the British Cabinet. The idea here recalled gives coherence to the Empire, whose various peoples may be expected to support it with some sense of being on calculable ground. In the longest run it seems the only coherent idea.

For the great desideratum of co-operation in world affairs between the Empire and America, this, we may repeat, seems again plainly to be our most favourable posture. If in our intermediary geographical position we are confronted by delicate tasks of interpretation as between the various regions, we must not be especially bound to any. The war years before America's entry illustrate perfectly the difficulties inherent in any other posture. America has enormous power, a dangerous possession for herself; but if there are things that call for self-examination that is her affair; there is no evidence of abuse calling for strictures from us. With her idealism she combines a strain of severe practicality, but we from whose stock and ideas she has so largely derived do not deny the value of a similar strain in ourselves. If policy respects this common strain co-operation is possible, and such idealism as the future discloses on both sides may have at least a chance.

5

There are, in fact, signs that we have already irrevocably entered upon the course we have outlined. Our entry into the League was essentially an effort in this direction, and

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it is now accentuated by our tendency at successive meetings of the Assembly to modify Article 10 of the Covenant and other provisions that might be construed as implicating our forces in advance. Again, there is the dissociation of our forces from the operations in the Ruhr. But most significant is the series of acts at the Washington Conference, the scene of the ablest and wisest diplomacy in this new era: the supersession of the Anglo-Japanese Alliance by the Quadruple Pacific Treaty and the conclusion of the Treaty for the Limitation of Naval Armaments. Though they were conceived for the Pacific Ocean, their effect cannot be confined: the oceans are one. As between the naval armament of the British Empire, America, Japan, France, and Italy, the Naval Treaty set up the ratio of 5:5:3:1.75:1.75. The Empire and America thus agreed to share equally the veto function of sea power. Moreover, recalling the point about the Anglo-Japanese Alliance, we may be sure that each must object to any project of the other that would link its forces to the navy of some third Power, whether one named in the Treaty or some naval Power of the future. Again, the Empire and America would have a common objection to any alliance between the forces of, say France and Italy, or between the forces of either of them and those of any other existing or future naval Power. The Treaty provides for such contingencies and for the bringing together of the parties for discussion: Articles 21, 22 and 23 call for conferences whenever the agreed equilibrium appears to be threatened, or in view of possible technical and scientific developments, or if one party has had to fight a war, or after any party has given notice denouncing the Treaty.

Thus the conclusion seems irresistible that any policy of alliances or pledges yoking the Empire's forces to those of any Power or system is out of the question.*

* Doubtless there are serious questions relating to air power; but the existing uncertainty about the final principles of air strategy imposes a caution that becomes an additional ground for the general conclusion here reached. Meanwhile the completion of the Empire's air defence becomes imperative.

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III. CONCLUSION

OUR main object in this article has been to recall some of the decisive elements of our position in space, and as we cannot change them, to ignore them would, whatever our aspirations, lead not merely to ridicule, but in the end to frustration. If much that has been said is elementary, it may nevertheless not be out of place to-day. And though our position has been sketched in a somewhat simplified picture as though we still had the ideal clean slate untouched at Paris or since, yet current discussions proceed almost universally upon the basis that an *a priori* search for the permanent policy that is most likely to anticipate a favourable outcome may still succeed. It is not a wholly simple task, but it should not be beyond the resources of diplomacy to achieve for us in the end a posture essentially like that to which this argument has led.

THE FRENCH IN MOROCCO

Reference was made in our last issue to an expression used by the French Prime Minister in a speech at Brioules last September which attracted a good deal of attention. "Germany," he said, "attempts to discredit before the world our valiant and faithful black troops, because she does not wish us to be a nation of a hundred million men." In the preface to an article which we published about a year ago,† an attempt was made to explain what the colour question means, and we printed a letter from a distinguished French authority, showing the attitude of his countrymen to it, especially in such countries as Algeria and Tunis. The article that follows is from the pen of an English resident in Morocco, the last addition to that North African Empire to which the French Prime Minister looks to strengthen the ranks of the French nation. In the picture that is given of France's task in her new Protectorate the personal relations of Frenchmen with the Moors, and particularly with Moorish soldiers, the most famous of M. Poincaré's African troops, occupy a prominent place.—EDITOR.*

I. THE LAST DAYS OF INDEPENDENCE

WITH the death of Mulai Hassen in 1894 the last strong Sultan of Morocco passed away. His unflagging energy, his constant military progresses through his country in the pursuit of peace or of war, his excursions far afield into the barren Atlas and into the still more

* THE ROUND TABLE, No. 53, December, 1923, page 19.

† THE ROUND TABLE, No. 49, December, 1922, page 42.

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barren desert, had rendered him master of the greater part of his turbulent dominions. In choosing one of his younger sons, Mulai Abdul Aziz, a boy of thirteen years of age, to succeed him on the throne, he must have had some misgivings as to the future, for he could not have been convinced that the empire which he had held together only by constant repression and by constant warfare could be maintained by a child. Fatalist, like all his race, he probably bestowed the throne upon his favourite son and left the rest to Providence.

Mulai Abdul Aziz for the first six years of his sultanate lived a life of seclusion in the palace, appearing only in state on the great national feast days. It was not till the death of his Grand Vizier, Ba Ahmed, that the young sovereign emerged from the palace to take part in the affairs of his country. The manner in which Morocco, under his feeble rule, was ruined politically and financially is well known. Gentle and timid by disposition, with much weakness and no little charm, he neglected the affairs of State and spent his time in amusements which his courtiers were only too pleased to facilitate. The country's money was spent on playthings, innocent enough in their kind, but eminently unsuitable to a descendant of the Prophet who held his throne more by a reputation of hereditary sanctity than through any temporal ascendancy. The fanaticism of the tribesmen was aroused and Mulai Abdul Aziz's power and prestige declined. Even the more educated and rational part of the population disapproved of his European proclivities and were not slow to show their disapproval. Rebellions broke out in different parts of the country which were either suppressed with difficulty or remained unsuppressed. Taxes became more and more difficult to collect, and at the same time the greed and the corruption of the Moorish Court increased. Little or no money found its way into the Treasury. The Moroccan sun was setting, and was setting fast.

In 1908, after a long series of indecisive fights, Mulai

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Abdul Aziz and his army were defeated by the forces of his brother Mulai Hafid, who had raised the standard of revolt in the south, and had had himself proclaimed Sultan in Marrakesh. Abdul Aziz fled to the coast, where he abdicated, and Hafid was proclaimed throughout the whole country. For a time it appeared that the new Sultan would be able to restore some measure of the throne's lost authority, but the state of decay into which Morocco had fallen had entered too deeply into the country's system. It was past remedy. The new Sultan, meeting with ill success on all sides, became morose and discouraged. His nervous temperament drove him to excesses. His cruelty became proverbial, and Morocco sank during the last two years of his reign into a state of chaos and confusion. The tribes rose in revolt and in 1911 Mulai Hafid found himself and his capital besieged by rebel forces. The Berber tribesmen rode up to the very walls of Fez, and every road was insecure. In a moment of panic the Sultan asked for a French force to be sent to relieve the capital. The French had occupied Casablanca in 1907 after the massacre of some Europeans, and had already extended their sway over a number of the coastal tribes. In answer to the Sultan's appeal for help a French column, proceeding by forced marches, occupied Fez in May, 1911, and drove off the attacking tribesmen. It was the beginning of the end of the independence of Morocco, and a year later (1912) Mulai Hafid signed the treaty by which the French Protectorate came into existence. A massacre of the French officers commanding the native regiments followed, and Paris hurriedly sent General Lyautey to Fez as Resident-General. In August Mulai Hafid abdicated and a younger brother, Mulai Youssef, was proclaimed Sultan in his place. The same autumn a French column under General Mangin occupied Marrakesh, where a fanatical rising had taken place, and where the French residents were held as prisoners. With the occupation of Fez and Marrakesh, the two capitals, a large extent of Western Morocco passed into French

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hands, but a vast work yet remained to be accomplished. Morocco was in a state of chaos. The last two Sultans had witnessed their prestige, temporal and religious, diminished almost to vanishing point. The greater part of the country was in open revolt, the tribes were raiding one another, all governmental authority had disappeared, and only a few of the great chiefs were sufficiently powerful to maintain even a semblance of order amongst their tribal followers. No taxes were being paid, and the entire population, except in such districts as the French had already occupied, were entirely out of hand, and when the tribesmen of Morocco get out of hand the result is pandemonium. They love fighting for itself, and for the opportunities of loot that anarchy offers. They were well armed with modern rifles, and in the possession of much ammunition, which they were able to replenish, thanks to the contraband trade. If they held their own lives cheaply, they held those of others much cheaper—and death means very little amongst the Berber tribesmen. In the towns every kind of intrigue was rife, and no one trusted his neighbour or his friend. The roads in every direction were insecure, pillage and robbery existed everywhere, and the French columns engaged in restoring order found their every step in advance stubbornly disputed.

II. GENERAL LYAUTEY'S METHODS

SUCH was the state of Morocco when, in 1912, General Lyautey, the French Resident-General, took up his duties in Fez. His first acts were to bring about an amelioration in the local situation. He reprieved such of the Moorish soldiers—who had been condemned to death for the massacre of their French officers—as had not already been executed. The effect of this clemency was instantaneous. The inhabitants of Fez realised that the new chief sought no revenge. He then countermanded the heavy fine that

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had been imposed upon the city, for he realised that the massacre of the French officers had been due to a sudden military revolt and that in no way was the population of the town responsible. At the same time he let it be clearly seen that he was the master. His orders had to be carried out, and very quickly; but they were always orders that were issued in a spirit of justice and that avoided all unnecessary humiliation of the people. While he took the strictest measures to ensure the security of the European population, he was equally strict in that no insult or slight should be offered to the religion or the persons of the native population. He entered into direct and sympathetic relations with the chief men of the capital and asked for, and obtained, their co-operation in the restoration of order. He threw as much responsibility as was possible upon their shoulders and gave them all the military assistance they might require to maintain peace. When, a few months later, General Lyautey returned to the coast he left a highly satisfactory state of affairs behind him in Fez. The inhabitants appreciated his qualities, and made no secret of their liking for this sympathetic strong man, who had succeeded in so short a time in bringing about a normal situation. In turn, the General realised that he was dealing with men of ability, intelligence and understanding, and that his principal aid in the very difficult task that lay before him could be found in the people themselves. He guaranteed them the full enjoyment of their religious, historical and traditional institutions without let or hindrance. He confirmed in their posts such as were to be trusted, and many who formerly were not to be trusted too far, but who under this new régime—from fear or from higher motives—became worthy citizens.

On his arrival at the coast General Lyautey turned his attention to the important question of the administration of the whole of Morocco, including those wild mountainous districts which had rarely or never in the past submitted even to their own Sultans. The outlook was not

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promising. The last Sultan had abdicated under circumstances which threatened the prestige of his successor. He had in the eyes of his people, in signing the Treaty of the Protectorate, sold his country to the Christians. His predecessor on the throne, Mulai Abdul Aziz, had been a weak and vacillating sovereign who had wasted the revenues and emptied the treasury. The actual holder of the throne, Mulai Youssef, had accepted it at the hands of the French, and, though the necessary religious formalities had been gone through and his acceptance by the Moslem authorities obtained, his prestige was necessarily none too great. The whole country was in a state of rampant anarchy. The great Berber chiefs of the Atlas were alone able to keep order amongst their tribesmen—and even their authority was limited. The rest was chaos. If the new Sultan was tacitly accepted by the people it was owing more to indifference than to any respect for his personality. He was an unknown prince, young, of sufficient intelligence, of pleasant manner and of a thoughtful and serious disposition. The choice was a wise one, and Mulai Youssef, who is the reigning Sultan to-day, has filled his post with tact and ability.

It can be perceived that such a state of anarchy as existed in Morocco was no firm base upon which to build up a new administration—and no decision had as yet been taken as to the form or character that this new administration was to assume. The French had not been very successful in Algeria. At the time of its conquest and occupation in the middle of the nineteenth century, France had little experience of colonial government, especially of Islamic peoples. The introduction into Algeria of the French legal code, so entirely opposed to the Islamic law on which Moslem legislation and Moslem society are founded, was a mistake that cannot be exaggerated. It led to endless difficulties and endless dissatisfaction which succeeding modifications have only partially removed. Its results are still felt. In Tunis, with their Algerian experiences to

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guide them, the French introduced a new system of collaboration with the already existing Government which, though it has not failed, has proved more a *modus vivendi* than a successful policy. Tunis was an improvement on Algeria, just as Morocco has been an improvement on Tunis.

It was decided to introduce into Morocco a real Protectorate in the highest sense of that word; to change as little as possible the outward and visible form of government; to retain and support the religious institutions, to respect the native customs and traditions, to govern through the Sultan and his viziers, but at the same time to guarantee that the government should be good. With reference to the tribes, French and Moroccan forces should act together to restore order and bring the recalcitrant to heel, invariably in the name of the Sultan. The submission of the tribesmen should be a submission to the Moslem Sultan, and not to the foreign Christian Government which was aiding him; and the Sultan was their spiritual and acknowledged chief and the head of their religion. Submission is always a bitter pill to swallow, but submission under these circumstances was far less bitter than it would have been had the ostensible conqueror been an "infidel." The Sultans of Morocco are descendants of the Prophet Mahomed, and spiritually are owed allegiance. It was the return of straying sheep to the fold rather than the bowing of the head to a stranger of another faith. No doubt the tribes realise that the force behind the throne is France, and that without this force the Sultan would be powerless to bring them to reason, but, in Morocco as elsewhere, the wind is tempered to the accommodating conscience, and the fact that the army was acting in the name of their own Sultan rendered defeat less unpalatable and submission theoretically excusable.

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III. THE ARMY

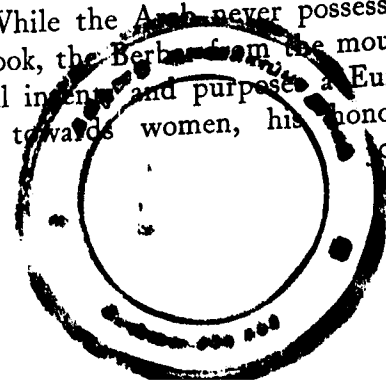
THE French quickly organised a native army. There was no lack of volunteers, for the Moor has always been a fighter. When a tribe submitted, its younger men, no longer able to oppose the invading force, joined their yesterday's enemy, and in a spirit of complete indifference set off to fight the neighbouring tribe in the interests of the very men they were doing their best to annihilate a few days before. "Yesterday was yesterday," they say, "and to-day is to-day, to-morrow is God's, and who knows what it may bring?"

The efficiency of these native troops was admirably proved during the war, in France and elsewhere. The remnants of their regiments returned home to Morocco with their colours decorated and their tunics striped with ribbons—a little indifferent to it all, and ready to fight again anywhere and at any time. It was they who, after the war was over, when they heard that the Moroccan regiments had been accused of outrages in German territory, replied, "It is not true, it cannot be true. We were not in Germany long enough to learn the German methods." Tribesmen from all over Morocco, they have drifted into the Moorish army—for there is no conscription—been drilled and learned discipline, and gone forth to fight their co-religionists and fellow-tribesmen without a moment's hesitation, imbued with a hereditary love of fighting, regardless of the nationality or faith of the enemy or the reason or nature of the campaign.

In the organisation of this army the French have adopted a practice that is in absolute contradiction to the Anglo-Saxon point of view. They have instituted mixed regiments in which French and Moorish soldiers serve without colour distinction and without discrimination of treatment. When out on expeditions they fight, feed, sleep together.

The Army

They learn each other's language sufficiently well to converse at ease, for they are young recruits when drafted into these mixed regiments. They become fast friends. They share their duties and their amusements with no feeling of aloofness from religion or race. The colour line does not exist. The French military authorities are highly satisfied with this arrangement. Their generals in Morocco state that its success is indisputable. The presence of Frenchmen gives a certain tone to the mixed native regiments which they would otherwise lack, and the native soldier appreciates, if he gives it a serious thought at all, the fact that he is receiving equality of treatment. The attitude is natural, for all idea of differentiation on account of religion, race or colour is absent on both sides. It may be that Morocco is a particularly favourable country to carry out this system, owing to the qualities of the native population. It may be even that it would be impossible outside North Africa, but in any case it is a success. It is an argument, and a strong one, in favour of the theory that the Berber population of Morocco comes of a Northern stock, and that they are in their origin neither African nor Semitic. Their aspect of life, their outlook, their intelligence, and the mentality of the Berber, are closely allied to our own. In the progress of civilisation they have been left a long way behind, though as late as the seventeenth century they were living a life which could well be compared with that of many parts of the continent of Europe at that epoch. Art, literature and architecture flourished at the universities of Fez and Marrakesh up to the very end of the seventeenth century. The tribal administration of the Berbers is founded on the broadest principles of democracy, and in certain aspects borders on communism, especially in the common ownership of land. While the Arab never possesses the European mental outlook, the Berber, from the mountains or the Sus has to all intents and purposes a European mind. His attitude towards women, his honourable



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tribal traditions, his sense of humour, his quickness of thought, his merry laugh, all render him an agreeable and intelligent companion and a firm and trustworthy friend. He will sit down and talk without hesitation and with no shyness, and so similar is his manner of expression, so near is his humour to our own, that it is difficult to realise that he comes from the great snow peaks of the Atlas, or from far beyond them, and that in all probability he is talking to a European for the first time in his life. His topics of conversation are necessarily limited by his environment, but his ability to acquire knowledge is remarkable. He accepts his new surroundings and adopts them. It is no doubt this facility of assimilation that renders the French system of mixed regiments not only possible, but also successful.

IV. ADMINISTRATIVE POLICY

THE problem of military collaboration was followed by that of civil government. The French at once began to study the form of administration which could most profitably be introduced in order to carry on the new Protectorate in its most advantageous form. They trusted not only to their own past experience in Algeria and in Tunis to guide them. A Commission was sent to Egypt to study the methods adopted by the English there. The situation in Egypt did not, however, present the same features except in that it dealt with a Moslem population under European control. When the English entered Egypt the country was already largely Europeanised. Roads and railways existed, and there was a large European population. The country, in fact, was already "opened up." In Morocco this was not so. For centuries a barrier of fanaticism and political jealousy had sternly defended the interior of the country against all European innovation. The foreign residents of Fez and Marrakesh could almost be counted

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on the fingers, and their position, if not actually dangerous, was at least difficult. But there was still much to be learned from the Egyptian situation. Egypt had reached in 1912 what Morocco might expect to be about thirty years later. It was therefore possible to judge of the effects of the policy which England had introduced into Egypt in the early eighties of the last century. This policy had in the thirty years which had elapsed borne fruit, and the Commission which the French sent to Cairo made a careful examination of this fruit. In many cases it was judged admirable, in many it clearly demonstrated what ought to be avoided in Morocco.

Especially was this so in the movement in education which England had inaugurated. No one doubts that education is excellent, but education unless it can find its legitimate outlets, and furthers the ultimate interests of the scholar, has its drawbacks. Such portion of the youth of Egypt as was reached by the movement became educated above the measure of opportunity which awaited them. Their intelligence, their desire for knowledge, are highly to be recommended, but the result was that there came into existence an educated class which found no outlet for its talents. Lawyers, doctors and engineers almost hustled each other in the streets, and could not find the means to live in anything like the social status which their education warranted. The French Commission was not slow to appreciate this fact, and many others, good or bad, which could be taken as measures to adopt, or to avoid.

France had two assets in her favour which stood her in good stead. First, she possessed in Algeria and Tunis a Moslem army ready to hand, and of which the majority of the troops were bilingual. This army furnished not only men, but also a number of French and native officers accustomed to command natives of North Africa, many of them fluent speakers of the Arabic language and not a few inured to the climatic and physical conditions of countries resembling this new field of action. She had at the same

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time at her disposal a whole civil Administration of men who had worked out and followed the problems of the Christian and foreign control of Moslem populations. It was true, Morocco presented many new problems, but the basis of the situation was very similar.

France had still another asset which in her task in Morocco has been invaluable—the absence of the colour question. Whatever may be the advantages or disadvantages of a distinct colour line in negro countries—and even there an exaggeration in either direction is to be deplored—the real inhabitants of Morocco are not black in any sense of the word. The negroes that are seen in considerable numbers, especially in the south, are of Soudanese origin. The practice of marriage with slave women has tainted the Moorish blood in many of the towns, but the country population of the interior of Morocco is almost entirely free from this disadvantage. The country Moor is burnt by the sun and by exposure, but the tribesman of the Atlas and the northern mountain ranges is by nature a fair-skinned, not unseldom red-haired man, often lighter in complexion than the inhabitants of Southern Europe. But not only is the Northern Berber untainted with negro blood; he is free of the mixture of the Arab which tends so largely to conservatism of manner and custom, and to the retarding of civilisation and progress. All these elements were taken into account by the French authorities in arriving at their decision as to the form of government that they would introduce. It was at once realised that the first duty of a Protectorate was to safeguard the interests of the people who were to be protected, that is to say, the population of the country, and General Lyautey, in 1912, made no secret that the very basis of his policy was the improvement of the welfare of the Moroccan people. To carry this out, the first and most important essential was equality between all races, religions and colours. Morocco was not a conquest. France's rights were based upon a treaty to which the Sultan and his Government were parties. France was in

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the country to reorganise the State, to put an end to anarchy and chaos, to improve the condition of the people. Acting on General Lyautey's wise recommendations, the French Government decided to preserve as far as was possible—that is to say, almost in their entirety—the form and practices of the old Moorish régime. The Sultan would maintain his privileges. He would issue all laws and all edicts under his hand and seal. His word was final. He was not only the supreme sovereign, but also the head of their religion, in whose name their prayers were offered in the mosques as a direct descendant of the Prophet and the Khalifa in North-West Africa. Such, with varying success, had always been the attributes of the Moorish Sultans, and such they must remain. In great pomp and majesty, Mulai Youssef rides forth from his palace on the Moslem feast-days, surrounded by an imposing and gorgeous retinue, while over his head is held the crimson and gold parasol, the emblem of his exalted rank. Nothing is changed from the old days, every detail of tradition, every item of etiquette is as strictly adhered to as it was in the time of his ancestors.

The Sultan is assisted in his government by his Council of Ministers, who are all natives, with the exception of the Minister of Foreign Affairs, a post that is held by the French Resident-General himself. The Grand Vizier, the Minister of Justice, the Minister of the Crown Domains, and the rest, are Moors of the old régime who to-day fill posts in the new Protectorate Government similar to those they held during the reigns of the last two independent Sultans of Morocco. At the Moorish Court scarcely a European is to be seen, and to the native who arrives at the Capital there is little or no visible change from what he and his ancestors saw in the past. It is behind this outward and visible form of government and pageantry, in offices situated away from the palace and its oriental surroundings, that the French Administration is working. There all is French, except the soldiers and attendants. The brain of the Protectorate, the force that makes the

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wheels go round, the energy, the foresight are concentrated in the groups of buildings which surround the palatial Residency at Rabat. It is there that everything is originated and thought out, to pass in its more completed form to the palace of the Sultan. The viziers are consulted, and act as advisers, the Sultan himself plays a wise part in the native affairs of his country, though they may be thought to be little more than a gorgeous façade between the governors and the governed, the protectors and the protected. It is, however, an active and useful collaboration.

To the Sultan and his Court the French pay the greatest respect. The Resident-General himself treats Mulai Youssef with all the dignities of an independent sovereign. The viziers are accorded full honours as Ministers of State.

In the country districts the native governors have been retained or appointed, always in the Sultan's name. They collect the taxation, assisted by French technical experts for the estimation of agricultural and produce values. In many parts French officers and civilians discreetly and almost invisibly assist the governors with their advice, and control their actions. In other districts of the country the governors act alone, and there is no direct control on the part of the French authorities. The great Berber "Kaiids" of the south can almost be described as independent chiefs, so large are their powers and so extended their authority. The result is that the native in the country scarcely realises that behind all this façade of his own Moslem authorities there is France.

In the towns a large measure of self-administration has been granted in the form of municipal councils. The municipality of Fez is a Moslem body with only one French member, the representative of the Government. The Moorish members have proved to be able and competent men, with considerable liberty of action and entire liberty of speech. In other cities, where the population is less accustomed to civilisation than are the people of Fez, there are mixed French and Moslem municipal councils,

Some Difficulties

with members elected or chosen. Everywhere it is collaboration between the Protectors and the Protected, a collaboration the full benefit of which is obtained by the entire absence of racial feeling, for between the French and the Moroccan people the colour line does not exist. It never has existed, and while it appears to the French as totally unnecessary and irrational, it has never struck the native even as a remote possibility, nor would he support it in silence. The Moor is amenable to government, but he would revolt at any sign of humiliation.

V. SOME DIFFICULTIES

THAT such a system of close and intimate collaboration can exist without certain difficulties is impossible. Even if the Moor is in his mentality not far removed from the European, the long period of stagnation and corruption through which his country has passed has not left him untouched. His propensities for looting, his vague ideas as to the morality of taking bribes, his desire to speculate on every possible occasion, render control necessary and arduous. To check corruption in its entirety is out of the question, but corruption as practised by the natives is not in their eyes an offence. They view these matters on a different plane to the European—though corruption is rife enough nowadays in Europe. The Moor has a spoken and avowed respect for absolute justice, but in practice it rather bores him. It takes away from the many "chances and changes of this mortal life." In the time of the independent Sultans, only a very few years ago, he speculated in everything, and his head was generally at stake. If he won he made a fortune—generally by extortion—if he lost, his head was in danger—and a Moorish official's days ended as often as not in prison. To-day this insecurity of life and property has disappeared. A man owns his own existence and his own property, but generally he is desirous

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of adding to it the property of others as well, procured in any manner whatever that is less expensive than legitimate purchase. To a very great extent the French have stamped out this corruption, but there is no doubt that the Moorish country officials, and perhaps even those in the towns, find a means of adding to their incomes in a manner that cannot be exactly described as legitimate.

Abstract justice is admirable, and in Morocco it may possibly come in time, but it will never win the whole-hearted approval of the Moor, for it removes from his life the delightful thrill of uncertainty. As a rule he dislikes regular taxation. He would prefer to have the chance once in a way of paying nothing, even if it meant that nine times out of ten he paid more. A fixed sum is merely a dull certainty. He prefers the x of algebra which may turn out to be anything—the unknown quantity which only the final result can determine.

It is a moot question in the control and government of Oriental peoples by European States what form of administration is most to be commended. The legitimate desire for abstract justice, which civilised races look upon as the ideal, has little fascination for the Eastern. An unbending code of law administered by a judge whose knowledge and integrity are equally distinguished appears to him almost inhuman. He prefers the rough and ready justice of a soldier to the balanced judgment of a judge. He is amenable to arbitration by his own tribal people, and will accept their verdict in a spirit that no legal judgment can instil. His outlook on justice is not our own, and it never will be. He does not demand our impartiality or our integrity; on the contrary, he rather dislikes both. But there is one thing that touches him deeply—that goes straight to his heart—and that he seldom gets. It is sympathy. Sympathy in his simple joys and sympathy in his sorrow—a word, an expression, a smile is enough. The friendship which no system of the highest integrity can awaken will burst into existence at a kindly spoken word.

Some Difficulties

He craves for sympathy, and how rare it is! He gets so little in his own life, from his own people. Their very traditions and faith, the long years of oppression that they have suffered, have suppressed outward emotion and crushed deep feelings. His own life has generally been so hard a struggle that he has scarcely time to give thought to others. Even when death comes and takes away the beloved, little or no consolation is given. Perhaps little is felt. But deep behind the hard, stern features, hidden in the secret places of the soul, is the intense desire for sympathy. It needs but a touch, but a look, but a word to unlock the doors of the hearts of the people—and it is worth doing.

Sympathy has been the principal feature which has rendered successful Maréchal Lyautey's administration of Morocco. Imbued from the first with the determination that the native should receive no humiliation and be in position of no inferiority because of his race, his colour or his religion, the Maréchal has achieved a great work. In Morocco to-day there exists, unique in the world, a government of absolute collaboration between European and native in which no distinction exists between the two races. It is a great experiment, and in Morocco it has hitherto been successful.

A HOLIDAY IN IRELAND

Ireland during the recent years of trouble was a closed book to the ordinary tourist. The following letter gives the experiences of an English visitor on a shooting holiday.—
EDITOR.

The West of Ireland,
January, 1924.

MY DEAR R

I am staying here with an old hunting friend. The room in which I am writing looks over a wide reach of the Shannon; a wonderful view, but if you climb the hill behind the house you can get an even better one, thirty miles of estuary in which the whole Atlantic fleet has ridden in bygone days, and facing you are the wild hills of Clare, dotted here and there with white homesteads on the opposite shore. It is the sort of prospect that must have haunted many an emigrant to the end of his days. There are palm trees in the garden and the vegetation is richer than in England, but if there is a foreign note it is corrected by the curlew's cry.

This is the sixth time I have come to Ireland since the beginning of the war, but unless a visit in September, 1914, to see a brother married counts as one, it is my first pleasure trip. And it has been a real one. On my way through Dublin I got a couple of games of golf at Portmarnock, one of them a four-ball match, and the best I have had since the war. Then, in the West we have had three or four glorious days in the bogs and there are more snipe than I

A Holiday in Ireland

expected. One evening we waited late to get woodcock coming out of the woods to feed in the fields, a thing I have never seen anywhere else, and several came out like shadows in the dusk. One gets so wet underneath that the rain overhead hardly counts, but in the evenings it is delicious to sit by a turf fire while one's peat-stained clothes are drying and a hill partridge or a snipe or two are cooking for dinner.

But the real charm here does not lie in hitting balls or in killing birds. It is the atmosphere. I remember how my first trek revealed to me the veld. It is the same here. Dublin is no more Ireland than Johannesburg is South Africa. You have to come to the West to see Ireland. Even Æ's pictures are an understatement. At this time of year if you mention the weather the usual comment is, "Och! It is always raining here." But it isn't. The Shannon is at this moment as bright as the Mediterranean itself. On the flats beyond you can almost see the grass growing—it is so green—and the sun is streaming in on my neck. It is, however, true that most days he has to find any chink he can in a curtain of clouds. Personally, I like it best so, for the colour is always changing and the hills are bluer. But dull or bright, there is one constant effect, a kind of silvery light which gives a mystic quality to the landscape. Perhaps it was this which once upon a time made people speak of holy Ireland. I can understand the way so many loyalists stuck it out during the troubles, though the shutter of the window I am looking through, sprinkled with shot marks, shows what it meant in many cases to do so. I find it hard myself to leave the country after a bare week or two.

But besides the atmosphere there is the interest, often a sad enough one. It was hard on the journey here to realise the four years through which this country has passed. It looks so prosperous. The farms are so trim, the buildings in such good order and the barns apparently so well stocked. The fat cattle too we saw from the

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train in the fields—in many parts they need no winter feeding—are in striking contrast to the empty pastures of Cheshire through which I passed on my way to Holyhead last week. Our importunity may, indeed, bring Irish farmers an opportunity, for it will be months before enough milk can come from the stricken English districts and the gaps made by compulsory slaughter will also, I suppose, have to be made good from somewhere. And it was not only the farms. Even the cottages were in good condition, the very opposite of the old picture of higglety-pigglety Ireland I remember from my nursery days, and on our way here we saw plenty of new ones going up in the neighbourhood of Limerick. I noticed, too, the greater cheerfulness of which the last *ROUND TABLE* article spoke.* At a station where we changed, as we sat in the train waiting, we heard the engine driver singing. For all this, the troubles have left heavy scars. There are significant gaps in stone walls at the roadside, burnt houses are everywhere, and the bridges are not yet all up again. The first inn we stayed at was on the edge of a lake, at this point some four miles wide and studded with wooded islands, as lovely a prospect as you could wish for, with a picturesque ivied tower in the foreground. But the ruins here do not all date from the middle ages. On the opposite shore, at the foot of the moors, we could see an apparently beautiful country house. It was almost impossible to believe that it, too, was gutted, like the police quarters in our village. At the inn we heard plenty of yarns. The visitors' book was a study in itself, with only one English address as far as I could see since the early days of the war, so we were greeted as the first swallows. There were others, however, of interest. Under July, 1921, we found the name, "Michael Collins, Chief of the Staff I.R.A.," the address being "somewhere in G——,"† and a few lines further down the entry, "Black and Tans," and a

* *THE ROUND TABLE*, No. 53, December 1923, p. 92.

† Our tiny hamlet.

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note, "all found regular." The Auxiliaries were given a good enough character by the inn-keeper. The Black and Tans varied. Some of them he described as the scum of London. We heard, too, of a shocking outrage on a loyalist family hard by.

For shooting we had the whole countryside. It might have been the bushveld, and our credentials—we had Free State permits but no one ever asked to see them—were the company of the inn-keeper's son or an old poacher. This freedom from restraint was shared by the dogs. Their motto was certainly "Sinn Fein," or our bags might have been larger. We both felt, in spite of the richness of the pasture and the solid character of the farm buildings, that we were in a half-wild country, "colonial" my brother called it. Perhaps it was because we could go anywhere we liked, perhaps it was that the great stretches of swamp or bog in some places make farms look like newly reclaimed islands in a virgin country. The nearness of the hills, too—you never seem far away from them in Ireland—and the distance between the homesteads added to the effect. But there is one thing which is certainly not colonial. Everywhere you go there are ruined castles, not as in our own island generally in the hills, but scattered about the plains as well, where they still tower over the emerald fields, a monument of conquest. The people, too, are different. In the streets of Dublin I have often thought how like, to look at, the passers by are to ourselves. Here they might be foreigners. Two types predominate, the fresh coloured and the swarthy, the last sometimes as dark as Spaniards, in striking contrast to the delicate complexions you so often see under the black shawls of their women folk. In the hills round here especially they are often like the petal of a rose and have beautiful eyes. Their religion is surely more than Catholic. Its legends seem to bind it up with some primitive age. There is, they tell me, a mountain in Galway to which on St. John's Eve the country folk go, part of the way on their knees. At one place on our climb to the bogs we

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were pointed out a hill, the most striking one in the neighbourhood, crowded with grave-stones as Spion Kop was once with our soldiers, a regular high place. It was from here that St. Patrick blessed the Shannon. Rebellion, republicanism and *jacquerie* seem to have failed to upset the old respect for rank. Possibly you have noticed in the papers the strange case of an Irish Master of Hounds, who, according to the evidence, was found one dark evening in a car with two ruffians and stacks of stuff, most of it bacon, from a neighbouring store. One would have to go back to a darker age to find the counterpart outside Ireland. Our old gillie's comment was, "Sure, twelve months is a heavy sentence and him a gentleman, too!"* I understand that one of the difficulties of the Free State army is the class from which its officers are drawn, though its efficiency is, I understand, greater than it used to be.

This brings me to the Irregulars. You will want to know whether there is still any risk to ordinary tourists. This question is a little difficult to answer with absolute certainty. It was only three months at the first place we stopped at since the last scrap. From the rising ground near the lake I often admired effects of light on some dreamy hills which lay to the South. On their higher slopes the chess board pattern of the stone walls gave way to heather, and there are, we were told, still plenty of Irregulars there. Some of them apparently come down quite often to the shores of the lake. On at least one of the evenings that we were there there were three of them drinking in the bar of the hotel. The night before we left I was on my way there to ask an old fisherman for particulars about flies when I was hastily bundled out by our host. We were warned to take our guns to our rooms every night. We were not the only sportsmen. The Irregulars are, it would seem, having the time of their lives. I heard of no pillage or aggressive behaviour on their part—the inn-

* The conviction has since been quashed, though the papers state that the man is to be tried again.

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keeper says that the sons of some of the best people in the country are with them—but like Robin Hood of old they shoot game anywhere they wish. Our host informed us, indeed, with rather a snort that his boy had received an invitation from them to shoot at one of the big places in the district. This evidently went beyond his ideas of propriety. Like Robin Hood's merry men, too, the Irregulars can always get a good meal from the country folk anywhere they call. Our own safety was, we were assured, guaranteed by the company of his son and our old poacher. From this it seemed a natural inference that we owed our immunity from annoyance to the very thing that for generations has made it so difficult in this island to stamp out sedition, *i.e.*, to the friendly relations of the inhabitants with the rebels. The matter is not, however, quite so simple as it looks, and I will return to it later.

On our way here we hired a Ford car and did a little tour, by the Shannon's side for the most part, a drive I shall long remember for its wild beauty. Lough Derg especially impressed us. Our road ran along, often above, the lake, and at times we seemed to see almost its whole 26-mile length spread out below us, an outlook spacious enough to have satisfied Smuts. On the opposite shore we gradually exchanged the mountains of Galway for those of Clare, until both gave way to the plains in which Limerick lies. The walls, along the last part of our route, were still plastered with election inscriptions and most of them appeared to be Republican. One of them represented a man with a pistol in each hand and the legend, "Don't oblige me to use these again." In Ballina, opposite Killaloe, there was an advertisement of a dance in aid of the Prisoners' Dependents' Fund. At Limerick we took the train and we are now in a district which was described to me in Dublin as the six bad counties. According to our host, the people round are Republicans almost to a man, and one of our shooting companions remarked that he would not care even to-day to make a practice of going always in the same

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direction to shoot. We met, however, with no mishaps. Guns, of course, are a coveted prize, and shooting takes you into wild places, but I don't believe that an ordinary tourist would run the least risk anywhere where we have been.

Whether the country will continue quiet depends on psychological considerations. There are still Irregulars out and they presumably still have arms. Indeed, as the prisoners are being released and Free State troops disbanded, their ranks may even be swelled. Under these conditions there is naturally plenty of room for gloomy views of the future, for no one can say for certain what the Republicans are going to do, and it is hard for people who have lived among them to imagine anything but a lull. In Dublin the debauch of sentiment of the last few years is over. It has been followed by a cold fit. People there, too, have other things to think about now that they have to look after their own affairs. The West is different. Its spirit was used by the intellectuals in the late struggle, but it never was theirs. It seems to come from some primitive elemental force which smoulders on, like a turf fire, long after such movements have spent themselves. It is a permanent factor, to the existence of which no Irish statesman can safely shut his eyes. There is also a serious thing which affects the far future. The younger generation is said, in the unsettled parts, to be growing up in the ways of hate. Of the influence of the Church I am not competent to speak. It used to be a power in the land. To-day, people tell me, often with an emphasis which in itself sets me wondering, it counts for little politically. But with a peasantry like the Irish can you separate politics from other things? I feel sceptical myself about the Church having lost its hold permanently, and in this connection one or two small incidents have a certain interest. The maid, in a house which we stayed at, was one day cleaning the grate in front of a blazing fire. "Oh!" she remarked with a shiver to her mistress, "I should never be able to stand hell fire." A peasant woman in the hills, a beauty, hastily dropped the

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handle of a hot saucepan, exclaiming to a lady who was visiting her, "I should never make a devil." She was more than half serious, too. But perhaps the best illustration of the sort of hold the Church has over this peasantry is the following chestnut. A priest in a remote village not long ago threatened an erring parishioner that he would turn him into a mouse if he did not mend his ways. The man went home to his wife indignant, scoffing at the absurdity of the priest's claim to such power and vowing he did not care a rap for him. As they were turning into bed, however, he remarked to the woman, "You had better put the cat out." Truth often lies in a good story. But as regards young Ireland, an even more important question than whether the Church is likely to recover her influence is the direction in which it will be used if it does come back. If I am correctly informed, now that the hot fit has passed there is a tendency to blame her for not restraining crime in past years. As it was put to me, she gave dogma galore, but it was ethics that the people wanted. To-day the hierarchy is all for the Free State; but the Bishops only propose. It is the parish priests who dispose, and in the worst districts the younger ones are said to be still as Republican as ever.

Well, to return to the present, for of the far future no one can speak, this place has proved as safe for our purpose as everywhere else. I spoke a moment ago of the relations of the country people with the Irregulars. One often hears the destruction of the last few years deplored and the price Ireland has to pay for it. Surely, you will say, a people in search of tranquillity which nurses such vipers in its bosom is past praying for. Their attitude is no doubt open to the charge of inconsistency, but seeing the number of farmers who have sons among the Irregulars—some of them had relations in both camps—it is not an unnatural one. It would anyhow take exceptional courage for an individual to give away the whereabouts of rebels with the whole countryside, to put it mildly, benevolently neutral.

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And there is another thing. I doubt whether the Free State troops themselves—and I assume that they see what is going on around them—want to make large hauls, for the official policy at the moment is to let out the prisoners that they have. As for the Civic Guard, they seem to have won fair opinions of all sorts of people. A land agent I met, who will carry about with him the greater part of a charge of Sinn Fein shot for the rest of his days, spoke well of them. I was told in Dublin that they are likely to fill the place of the old R.I.C. But I doubt if, unarmed as they are, it would be possible or fair to use them for political work. It would certainly be asking for trouble for posts whose work lies in unsettled parts. There seems to-day to be a kind of tacit understanding—pessimists call it a lull, optimists give it a more important place—but whatever it is, the Republicans have clearly no desire to break it. The passivity of the winning side is, I imagine, based upon the conviction that their opponents have reached a psychological turning point. This is, at all events, the hope of people like Æ, whose new weekly seems to be finding readers even among the Republicans, and the quiet condition of the country certainly gives ground for their view. According to it the Irregulars are hesitating longingly on the threshold of the civilised life they have done so much to spoil, and the effect of a root and branch policy of extirpation, whatever else it might achieve, would obviously be to nip any tendency to repentance in the bud. Despair would indeed only lead to the perpetuation of lawlessness. As long, therefore, as the prodigals abstain from positive violence the attitude of the Free State should also, on this theory, be a passive one, in order to encourage a return *en masse* to the fold. More than that; there is a feeling that, whatever their misdeeds, they are still Irishmen and brothers and that the qualities of idealism and determination which some of them possess are needed by their country for her reconstruction.

Would they be put to such a use? They have appealed

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to physical force and failed. They have appealed to moral force and failed. Will they now see the error of their ways and return to constitutional methods? It seemed to me that even in that event—and at the worst it is better than their present behaviour—the temptation to follow a well-worn track would be almost irresistible. They would, surely, only enter Irish politics to obstruct, just as the old Irish party used to do at Westminster, their eyes fixed on a single goal. It is, however, Æ's opinion that this time something better may come of it. They would no doubt in any case use the County Councils. Sinn Fein did that under the old régime, but his appeal to them is to come back whole-heartedly into the larger arena and to show their superiority not in the use of the automatic but by the way in which they tackle the practical problems which confront Ireland. Such is the hope. The result alone can show to what extent it is justified.

The atmosphere to-day is indeed one of hope. The success of the new loan has far exceeded all expectations. It is already, I see, not many points behind our own war loan. Hitherto Ireland's credit has been merged in that of the United Kingdom and there has been no way of telling how far it was hit by any internal disorders. The Free State now, however, has in its loan an instrument by which any such effect will be remorselessly registered, and it is well that it should be so. Then there is the return to more normal conditions. It is not only that one can go about the country again without being held up. Mulcahy on New Year's day made a remarkable speech announcing the end of the military phase. The Army, as you know, is being reduced to 25,000 men. In our own island, where we have not for at least 150 years experienced lawless conditions, it is difficult to realise what it means even to get back from military to ordinary justice. There have latterly been several civil executions, among others, one of a Free State soldier. There are also some signs of a more robust mentality in the masses. A demonstration of the kind

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with which we grew familiar in the last years of Castle rule took place, I am told, at the first of these, an ordinary case of robbery with violence; but it was not repeated at the others. The hunger strikes have also fizzled out. Gaelic culture, at all events in the extravagant form of the revolutionary period, is less in evidence. If, indeed, one may judge by the inscriptions on shops, the tendency is to a harmless compromise which must, I imagine, be as satisfactory to most Irish customers as it is to myself. The English words are retained, but an Irish touch is given by making the letters, particularly the A's, as like Erse characters as possible. At one of the inns, I expected to find the proprietor's son proud of his Irish. Not a bit of it. His particular conceit was that the best English in the world was spoken in Ireland.

There was a hopeful incident not long ago in one of the districts we passed through. An old lady's house was, we were told, invaded by a gang of common non-political ruffians. As she steadfastly refused, in spite of outrageous threats, to write a cheque for them for £200 she was taken away in a car and some days after found imprisoned in a cow house. Her captors escaped the ordinary processes of law, but the neighbours themselves tracked down some of them, took them to a solitary place and horsewhipped them within an inch of their lives. One could not imagine such a thing when I was in Ireland in 1921. The Irish have often been severely criticised for their passivity under the Terror of a couple of years ago. There were, however, exceptions even when it was at its worst. A priest in one of the hottest districts showed, it is said, one Sunday in his sermon that he considered it no murder to kill a policeman, whereupon one of the congregation got up and went out. One has to know Ireland, and the Ireland of that time, to realise the courage it took to act the part of an Abdiel.

As regards ourselves, Æ. tells me that he never remembers a time when feeling was better. Great interest seems to have been taken in Dublin in our elections, and the Free

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Traders' victory fits in with the free trade recommendations of the Free State's fiscal commission. Æ himself was especially interested in the possible consequences of the group system. We shall, he believes, have to modify our institutions, by having certain Ministers, *e.g.*, Foreign Affairs, elected by Parliament and made independent of party. The same idea was, as you may remember, applied in the Irish Constitution under which some of the Ministers are elected by the Dail and need not retire until the term for which they have been elected is up, even if the Ministry is upset. Personally, I am too conservative to nibble with a light heart at the principle of responsibility which is bound up with it. In foreign affairs there appears to have been no disposition on the part of the Government or the public to run counter to British policy, rather the contrary. There was at first some irritation at our cattle restrictions and there is a certain resentment to-day at the belief, which I was told the other day by a Cheshire farmer is general in Cheshire, that foot and mouth disease had been deliberately spread by Irishmen in England. But it is now realised that the danger was such as to leave our Agricultural Department no choice, and if Cheshire farmers are suspicious it is no doubt remembered that the incendiarism and rick burning by the Republicans a couple of years ago in England gave them some cause for it. The cloud of the Boundary question remains on the horizon. In this connection the prospect of having a Government at Whitehall which has no ties with Ulster except with Northern workingmen is welcomed, but there seems to be less tendency than one would have expected to try and use Labour for Irish purposes, and the loyal behaviour of the Conservative Government is recognised. There is a natural hope that the fear of Socialist legislation will make the North less averse to Union than she was, at all events to a Customs union. Possibly the report of the fiscal commission and the success of the loan will tell in that direction. The boundary bogey is, however, still a real

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peril, and the risk of the Ulster question becoming once again a pawn in English politics is obvious. The best minds here know, I believe, that force, especially force exercised from England, will not settle anything finally for Ireland ; but, for all that, I still find the old irritability at the idea of a possible hesitation at Whitehall to carry out what is called our part of the Treaty. Perhaps it will be less now that Labour is going to rule, but it is still a factor and some of the election speeches in the North have not, they tell me, helped to allay it. Then, in the background, there are, as the Government knows, the Republicans ready to use this question for all it is worth at the next elections, which take place in two and a half years. In spite, however, of all this, the atmosphere for a settlement, as far as the Free State is concerned, seems to me if anything better than it was the last time I came to Dublin. I find, too, more faith in the present Government than there was. It has its faults, and its personnel are not all on the same level, but its faults are not the kind that we feared. Its courage is admitted by everyone I have met, and there seems to be general satisfaction at the start that has been made.

The far future is on the knees of the gods as it is for all of us. I cannot, personally, claim on this trip to have been very deep in anything but bog ; still, in spite of qualms, I feel more confident than I have felt after my previous visits. It may be that the charm of the country has on this occasion predisposed me to optimism. I have given you the impressions on which it is based so that you can probably judge better than I can. I admit the spell of the Irish atmosphere. Of all my impressions, however, I have not yet mentioned one which stands out in my memory more vividly than anything else : a thrush singing one morning as if his throat would burst on the shore of a Shannon lake, as we set off with our guns for the hills. The spring, at all events, comes early to Ireland.

Yours ever,

UNITED KINGDOM

I. POLITICAL AND INDUSTRIAL EVENTS

THE general election held on December 6 gave the country a House of Commons comprised of 257 Conservatives, 192 Labour members, 157 Liberals and 9 Independents. No such result had been generally foreseen, though Mr. Baldwin's decision to seek a dissolution had been regarded with misgiving by many members of his party and the possible loss of the Government majority had been freely spoken of. Though there were an unusual number of three-cornered contests, the result not unfairly represented the votes of the electorate, and it is unlikely that if the alternative vote had been allowed the final figures would have been appreciably different. It was a redistribution of the Conservative poll, rather than any serious diminution in the aggregate, that led to the loss of so many seats.

There are certain rather obvious conclusions to be drawn from the election. The first is that Protection is still an electoral gospel in Great Britain fraught with danger to the party which is bold enough to raise it. It at once evokes the rival battle-cry of "dear food." Whatever the merits of that argument—and our own belief is that Mr. Baldwin's proposals would certainly, at any rate for a time, have raised the cost of living and of production—it is of the kind which in the heat and dust of an electoral struggle is certain to be misused, and misused with damaging effect unless its falsity can be immediately and unmistakably demonstrated.

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A second lesson of the election is that the strength of the Labour party had been much underestimated. The view had been widely held that as the influence of the industrial depression wore off the older parties would substantially recover their old position. Labour owes a great deal of its success to its organisation. It makes up for comparative lack of funds by the enthusiasm of an army of voluntary workers and by a restless and unremitting energy in propaganda. In many ways the older parties have lost touch with the mass of the population. They have had a monopoly of office, in recent years their failures have perhaps been more conspicuous than their successes, many of their leaders are discredited, there is no longer the same clear line between Liberalism and Conservatism. To many minds Labour has come to stand for youth and vigour in contrast with the apparent staleness of its rivals. In such an atmosphere the examination of doctrines for their soundness is less critical than it might be and there is a natural tendency to give the new man a chance to show what he can do.

It is the existence and the strength of this feeling which, in our judgment, justifies the decision of the Liberal party after the election that Labour must be given the opportunity of taking office. The Baldwin Government, after an undistinguished career, had appealed to the country for powers which it declared to be indispensable if unemployment was to be materially reduced. The response of the electorate was the decisive rejection of the appeal. After such a rebuff no Government could have commanded the prestige either at home or abroad which is necessary for effective government. The calmness with which the nation has accepted the change doubtless reflects the general sense that it was inevitable. Powerful voices were raised against it; others less powerful neutralised the loudness of their clamour by the far-fetched contortions of their argument. The course of English politics is, we gather, considered to be unintelligible by many

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people in the United States and even in some quarters in the Dominions. It will not be regarded as an impertinence if we suggest to those who have doubts and who are out of touch with opinion in this country that the political instincts of the people of Great Britain are still sound, and that the length and variety of the experience from which they are derived entitles them to some measure of trust.

To say this is not to underestimate the disadvantages of minority government. It is at the best an evil, and, in the experience of the present generation in this country, an untried evil. The experiment comes, too, at a time when it is more important probably than ever before that the Government of the day should be able to speak with authority before the world, in Europe, in India and in Egypt. If that object is to be attained in the present Parliament it will, as Lord Grey suggested, be necessary for Ministers to seek new methods of consultation, by which they may be enabled to carry with them the leaders of the other parties in all vital decisions. It is an old and honourable tradition that foreign affairs have not been treated on party lines in Great Britain, and if the new distribution of parties leads to a return from the acute divisions of recent years to the earlier practice, no one will regret it. There are at all events grounds for hope that as experience of minority government develops, means will be found to mitigate its worst evils.

The keenest incentive to co-operation wherever possible will be found in the general realisation that, whether the life of the new Government is short or long, the end of a system of three balanced parties is not in sight. The present party divisions may seem distinct enough, but they are not final. No one of the three parties is homogeneous. The Labour party covers the whole range from mild old-fashioned radicalism—Mr. MacDonald's "one step enough for me"—to extremists from the Clyde, who postulate a revolution, bloodless and constitutional it may be, but at least a revolution. The present Labour

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Government, from one point of view, is an advanced Liberal Ministry, true to type in the inclusion of a Conservative here and there, with less experience of office than any Liberal Government of the past, but with an aggregate knowledge of public affairs in the municipal and industrial sphere such as no previous Administration has possessed. It is also Socialist, but simply to call it Socialist and leave it there is to convert a term already vague into a meaningless appellation. Various grades of Socialism are represented in it. The character of the Administration as such can only be judged by the actual working programme which it adopts.

The Conservative party is scarcely more homogeneous than Labour. For the moment, by the re-election of Mr. Baldwin as leader and the readmission to the fold of Lord Birkenhead, the last of the Coalition exiles, party unity has been achieved. But it is probably true to say that a final solution even of the personal question has not yet been reached, or full confidence in the leadership and organisation of the party restored. More important than personalities is policy. Protection has been shelved for a season, but a certain obscurity surrounds the question whether the process of education now admitted to be necessary before tariff reform can be made acceptable is to be undertaken or not. There is undoubtedly in the party a body of opinion which desires stability but not stagnation, which is progressive as the Conservative party in its great days in the past has always been progressive, an opinion liberal in foreign policy and conscious of the need of some constructive alternative to the Labour thesis at home. Behind this section again is the Ditchard minority. Their influence in the last two years on the policy and fortunes of the party has expanded out of all proportion to their numbers or the ability of their leaders, and they have been able at critical moments to identify Conservatism with their own negative creed. The question arises how far Conservatism will in the long run be able to

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reconcile within the bounds of a single party the ideas of ordered progress with those of reaction.

The Liberal party, beneath the harmony of reunion, conceals but cannot hide from an attentive ear even harsher discords. There is the old right wing of the party, anti-Conservative by training and habit but hard put to it for a *casus belli* until the challenge of Protection was thrown down. To these minds mellowed by time social reform makes perhaps a less eager appeal and the demand for an industrial policy finds a response only in the restatement of a traditional and rather doctrinaire individualism. Many of the party leaders are to be found in this group. Mr. Lloyd George, indeed, is probably still Radical by instinct, but there can be little certainty as to his ultimate allegiance. In the present House of Commons a large section of the enlarged Liberal representation, including most of the younger and more active recruits, is strongly Radical, with clear affinities to moderate Labour. Many of these men are in the position that they are trying to believe, without being at all sure of it, that they have an alternative remedy of their own. Their denunciation of Socialism is half-hearted, and under slight pressure at the right moment they might be found in the lobby in support of experiments such as the nationalisation of the mining industry.

If this diagnosis is reliable, parties have not yet settled down within their natural limits. What form any change may take and how it will come about is hidden in the obscurity of the future. Nor is it any part of our purpose to embark, at such a time, upon the perilous venture of political prophecy. The three most likely alternatives would seem, however, to be as follows: A combination of Liberals and Conservatives against Labour, a combination of Liberals and Labour against the Conservatives, or a split up of the Liberal party, the right going to the Conservatives and the left to Labour. Clearly the actual result depends upon events. The first contingency might, for instance, be brought about by a revival of the fear of Labour winning

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a general election and using the power thus gained to pass extreme legislation. But the complexion which either Labour or Conservatism eventually assumes must be a factor of immense importance for the future of parties. If extremist influence gets the upper hand in either, it would check any tendency either to combination or to the flow of individual recruits from Liberalism in its direction, and if an extreme programme were to be adopted by both simultaneously it would make for the survival of the present group system. There is, of course, in any event, always the possibility of extremist tails breaking off, whatever parties emerge from the present transitional situation, but in a sketch such as this such details and their effects must be disregarded.

The delay of six weeks between the election and the formation of the new Government has necessarily postponed the elaboration of the Labour programme. At the time of writing, while there are many general indications, no statement of policy in detail is available. It is clear that the Government will devote its attention mainly to foreign affairs, unemployment and housing. Lack of time before the end of the financial year would prevent any material change in the coming Budget, even if the Government were prepared to risk defeat by putting forward the full Labour programme. Foreign affairs and financial considerations are both dealt with elsewhere in this issue. Unemployment is the resultant of causes too numerous and too diverse for it to be susceptible to any simple or drastic treatment. The Prime Minister has shown a wise appreciation of the vital bearing of the European situation on the state of British trade and industry. Apart from the efforts that the Government may be expected to make to reach a settlement in Europe, it contemplates the continuance and extension of the measures introduced by its predecessors for providing work directly or indirectly. Public works here and in the Colonies will be pressed forward; financial assistance under the Trade Facilities

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Act and through the Unemployment Grants Committee will be still further encouraged; there is even talk of a large reconstruction loan and varying sums have been mentioned, some of them quite unrealisable. It is probable that, by close attention to such schemes and persistent pressure on the interests and authorities concerned, work may be provided for more men and with less delay than has been usual in the past. Finance is the limiting factor. The other aspect of unemployment is the relief of the unemployed. The policy of the Labour party is work or adequate maintenance, and the promises made under that heading were responsible for the return of many Labour candidates at the election. No explanation was offered as to what "adequate maintenance" means at a time when even trade union rates in many industries are claimed to be inadequate for subsistence. But the promise was undoubtedly taken by the unemployed themselves to mean that in one form or another the payments made to them when they were out of work would be increased. Strong pressure is likely to be exercised by the extreme wing of the Labour party for the redemption of these promises. There is less danger, however, of the integral fulfilment of the party undertaking in view of the Parliamentary position of the Government than of a general relaxation of such restrictions as at present limit expenditure on relief. The Minister of Health has already removed some of the disabilities imposed on the notorious Poplar Guardians, and whatever its legal merits that decision is bound to be regarded, not only in Poplar, as an invitation to be generous. It remains to be seen at the moment of writing whether the Conservatives and the Liberals will let it pass. There is one reform which could be introduced with advantage to economy and without loss to the unemployed; that is the remoulding in a simpler form of the whole system on which unemployment relief is administered. It is a task for which the present Government by its knowledge and experience is peculiarly qualified.

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There was never any doubt that the Government would consider itself committed to an extensive housing programme. It is, indeed, improbable that any Government which in present conditions refused to adopt some form of housing scheme could survive an appeal to the electors. The shortage of working-class houses, or rather of houses that the working class can afford to inhabit, grows more acute each year. Apart from the social evils of overcrowding, the lack of houses has many grave inconveniences; not the least is the almost complete destruction of the mobility of labour. The question, then, is not so much one of principle as of degree and method. The new Minister of Health, Mr. Wheatley, who represents the Clyde element in the Cabinet, is working on a scheme for building 200,000 houses a year. As he is brought into contact with the difficulties of the problem there are indications that the number may dwindle. The housing scheme of the Coalition Government failed because it produced houses in inadequate numbers at a price which precluded the charging of an economic rent except at a ruinous cost to the State. Building costs have come down, but they are still exorbitant. The price of almost all building materials is excessive. There is a shortage of labour in certain trades, especially bricklaying; wages are well above the present industrial average, and trade union rules operate not only to restrict output but to prevent the flow of labour into the trade and to preserve semi-skilled work for the full tradesman. The building trade is at present preparing proposals for co-operation in a new housing scheme. Here again there is a danger that the Government may be tempted to take the easy course of subsidising inefficiency. Dilution of labour is opposed by the building unions unless under some guarantee that men taken into the industry will be permanently absorbed in it. There can be no good reason why one trade should be singled out for such a guarantee, or why building should be exempt from facing the facts of its economic position

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as other industries have had to do. Given reasonable efficiency, houses can be built at a price at which they can be let. When that point is reached there is a sufficient demand for houses to keep all the men, within limits, whom the industry can absorb in employment for many years. The task of introducing efficiency into the building industry would be immensely facilitated if the industry were subject to any form of competition. In this connection it is worth pointing out that the possibilities of the wooden house have not even yet been adequately investigated. A slightly higher cost, even if it can be established, is an unimportant disadvantage when the possibility of circumventing the lack of skilled labour in trades such as bricklaying and of confronting artificially high costs with foreign competition are taken into account. Whatever method is adopted, a further substantial reduction in building costs is an essential feature of a sound housing scheme. Any attempt to repeat the experiment of 1919 can only lead to an early end to the scheme, for there are very narrow limits to the subsidies which can be provided from public funds, even for houses.

The negotiations of the Minister of Health with the building trade are still in an early stage, and though there is nothing in Mr. Wheatley's pronouncements up to the present to encourage the belief, it is possible that the Government may succeed, where its predecessors have failed, in making a reasonable arrangement for dilution with the trade unions. The general indications are, however, that it is from the aspirations of industrial workers that the most formidable difficulties of the Government are likely to arise. The country is again involved in an atmosphere of strikes and rumours of strikes. Many of these disputes or threatened disputes would have occurred under any Government, but the temper in which they are approached by the unions can scarcely be unaffected by the fact that for the first time there is a Labour Administration in office. It is inevitable that after a long period of industrial depression, during which real wages have fallen

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to an exceptionally low level, the first signs of trade revival should bring demands for higher rates. That tendency is certain to be encouraged by the opinion which has been freely expressed on behalf of the Labour party that a general rise in wages, by increasing internal purchasing power, would give a lasting stimulus to trade. On the other hand, the fact that Labour is in office may well render it easier to arrive at a settlement when disputes arise, for the men will presumably be more inclined to trust the mediation of a Labour Government.

The strike of locomotive men on the railways was certainly not welcomed by the Government. It took place in spite of every effort made by the party and the Committee of the Trades Union Congress to prevent it. There seemed to be nothing in the ultimate settlement that might not have been conceded before the strike began, though it is possible that the men themselves would not then have accepted the terms with which they had in the end to be content. The strike was in form a protest against a reduction of wages which can only seriously affect a small number of the highest paid class of railway employees. Its real significance was as a stage in a long-standing dispute between two unions. The National Union of Railwaymen has ambitions to become the only organised body representing the interests of railway servants, and the Associated Society of Locomotive Engineers and Firemen is the most important union which still holds aloof. In these circumstances a wages award which imposed the whole burden of reductions on the smaller union was likely to meet with opposition. It seems probable that the strike has checked the development of the N.U.R. into an industrial union in the full sense, with the immense power which that status would confer of dictating wages and conditions in an industry immune from competition. It is unfortunate that the engine-drivers should have repudiated the signature of their own leaders to the award, even though in doing so they were not exceeding their rights. But this aspect

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of the matter must not be allowed to obscure the fact that this award has confirmed the gross inequality still existing between railway wages and those which the competitive industries of the country are able to pay.

After the railway strike comes the threat of the Transport Workers to stop work in all the ports of the country unless their demand for an increase in wages of 2s. a day and for the establishment of a guaranteed week is met. The dockers are in an unhappy position. In 1920 Lord Shaw's Commission, after an exhaustive enquiry, evolved the "Dockers' Charter," which included a minimum wage of 16s. a day and suggested that a scheme for decasualisation should be drawn up. Scarcely had the dockers begun to enjoy their new minimum when the collapse of trade brought down all such artificial wage standards. It was not long before a voluntary agreement was made for progressive reductions, the final drop from 12s. to 10s.* to take effect when the cost-of-living index figure fell to 80. This final reduction caused a prolonged sectional strike last summer, but after an embittered struggle it was enforced. The index figure was then 69. The restoration of the 2s. is now claimed on the double ground of the revival in trade and the rise of the index figure to 77; and the claim is resisted by the employers, many of them, as in the Port of London, public authorities, on the plea that neither cause yet justifies the concession. The methods of the employers in negotiation are not a model of wisdom, and the new Minister of Labour, who has now intervened in the dispute, will have a difficult task if he is to promote a settlement that will not adversely affect trade.

In the background lies the most formidable industrial problem with which the Government is likely to be faced. The miners have given the necessary three months' notice of the termination of the agreement which they entered into with the coalowners after the strike of 1921. Their immediate object is to free their hands for the negotiation

* 1s. less in the small ports.

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of better terms for themselves, and it must not be assumed that there is necessarily anything provocative in their action. The parties have still two months in which they may come to terms. If the situation causes apprehension, it is because of the intrinsic economic difficulties of the mining industry on the one hand, and on the other because of the probable effect of recent political developments on the attitude of the miners and the possible reactions of a mining dispute on the political situation.

It is not in dispute that the real wages earned by some of the miners under the agreement are low, both absolutely and with regard to the nature of their occupation. Nor is it open to serious argument that as things stand to-day the industry is unable, in the present condition of world trade, to pay appreciably higher rates. The Miners' Federation has its own solution—nationalisation. The factors that tell against such a solution have been more than once stated in this review; it is unnecessary here to go over the ground again. The only point we wish to make is that nationalisation, which was postponed by the miners with extreme reluctance in 1921, when the Government and Parliament were overwhelmingly hostile, is almost certain to be revived now that Labour is in office. One in five of the members on the Labour benches has been an official of a miners' union, and the ablest of the miners' leaders are now in the House. In such a situation the moderation of the Government may easily come to be a less important factor than the existence of extremists on the benches behind it at a time of strong pressure from outside. If the Government itself refrained from taking the initiative, it would find great difficulty in preventing the introduction by private members of proposals for carrying out the majority recommendations of the Sankey report or some similar scheme. In that event whatever attitude it took might prove fatal to it.

In such calculations there is necessarily a speculative element. That does not, however, invalidate the general

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proposition that a minority Government, however moderate in intention, however anxious it may be to avoid controversy, is peculiarly vulnerable when it is liable to be called on at any time to deal with questions directly affecting the personal interests of large sections of its constituents.

II. THE NEW MINISTRY

IT remains to add a few words about the composition of the new Government. It is a Labour Ministry, but every class is to some extent represented in it. Of the twenty members of the Cabinet, six are trade union leaders and five are Peers. The Peers include Lord Chelmsford, the late Viceroy of India, and Lord Parmoor, who were not even members of the Labour party, as well as Lord Haldane, the Liberal War Minister who joined Labour comparatively recently and is now Lord Chancellor, and two of the new Barons, the Socialist ex-Governor, Lord Olivier, and the regular soldier, Lord Thomson. Among the remaining nine there are pacifists, like Mr. Ramsay MacDonald himself; ex-Liberals, like Mr. Charles Trevelyan, also a pacifist and incidentally the heir to a Baronetcy, Colonel Wedgwood and Mr. Noel Buxton; ex-Liberal-Labour members, like Mr. Henderson; theoretical Socialists, such as Mr. Sidney Webb and Mr. Philip Snowden. Every shade of Labour is found, from Mr. J. H. Thomas, the Colonial Secretary, to Mr. Wheatley, the Minister of Health, from the Clyde. It is, too, a Ministry taken from the most diverse occupations—lawyers, schoolmasters, diplomatists, civil servants, the Stock Exchange, hairdressers, authors, rentiers, to say nothing of various branches of labour—all are represented. It includes, too, the first woman member of a British Government, Miss Margaret Bondfield, the Chairman of the Trades Union Congress and now Parliamentary Under-Secretary of the Ministry of Labour. It is not possible here to go into the details of the actual appoint-

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ments, though some of them have an interest of their own. Lord Olivier, for instance, has gone to the India Office, not Colonel J. Wedgwood, as some people expected. Then there is Lord Chelmsford at the Admiralty.

But the chief interest naturally centres in the character of the real Labour section. The greater part of the Ministerial posts outside the Cabinet have gone to it, but in the Cabinet itself they are pretty equally divided between it and the nonworking class element. As already mentioned, the Clyde has supplied one of its members, and of the six trade union leaders in it three are miners, from the industry which, as is shown above, has supplied so large a proportion of the Labour members, and which is approaching such a critical period. The inclusion in the Ministry of a man of Lord Chelmsford's administrative experience and standing undoubtedly helped to reassure the country, and it was obviously so intended. Mr. C. P. Trevelyan, too, has held office before; but experience is by no means confined to the nonworking class section. The Labour element has special knowledge of its own, derived not only from trade union and industrial organisation and from municipal service, but also from actual experience of political responsibility. Lord Haldane is not the only member of the Cabinet who held Cabinet rank before. There are two trade union ex-Cabinet Ministers in it, Mr. Clynes and Mr. A. Henderson, and Mr. Stephen Walsh, the new Minister for War, also had Ministerial positions under the Coalition, while Mr. J. H. Thomas, the Colonial Secretary, though he has never actually held political office before, is reported to have twice declined it. About Mr. Ramsay MacDonald himself our readers will have already learnt a good deal from the daily Press. He is undoubtedly a strong Socialist; but if his utterances do not belie him, he is as much against the use of force for the purpose of bringing about change in the national sphere as he has always been in the international, and persuasion is the weapon of his choice.

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III. SOME FINANCIAL CONSIDERATIONS

SOME brief considerations on the most general lines as to the financial problem facing the present Government may not be out of place. Several of the leaders of the Labour party now in power have devoted serious thought to economic problems, and have expressed definite opinions upon them, not only in speeches and pamphlets but in books, which are likely now to reach a wider public. In these books and during their days of irresponsibility they probably expressed opinions more radical and extreme than they are likely to hold after a short period of office, and after facing for themselves the profoundly difficult economic and financial problems which confront the country. The object of the following pages is not to criticise either the opinions these leaders have expressed or the existing Government. They are addressed rather to that section of its followers which has been in the habit of demanding impossible things, and which is not likely to learn what can and what cannot be done at the same pace as its leaders.

As will be apparent before long, finance will force itself to the front as the dominating factor in the internal policy of the Government. There are two directions in which pressure is likely to be put upon it, extravagance and socialistic enterprise. No one is afraid of a capital levy or of the substitution of a complete system of socialism for our existing system, at the present moment. The most extreme member of the Labour party knows well enough that any attempt to introduce either would at once unite the other two parties against the Government. The Government's first task is, moreover, to reassure the country at large and to show its capacity for efficient administration. The immediate danger is first lest the natural zeal of the party to cope with unemployment, housing and social reform generally should lead the Govern-

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ment to forget the limits which are imposed upon it by the capacity of the national purse. The second danger is a tendency, inevitable in a Socialistic party, to depress private enterprise in order to make way for that of the State. The more ardent followers of the Government, as was recently pointed out by Lord Monkswell in *The Times*, demand a much greater distribution of national production, coupled with measures which will simultaneously diminish it. And yet, the two things that would be most harmful to our recovery are an increase of taxation and the depression of enterprise. The most vital interest of our population at present is that our Government's expenditure should be kept within the most rigid economy, the stability of our currency maintained, private savings increased and enterprise encouraged. Only by such means can the national capital be increased, and on that increase depends our employment and our welfare. Will the Government be able to accommodate its policy to these needs?

From one point of view, the very fact that Labour though in office is not in power may have a bad effect. For a full sense of responsibility a clear majority over all other parties is essential. Time alone will show whether Mr. Ramsay MacDonald, who must have anxieties of his own about the solidarity of his party, a more difficult quality to maintain in office than in opposition, will succeed in avoiding both Scylla and Charybdis.

Although the Labour party has announced that it intends to promote the socialisation of the fundamental means of production by gradual degrees, and over a long period of years, a word or two on the difficulties which confront any socialistic project may not be out of place in view of the possibility of a certain amount of preliminary work being attempted in the next few months. The introduction of any instalment of Socialism must pass through two bottle-necks, that of the legislative machine and that of finance.

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Both bottle-necks will rigidly limit the extent to which it could at present replace the existing system of private enterprise. As has been evident in all the Continental countries where Socialism has recently been tried, the European world is in by no means a favourable condition for such experiments. For even a temporary success, Socialism must have available for tapping, either by taxation, levy or loans, a large fund of national savings accumulated under a previous era of private enterprise. Lord Balfour, in a famous answer to the Bolshevik Government, assured M. Tchitcherin that the world had no difficulty at all in believing that Bolshevism had made the rich poor, but he asserted that it was still in considerable doubt as to whether it had made the poor richer. Socialism suffers from the same danger in a less degree. The obstacle its adherents have to overcome, if they can, is its tendency to diminish saving and the accumulation of capital, which are vital alike to a private enterprise and a socialistic régime.

Now, one of the characteristics of the present state of affairs is the scarcity of capital in Europe, brought about in the main by the destruction during the war, but largely also by the chaos of the post-war period. That lack of capital is, of course, most apparent in Russia. It is now appearing alarmingly in Germany, which has during the last few years to a large extent consumed her national working capital, or—what comes to the same thing—not saved it. Her difficulties in this respect have now reached such a pitch that the strongest and richest industrial companies are prepared to pay not less than 18 per cent. interest per annum if they can obtain credit. Mr. J. H. Thomas, in a speech during the election, is stated to have declared that the Labour party were not at all frightened at the threat of the flight of capital. He argued that capital consisted of the railways, factories and land, and that none of these could be removed from the country. But fixed capital of this kind is useless without circulating or working

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capital. Those who think his argument has force should study conditions in Germany, where unemployment is reaching immense proportions owing to the lack of working capital, and where this same cause may yet bring about still more disastrous results. In England, while capital is relatively scarcer than it was before the war, as is evidenced, indeed, by the rates of interest that have to be paid for it, our condition is, of course, still vastly superior to that of Russia and Germany. But there can be no question that our future prosperity and the employment of our people depend to a very large degree on the extent to which the growth of our savings can be encouraged. For not only does employment depend on capital, but in the long run, if capital diminishes, either absolutely or in proportion to population, taxation will cease to be as productive, the Government will find still greater difficulties in making both ends meet, our currency will begin to depreciate, and we shall be up against those difficulties against which we see Continental nations struggling. In fact, the growing poverty of the nation would disclose itself, not only in government finance, but in greater unemployment and a lower standard of life.

Now, the accumulation of capital depends in the main on the encouragement of saving and of enterprise. The great difficulty which will confront any Government embarking upon socialistic enterprise, whether in the form of very high taxation of the rich or of nationalising the means of production, is that these acts tend by their very nature to the discouragement of both saving and enterprise. Unless Socialism can promote saving by the nationalised industries, together with saving by individuals, equal in total to the present system of private enterprise, and can produce through bureaucracy an enterprise at least equal to that of the private enterprise it abolishes, the country will only be worse off from the change.

Moreover, the effect of even an instalment of Socialism

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in the shape of a certain number of tendencious measures would be to produce uncertainty, and so to discourage private saving. And for practical purposes, and for all the years that matter at present, it is to private savings and private enterprise that we must look for the capital and initiative necessary to make good the wastage of war and of life itself. One such measure would be to tax private savings too high. The present Chancellor of the Exchequer, for instance, in one of his publications proposed to reduce the taxation on earned incomes, but to tax unearned incomes to extinction, or in other words to make saving not worth while. Another simple fact, with a great bearing on saving, is often forgotten. Enterprise is full of risks, but, whatever percentage of profits a well-meaning Government extracts in the form of income tax, super-tax, corporation tax, and so forth, 100 per cent. of the losses is always left on the shoulders of those engaged in the enterprise. Consequently the point must arrive when, the chances of profit being so diminished, it is not worth while running the risks of any particular enterprise.

The lightening rather than the increase of taxation is, indeed, the chief need of the present time. The whole creed of the majority of the party now in power is, however, in the opposite direction, and many want to take still more from the rich in order to give better education and better housing to the poor. The Government is committed to fulfil many promises which require a large expenditure of public money. Its natural tendency would therefore be, unless the considerations which we have put forward are borne in mind, to add to the public expenditure rather than to diminish it. But here again it would find itself faced by extraordinary difficulties. Many good judges consider that, even with direct taxation at its present reduced level, the capital fund of the country is being diminished, or at least that there is a definite reduction in its annual savings. By increasing taxation the Government might for the time being increase revenue sufficiently to enable it to fulfil some

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of its promises, but only at an expense to the community at large which would undoubtedly be felt by a scarcity of capital and by the resulting handicap imposed on the progress of industry and employment. The only other legitimate source of money is from loans from the real savings of the people. But these savings are by no means unlimited, and here again what the Government takes for itself must be subtracted from what is available for private industry at home or for lending abroad. And extensive Government borrowings would undoubtedly tend to raise the rate of interest, which would again affect industry detrimentally. There is only one further alternative, which would undoubtedly be repudiated by the Government, but which would certainly be a temptation to the extreme Socialists. Inflation, if we disregard its terrible drawbacks, is the easiest way by which a Government may extract the rentier's savings from his pocket almost unconsciously, and spend them on social reform. There is no doubt the Government is sincere in its determination not to inflate, but it must recognise that if it retains its virtue in this respect, then the limits within which it can raise money either by taxation or loan are rigidly set.

The fact is, indeed, that any Government in office, whether it is socialistic or the reverse in its aspirations, is bound to be careful of the susceptibilities and interests of capital. If it is in any way confiscatory in legislation, if it taxes savings too highly, if its tendency is to discourage private enterprise, if it neglects the effects of its policy on our whole system of credit and finance, it will rapidly see the result of its work in falling exchanges, in the loss by England of its credit in the world, and in general financial and economic disorder.

The present mood is one of hope. The composition of the Ministry in itself seems to show a desire to reassure fears. The security market, which at first was adversely affected, has recovered. The utterances of the new Prime Minister have been worthy of his high position. The line

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which he has taken in the Franco-German problem has thus far been admirable. But no review of the present situation would be complete which omitted considerations of such vital importance as those touched upon in the foregoing pages. And far from detracting from existing grounds for confidence, nothing is so likely to justify it as timely caution.

POSTSCRIPT.

Since this article was written the dockers' strike has commenced. The final offer of the employers which was refused was :—

- (i) An increase of 1s. a day on the present minimum wage ;
- (ii) Piece-work rates to be restored to those current in June, 1923 ;
- (iii) Immediate arbitration on the claim for a further 1s.

INDIA

I. THE POLITICAL SITUATION

1924 and 1921

IT would be difficult to conceive of a more dramatic contrast than that presented by Indian affairs in 1921 and 1924, respectively. Three years ago the political horizon of India was completely overshadowed by the non-cooperation movement. The new constitution embodied in the Montagu-Chelmsford Reforms seemed in danger of shipwreck even before it had fairly started upon its voyage. Thanks to the influence wielded by Mr. Gandhi, as well as to a remarkable conjunction of circumstances, the great bulk of Indian political sentiment, both Hindu and Moslem, was united in an attempt to bring Government to its knees. Mr. Gandhi, we may remind ourselves, set before himself three aims. The first was the redressing of the "Punjab Wrong"; the second the satisfaction of Mahomedan sentiment upon the Khilafat question; the third, the achievement of Swaraj. It was thus, in the face of an astounding wave of anti-government feeling, that the new Montagu-Chelmsford Councils, central and local, started on their career. That small portion of politically minded India which kept its head sufficiently to perceive the opportunities for progress presented by the new con-

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stitution seemed scarcely ponderable when contrasted with the massed battalions under the leadership of Mr. Gandhi. Those who sat in the Councils were for the most part either conservatives or moderates. They were returned by the suffrages of but a fraction of the electorate. It seemed very doubtful even to those most familiar with Indian conditions whether the reformed constitution could be made to work. But in the course of three years the situation has become radically different. It is now possible for a superficial observer to maintain that non-cooperation is dead. That such a statement is sufficiently plausible, to be made at all, of itself says much for the progress of the reformed constitution. It is not, however, the whole truth. We cannot ignore the fact that the non-cooperation movement has two distinct aspects. In the first place, it represents a definite programme for the achievement of certain definite ends. This programme has failed so completely that it is now virtually dead. But in the second place, non-cooperation has stood to thousands in India during the last three years as a channel into which nationalist sentiment has flowed from many sources. Hence it is that while non-cooperation in the sense in which Mr. Gandhi knew it possesses little more than a sentimental attraction to the majority of those who once reckoned themselves its devoted adherents, the remarkable change which has come over the movement as a result of the removal of Mr. Gandhi's guiding hand is tacitly ignored by the majority of Indian Nationalists.

For the sake of clearness we may briefly trace the development, during the last three years, of the constitutional and the unconstitutional side of Indian national development. Under the former head we naturally reckon the activities of those persons and parties who have been concerned with the working of the Montagu-Chelmsford Reforms; under the latter head we may include all those who in 1921 deliberately refused to be participants in the working of the newly devised machinery. We may take the latter first.

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The Metamorphosis of Non-Cooperation

It would take too long to recapitulate the history of the decline of that side of the non-cooperation movement which is particularly associated with Mr. Gandhi's programme. From the very outset there were certain strong elements among his following who considered that he was side-tracking the Indian Nationalist movement from the sound lines originally laid down by the late Mr. Tilak and his party of Maharashtra politicians. That Mr. Gandhi was able for so long to ignore this section was due first to the influence exercised over his followers by his personal character and his asceticism of life; and secondly to the fact that the Moslem politicians upon whom he came latterly so much to rely are traditionally but little in favour of constitutional machinery in the Western sense of the word. But even before Mr. Gandhi had been removed from active participation in Indian politics, it had become plain to many that his boycott of the Legislatures was a profound mistake. From the middle of 1922 onwards a considerable and growing section of the more practical among his followers had come to realise the great opportunities presented in the Montagu-Chelmsford Councils for bringing pressure to bear upon the Executive. In the last six months of 1922 this party, led by Messrs. Motilal Nehru and C. R. Das, came gradually to the fore. In the Gaya Congress in December of that year their attempt to obtain permission to contest the 1923 elections was decisively defeated by the "No-changers" who professed to be still the followers of the incarcerated Mahatma. Despite the efforts made to preserve unity in the Congress camp the grave divisions of opinion now manifesting themselves could not be entirely concealed. In the first eight months of 1923 the party which desired to enter the Councils, having now taken to itself the title of the "Swaraj party of the Indian National Congress," pursued a propa-

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ganda which was more vigorous and more effective than that of the "No-changers." When the Swaraj party was reinforced by the newly liberated Ali brothers it found itself sufficiently strong to secure in a special session of the Congress held at Delhi in September 1923 permission to contest the approaching elections with the acquiescence if not with the support of the "No-changers." As a result the Swarajists enjoyed during their election campaign the support of the highly organised Congress machinery; a fact which accounts in no small measure for their success.

We have now to ask in what manner was accomplished the conversion of this powerful section of the Congress party from their erstwhile determination to boycott the Councils to their present plan of entering them in as large numbers as possible. We must be careful to guard against the impression that the Swaraj section of the Congress party is any more favourable either to the Montagu-Chelmsford Reforms or to the general policy of the Government than was the case in 1921. Their sentiments, expressed both publicly and privately, afford no warrant whatever for any such conclusion. The change which has come over the more vigorous section of Congress members may be accounted for, first, by their realisation that the machinery set up by the Montagu-Chelmsford Reforms is too powerful to be ignored with safety by any political party; and secondly by their increasing realisation that the boycott of the Councils as planned by Mr. Gandhi represented a fatal departure from the well-tried and well proven tactics of Mr. Tilak. In other words the Swaraj party of the Indian National Congress is gradually re-entering constitutional life in an endeavour to make up for the three wasted years which represent the period when Mr. Gandhi's idealistic but somewhat impracticable programme diverted them from their previous policy. There is a marked reluctance to recognise this fact save on the part of the clear-sighted. The theory, cultivated moreover for practical as well as sentimental purposes, is that

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the Swaraj party members are still followers of Mr. Gandhi and that their position is a logical development of his doctrines. This theory is derived first from a natural reluctance to dissociate themselves from one whose name still commands so much reverence ; and secondly from an astute realisation that the employment of this name in the election campaign would be worth to those who invoked it many legions of voters. There is no need to question the reality of either sentiment. It is indeed very significant that one of the principal reasons for the eventual triumph of the Swaraj party ideas in the Delhi Congress of September 1923 was the announcement by Mr. Mahomed Ali that he had received a telepathic message from Mr. Gandhi in Yeravda Jail approving of the modification of his triple boycott in favour of entering the Councils. It would seem that the telepathic method of thought transference is not always entirely reliable, since Mr. Sastri, who saw Mr. Gandhi at the time of the latter's recent operation for appendicitis, derived the distinct impression that the Mahatma remained in entire ignorance of the whole occurrence. We may, however, note that the reluctance both from the sentimental and from the practical point of view of the Swaraj party to sever themselves from the traditions of Gandhian non-cooperation have been largely responsible for the emphasis which this party has laid upon the policy of destruction. The Swarajists proclaim, apparently with sincerity, that their sole object in entering the Councils is to destroy them from within ; in other words, that they are attempting to achieve by methods other than Mr. Gandhi's the very aim which he set before himself. The history of political India during the next year will be largely governed by the extent to which such an aim really animates the leaders of the Swaraj party, and by the extent to which the present constitution renders it possible of achievement.

We must now briefly outline the progress of the " constitutional " party during the life of the first Councils.

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The Unpopularity of the Liberal Party

With the practical achievements of those who have cooperated with Government in the working of the new Reforms we cannot deal in any detail. It is sufficient to say that notable progress has been made towards the acquisition by India of responsible government. The Executive, both provincial and central, has shown itself steadily more responsive to the wishes of the Legislatures ; several outstanding political questions, such as the Punjab grievance and the Khilafat question, have been settled along lines for which the Legislature has pressed. Substantial steps have been taken for the fulfilment of national aspirations in a multiplicity of directions. As examples we may mention the schemes now in operation for the Indianisation of the army ; for the Indianisation of the public services ; for the control by India of her own fiscal policy ; for the influence of public opinion upon railway administration ; and for the removal of all but the last traces of racial discrimination in criminal trials. Somewhat naturally, the progress achieved in all these directions, substantial though it is, has not been as far-reaching as Indian political opinion would like. Hence, by an unfortunate but inevitable irony, the very party whose acute criticism and solid work has been responsible for these achievements has derived from them in the eyes of the country little but odium. There can, however, be no question but that the utilisation by the Liberal party of the opportunities afforded them under the new constitution has represented the greatest single factor in the conversion of a large section of the Congressmen to the view that the new Legislatures cannot be ignored and must be utilised.

Both in the central and in the local Legislatures the reformed constitution has worked somewhat haltingly. The progress achieved within three short years, surprising

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as it may seem to the impartial observer, strikes Indian opinion as being intolerably slow. Generally speaking, throughout the provinces, dyarchy has failed to realise the hopes of its designers. With the exception of Madras, the Ministerial half of the Government has not been sufficiently in touch with the Legislature, and has tended to count in popular eyes as a wing of the bureaucracy. Moreover, the unfortunate financial position of India as a whole, which has resulted in the starvation of the "nation building" subjects transferred to Ministerial supervision, has been largely responsible for the general absence of any striking achievement by this half of the provincial Governments. Excellent work has, it is true, been done in such spheres as education, sanitation, public health and the like in almost every province; but nowhere has it been possible to make the kind of "splash" which might have served to win a widespread reputation either for the Ministers or for the system of government they represent in the eyes of the general public. We should further note that the practice in the majority of provincial Governments has been to associate the Ministerial side of the Administration with the strictly executive half in the handling of many critical situations. It must be placed to the credit of the Liberal Ministers that they have generally supported their colleagues in taking such measures as the situation demanded. The inevitable result has been during these last three troubled years to associate the Liberal party generally, and the Liberal Ministers in the provinces particularly, with what is generally called the "repressive" action taken by Government as a whole against the aberrations of the non-cooperation movement. To a less extent the same is true of the central Government. Liberal Members of the central Legislature have rarely hesitated to lend their support to the executive Government in times of crisis; and hence have come to share with that Government a certain burden of unpopularity.

The effect upon the "constitutional" party of its

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intimate association with the Government in the working of the new Reforms for the last three years has thus been somewhat disastrous. In addition to the factors already enumerated there have been certain other considerations which have enhanced their unpopularity. The mere fact that they have held office at a time when "self-sacrifice" and "non-cooperation" have been catch-words in the mouths of many has of itself sufficed to bring them reprobation. Moreover, the leaders of the party are for the most part men either elderly or approaching middle age, very experienced in affairs, possessed of considerable administrative knowledge and a grasp of complex situations, but somewhat out of touch with the enthusiasm and the vagaries of youth. There has thus been a tendency for them to escape the influence of the main stream of Nationalist development, and to be left high and dry, exposed by their very isolation to criticism at once unfair and damaging. We may also note that the absence from the Legislatures, both central and local, of influential members of the Congress party has been responsible for the growth of separate groups or "caves" among the Liberals themselves. As a natural consequence the unity of the party has suffered severely. It has been found impossible to maintain in existence a satisfactory party organisation for the Liberals as a whole. The position of power and influence to which they have been called has led them to direct their attention rather to their administrative duties and to the daily round of Government work than to the nursing of their constituencies or the propagation of their ideas among the public at large. Nor would it be fair to omit as factors in the declining popularity of the Liberal party certain definite incidents which occurred during their last year of power. The certification of the Salt Tax by Lord Reading unquestionably dealt a severe blow to their prestige; the increased taxation which they rightly and indeed inevitably sanctioned was a powerful weapon in the hands of their political opponents; the

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unfortunate controversy over Kenya was used against them as an election cry. Above all, they suffered unpopularity in their intimate association with the policy of Government, which the main stream of national opinion was united, rightly or wrongly, in denouncing.

The Elections

The two parties, the Liberals and the Swarajists, were thus ranged face to face in the elections which were held at the end of 1923. While the Liberals for the reasons we have already enumerated were weak, the position of the Swarajists was correspondingly strong. They carried, rightly or wrongly, the still enormous prestige of Mr. Gandhi's name, openly approaching the voters with the statement that they were the "Mahatmaji's" men. They had also their own record of "self-sacrifice"; many had gone to jail for their opinions; many had resigned lucrative positions, professional and otherwise, to devote themselves to politics. Having skilfully succeeded in identifying the Liberal party with the Government, they were enabled to stand forward as protagonists of the popular voice. Finally, they enjoyed the use of the elaborate Congress organisation which provided them with a ready-made political machinery, central and local.

With these advantages it may be perhaps a matter for surprise that the position acquired by the Swaraj party in the newly elected Councils is not more strikingly dominant than is actually the case. The final results have now shown that in the Central Provinces and in Bengal alone do the Swarajists enjoy an actual majority. In the other provinces, however, their success has been far less striking. In Madras they are but a handful; in the Punjab, and in Bihar and Orissa, they are almost negligible. In Bombay and the United Provinces, although their numbers are considerable, they are not the largest group.

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In the central Legislature itself they have captured approximately half the elected seats. The explanation of this is to be found in an examination of the composition of the new Legislatures. While the Swarajists have been very largely successful in displacing the Liberals, their success against the Independents and the land-holders has been comparatively insignificant. It was against the Liberals that they ranged their whole attack; and in this field they have achieved a notable triumph. But everywhere the land-holders remain substantially represented; while Independent candidates of considerable local influence have successfully survived the efforts of the Swaraj organisation. And since the land-holders and the Independents are as a rule less closely associated with politics than the Liberals, the net upshot of the elections is that in the majority of the Legislatures, both central and local, the Swarajists have stepped into the Liberals' shoes as the exponents of the political ideas of the Indian intelligentsia.

The Swarajists as a result of the measure of success they have achieved in the elections now find themselves confronted with an obvious dilemma. It would seem that they must take their choice either between accepting office and incurring the unpopularity of association with the Administration, or of condemning themselves to an opposition which under the existing constitution would seem doomed to impotence. In Bengal and in the Central Provinces they have definitely refused to form a Ministry; a decision in harmony with their public pledges against the acceptance of office. On the other hand, the threats of obstruction and "wrecking" which formed so powerful a part of their election campaign seem to depend for their effectiveness upon the possession of a Swaraj majority in all the Legislatures. This majority the party does not at present enjoy. It is therefore making an effort to attract to its banner, at least on certain outstanding questions, both Independents, Liberals and land-holders. But there are grave difficulties in its way.

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The Indian National Congress and Hindu-Moslem Relations

The proceedings of the great party organisations in Christmas week afforded as it were an epitome of the Indian situation. The problems which confronted the Indian National Congress at its meeting at the somewhat remote locality of Cocanada were three in number. There was first the question of maintaining unity between the now victorious Swarajists and the still considerable element of "No-changers" who held to the Gandhi programme. Next came the problem of laying down a constructive policy for the ensuing year—a policy which necessarily had to appeal to both parties; the third, and perhaps the most formidable, was the question of communal dissensions. This last demands a word of explanation.

Every writer who has attempted to explain the non-cooperation movement has rightly laid stress upon the part played therein by Moslem sentiment in regard to the Khilafat. It was really the enthusiasm of the Indian Mahomedans which lent to Mr. Gandhi's movement the force and impetus which characterised it in its early days. The prominence which he gave to the satisfaction of the desires of Indian Musulmans enabled him to boast that Hindu-Moslem unity had at last been achieved. It was the gradual defection in increasing numbers of his Musulman supporters, as they realised that his programme was not calculated to achieve the satisfaction of their religious ideals, which ultimately spelt the death sentence of his movement. And when the triumph of Turkey finally relieved the acute apprehensions of the Musulmans, communal dissensions once more raised their head. The Arya Samajists have re-started their militant Hindu propaganda; Moslem emissaries have encountered them in their chosen field. There has been an unfortunate recurrence of Hindu-Musulman disturbances in various localities.

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Communal jealousy in regard to the distribution of the loaves and fishes of office have set whole provinces by the ears, and although arising primarily in the camp of the cooperators, have not failed to divide Hindus from Musulmans even in the ranks of the Congress. During the year 1922 efforts have been made to arrive at an authoritative compromise which should ensure at any rate a nominal harmony in the Nationalist camp. A sub-committee of the Congress drew up, in December, the so-called National Pact, which sought to secure the religious liberties of each community and to provide for arbitration in cases of conflict. This agreement, however, did not touch the vexed question of the distribution of office, which is largely complicated by the fact that the Musulmans as a whole are educationally and politically more backward than the Hindus. In order to meet the situation, Mr. C. R. Das and some of his friends drew up for Bengal the draft of a Hindu-Moslem pact which attempted to lay down a definite proportional representation in all offices for the two communities. It was marked, as all such attempts have been, by the over-weighting of the Mahomedan share. Such over-weighting is from the Hindu point of view less objectionable on account of the vast numerical majority which the community as a whole possesses over its rival. None the less, Mr. Das's effort promptly aroused a storm of opposition among Hindus of all political complexions, Swarajists, Congressmen and Liberals uniting in certain localities to register their disapproval.

When the Congress and the Khilafat organisations met at Cocanada, the tension between the Hindus and Musulmans showed no signs of relaxation. The speech of the President, Mahomed Ali, was cautious in tone where it dealt with Hindu-Moslem relations; but the underlying spirit was that of militant Islam. The Congress was powerless to achieve very much; it referred the so-called "National Pact" to a committee for re-examination, and it refused to have anything to do with Mr. Das's draft.

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On the other hand, the Moslem organisation which sat side by side with it registered its approval of the principle of Mr. Das's scheme and authorised the careful examination of that scheme as well as of the National Pact. It cannot be said that very much has been accomplished ; and communal dissensions are likely to loom increasingly large in the near future. But it must in justice be acknowledged that the Congress party is the only organisation in India which has hitherto attempted to solve this vexed problem in a large and statesmanlike manner.

In its attempt to adjust the relations between the Swarajists and the No-changers, the Cocanada Congress was almost equally infructuous. The Delhi compromise was re-affirmed, but the No-changers succeeded in re-affirming also Mr. Gandhi's original programme of the triple boycott in which the boycott of Councils is included. The practical upshot would seem to be that each party will go its own way. Nor can it be said that the decisions of the Congress in regard to the programme of work in the immediate future were any more practical. Emphasis was again laid upon the necessity of carrying on the "constructive" work so dear to the heart of Mr. Gandhi, in which the campaign for the universal wearing of homespun plays a prominent part. But there was a general realisation both of the difficulty of carrying on this work at a time when public interest in it is very slight and of the virtual impossibility of raising any large subscriptions for the purpose.

The Swarajist Programme

The most practical result of the gathering of Congressmen at Cocanada seems to have been the conclusion of the General Council of the Swaraj party. The party has laid down certain rules for the conduct of its members in every Legislature, and has declared that those who have been elected on the Swaraj ticket are expected to abide

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rigorously by their pledges. The party is determined to present an ultimatum to Government calling for the release of all political prisoners, including Mr. Gandhi ; for the repeal of all repressive laws, and for the summoning of a National Convention (upon which Government is only to be represented to the extent of thirty per cent.) to lay down the lines of the future constitution for India. If these terms are rejected the party binds itself to consistent obstruction. No member is to accept office ; no member is to offer himself as a candidate for select committees or to accept a seat thereon ; no member is to take part in the ordinary current business of the House.

It would hardly seem that any Government could accept such an ultimatum. Apparently the Swarajists themselves are realising this ; for they are employing the interval before the Legislatures meet in summoning party conventions with the object of strengthening the discipline of their members. On the other hand, there is a growing feeling, especially among those Swarajists who have been elected to the Legislatures where the party does not enjoy a majority, that the tactics of self-renunciation enjoined by the General Council of the Swaraj party are likely in practice to stultify themselves. Protests have in fact been received both from Madras and from the Punjab to the effect that unless the Swaraj members of these Legislatures are allowed a free hand, the position of the Ministerial party will be proportionately strengthened. So far the General Council of the Swaraj party has resisted these attempts to relax its self-denying ordinance, but before long in all probability the pressure will prove too strong.

The Liberals

The prospects of the Swarajists being able to rally to their banner any considerable number of the Liberals and the Independents do not seem to be particularly hopeful

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except in so far as certain definite questions are concerned. The Liberal Federation, of which Sir Tej Bahadur Sapru, loaded with the recent honours of the Imperial Conference, has been elected President, held its session in Poona. The proceedings were notable for their enthusiasm. Despite the general failure of the party at the polls there was little sign of any real discouragement. The Liberals as a whole in fact seemed to feel that the success of the Swarajists has been a virtual justification for the attitude they themselves have adopted during the last three years. On the other hand, the proceedings seemed to be largely influenced by a fear lest colour should be lent to the Swarajist accusation that the Liberal party is a mere appendage of Government. Sentiments of a character somewhat uncompromising were freely voiced and the party bound itself to press immediately for a revision of the existing constitution in the direction of further advance. While refusing to partake in any way of the wrecking and obstructing tactics advocated by the Swarajists, the Liberals at Poona made it clear that they are not less keen than the Swarajists themselves for immediate constitutional advance. Another subject upon which they showed themselves determined related to the question of Indians overseas. Here again they indulged in strong language and revealed none of that pliability or indulgence towards official ideas of which their opponents accuse them. They also laid down a series of proposals for the more complete Indianisation of the army and of the public services, which constitutes a fairly radical programme. They pressed for retrenchment in military expenditure; and concluded their business by laying stress upon the necessity for an adequate whole-time party organisation.

On the whole, it seems apparent that the essential distinction between the Swarajists on the one hand and the Liberals on the other is in no danger of being obliterated. The Liberals do not approve of the Swarajist

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programme of indiscriminate obstruction and attempted wrecking. On the other hand, it is important to remember that along their own particular line of offence the Liberals are no whit less determined and no whit less radical than the Swarajists. They are equally anxious for an immediate modification of the present constitution, and if they do not choose to embellish their proceedings with violent denunciations of the present Government, they make up for it by criticism which is more formidable because more directly associated with practical measures.

Conclusion

It would be rash to indulge in any political prophecies as to the course of events in India during the next year. There seems to be little danger of a coalition between the Liberals and the Swarajists unless the Swarajists definitely abandon their wrecking tactics and sever themselves from the Gandhi tradition by returning to the camp of constitutional opposition. On the other hand, on questions where both parties feel equally strongly, such as immediate constitutional advance and the status of Indians in other parts of the Commonwealth, it is quite possible that both groups may unite for the purpose of defeating Government. As to what will be the policy of the Administration in these circumstances it is difficult to say. Plainly very strong pressure will be put upon the Government of India by both parties in the direction of a modification of the present constitution. If the exigencies of British politics bring into office in Whitehall a Government which is prepared to consider an enquiry into the Indian constitution, with a view to possible revision within the next two years, it seems very probable that the Swarajists may gradually be weaned from their present idea of acting outside the limits of the existing polity. On the other hand, if no action is taken within the near

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future of a character which shows that Great Britain is prepared to consider immediate constitutional advance the position of the Liberals will be still further weakened, and it is the writer's opinion that the difficulty of securing the adhesion of the majority of the politically minded classes in India to any subsequent measure of constitutional change will be correspondingly increased. For the moment, it would seem that Government of India can do little but mark time. The matter does not rest in Delhi and in Simla, but in Downing Street. Whatever view be held as to the fitness of India for considerable constitutional advance in the immediate future, it is plain to every unprejudiced observer that some modification of the present machinery is eminently desirable, if only to obviate the friction which its operation has engendered between certain of its parts. It is conceivable that authoritative exploration may reveal certain useful elasticities in the present Act; but however this may be, the situation in India will unquestionably deteriorate if there is no adjustment to the needs of the moment. Practice has revealed that the scope afforded by the reformed constitution for the growth of the spirit of responsibility is strictly limited; and there has been of late a tendency on the part of the Opposition to revert to the irresponsible criticism of the Morley-Minto days. Moreover, whether we like it or not, politically minded India is still unconvinced that we are in earnest about the progress of the country towards responsible government. There is a general belief that we desire for some time longer to enjoy our privileged position in occupying the higher administrative posts and in shaping the destinies of the country. Of this statement there is ample proof in the evidence presented to the Public Services Commission now touring India. No less convinced a supporter of the British connection than Sir Sivaswami Iyer plainly asserted: "It is hardly necessary to point out that in spite of the declarations of Parliament, a deep-rooted distrust of the *bona*

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fides of the British Government and of its willingness to grant responsible government in the near future is almost universally prevalent in India." All available information seems, in the view of the writer, to point to the conclusion that the chances of taking the next constitutional step successfully will be prejudiced if this step is long delayed.

II. INDO-AFGHAN RELATIONS

THE inevitable difficulties arising from our nominal control of the No Man's Land between the border of the administered districts of British India and the frontier of Afghanistan have lately been complicated by a series of brutal outrages upon British officers. The tribes inhabiting this tract are intimately allied both by race and by religion with the tribes within the Afghan border acknowledging the sovereignty of the Amir; and miscreants can effectively baffle the authorities of both Administrations by crossing and recrossing the Frontier. The Amir's control over the inhabitants of his own borderland is by no means complete; and is further handicapped by his reluctance to alienate the sympathies of co-religionists who act as effective wardens of his marches. At the same time, it is generally believed in India that some at least of the recent outrages have been perpetrated by "Khassadars"—irregular militiamen—in receipt of allowances from the Afghan Government. This does not of course mean that the Kabul authorities have incited the miscreants; but it does cast upon them a distinct obligation to undertake effective and prompt punitive measures. It is for measures of this kind that the diplomats of the Indian Government have been pressing firmly but temperately; and at the moment of writing it seems probable that the Afghan Government is now roused to the necessity, under ordinary conventions of international courtesy,

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of meeting these requests. Considerable harm has been done to the successful progress of negotiations with a sensitive and suspicious people by the ill-considered comments of the Home Press; which on the one hand has tended to heap abuse on the Amir, and, on the other, to accuse the British authorities in India of deliberate war-making. The extremists on either side are quite wrong both as to premises and conclusions. No one wants war; and the difficulties inherent in the problem of the Frontier are well within the range of amicable negotiations.

India. January 1924.

CANADA

I. CURRENT POLITICS

THE Canadian political scene has seldom been so beclouded. The uncertainty of the past two years has been increased by recent events, and the issue is more obscure than ever. Adverse by-elections have definitely placed the Liberal party in a minority in the House of Commons; illness and resignation of its two ablest members have impaired the Government's strength; and renewed *pourparlers* with Progressive leaders have failed to assure reinforcement or support. On the other hand, though the Conservative Opposition has lately captured two important Government seats, its more sagacious members may contemplate with some misgiving the present responsibilities of office and the chances of an early general election; while the decreasing membership of the farmers' organisations suggests that the solidarity and vigour of the Progressive movement in politics has considerably declined. All that is clear is that for the foreseeable future government will entail much difficulty for any who undertake it, and that their tenure of power will probably be much less secure and long-lived than that of pre-war Administrations.

This unsettled condition but reflects a prevailing temper. The optimism of Canadians about the future of their country is proverbial, and it would be false to suggest that this feeling has failed them during the present difficult times. But they are undoubtedly being brought to face

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actualities with criticism as well as enthusiasm ; and some at least are beginning to be convinced that a nation may be long a-building, and that the union created half a century ago is not yet a completely vitalised organism—that the bones are yet neither fully covered nor everywhere completely articulated, and that the blood does not flow steadily throughout the whole frame. Metaphor apart, it may be said that the condition of the country is improving, but that readjustments requiring both insight and courage must be made if the whole is to thrive. Production and trade have advanced and are still advancing. The national system of transportation has just declared a gratifying surplus. The development of resources on both old and new lines is being pressed forward. And though it would be idle to deny that during the past year there has been an exodus of energetic citizens to the United States—from juxtaposition this is an almost inevitable feature of periods of American inflation—immigration of desirable settlers, especially from Great Britain, has greatly increased. However, the uncertainty of the situation, as it is reflected in current politics, lies perhaps chiefly in sectional conditions, though the results may be general. To return to metaphor, certain parts appear to be struggling with conditions that make them uneasy and uncertain members of the body politic.

The two most vocal places of irritation are in the west and east—in the prairie and maritime provinces. The results of deflation in the west have been specially severe, and its new and still amorphous population has stridently voiced woes and panaceas to which the older parts of the country have perhaps been a little unsympathetic. The provinces on the Atlantic seaboard, almost cut off geographically from the rest of the country, and divided by the Province of Quebec from their English-speaking fellow-countrymen, perhaps feel, not entirely unjustly, that they do not share the advantages which union brought to the other provinces with which they joined. The prairie

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provinces disavowed both the historic political parties ; the maritime provinces, which two years ago swung heavily towards the present Government, show by their action in recent by-elections signs of discontent with their choice. In the welter of conflicting sectional interests and demands, the life of any Government without a policy which makes some appeal to all parts of the country must be precarious and its existence unhappy. What programme is to bring these two disgruntled sections into substantial unanimity with the rest of the country, none of the present party leaders has yet proclaimed. Ontario and Quebec support a protective tariff as strongly as formerly, and though the prairie provinces anathematise it, it probably commands the support of a majority in British Columbia and the maritime provinces. The difficulty of treating as an economic unit the ribbon-like population of Canada, with its diverse interests and markets, is enormous. Whether it can be solved by mutual concessions, through a protective tariff for the benefit of the industrialised provinces, and reduced transportation charges to relieve the others, is a problem with which statesmen may have to grapple if a united Dominion is to endure.

For various reasons, some of which were discussed in the last number of *THE ROUND TABLE*,* the Imperial Conferences aroused no very great interest in Canada, and though their proceedings may be the subject of further discussion when Parliament meets about the beginning of March, neither the Press despatches nor editorial comments were very illuminating. As to the Economic Conference, the lack of interest is probably due to the limited effect which its proposals might have in Canada if they were put into force, and to the new situation created by the result of the British general election. Perhaps more interest was aroused by the speeches of members and supporters of the Baldwin Government during the election campaign. In many was to be observed

**THE ROUND TABLE*, No. 53, December, 1923, p. 132.

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a theory that has not for years had any relation to the facts. This was an assumption that all the Dominions were still—and apparently were thought likely to remain—pristine agricultural communities, which would provide almost unlimited markets for the products of British factories. Whatever may be the situation in other Dominions, it is a little difficult for Canada, more than one-half of whose population is already urban, and whose protected industrial organisation and output is so very far advanced, to see how she is to provide a substitute for those markets for British manufactured goods which the war so seriously curtailed. If the policy of Imperial Preference and intra-Imperial trade is ever to be adequately realised, there will have to be in Great Britain a clearer conception of the conditions in some of the Dominions than appears at present to exist from the speeches of several leading politicians.

Of the resolutions and discussions of the Imperial Conference proper, those which have aroused most interest in Canada relate to the negotiation, signature, and ratification of treaties, to defence, and to the position of Indians in other parts of the Empire.

The first was specially interesting in view of the action of the Canadian Government last year respecting the yet unratified Halibut Treaty with the United States. The action of the American Senate after signature of that treaty, an action which the Canadian Government may not have foreseen, involved the interests of other Governments of the Empire; and the Canadian Government, by their representatives' assent to the resolution of the Conference, have apparently confessed error in opening negotiations without (so far as the correspondence tabled in the Canadian Parliament shows) taking steps "to ensure that any of the other Governments of the Empire likely to be interested are informed, so that, if any such Government considers that its interests would be affected, it may have an opportunity of expressing its views, or, when its interests are

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intimately involved, of participating in the negotiations."* Where a treaty cannot affect the interests of any of the other Governments of the Empire, the Conference justifies signature in the form in which the Halibut Treaty was signed. If there is a genuine desire for Imperial co-operation, the principles laid down should be a satisfactory basis for negotiating and concluding international agreements.

While the resolution that "it is for the Parliaments of the several parts of the Empire, upon the recommendation of their respective Governments, to decide the nature and extent of any action which should be taken by them" with respect to defence, merely reaffirms a constitutional principle frequently recognised in former official statements, the recognition by the Canadian representatives of "the primary responsibility of each portion of the Empire represented at the Conference for its own local defence" is new and highly important. It will be interesting to see whether the present Canadian Government considers that its primary responsibility is adequately discharged by Canada's present naval service of trawlers and shore-trained personnel.

The discussion of the position of Indians in Canada carries forward the resolution of 1921, through the Canadian Prime Minister's statement that the matter of their enfranchisement would be submitted to Parliament for consideration when the Franchise Law comes up for revision. His assertion that in eight provinces, in which one half of one per cent. of the total number of Indians in Canada reside, they enjoyed full political rights, is not much solace to the balance in British Columbia, where the white population is almost universally hostile to their claims; and the relations between the Government and the British Columbia members may provide interesting grounds for reflection.

* The quotation is from the resolution of the Conference.

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II. THE CONDITION OF THE WEST

IN Canada the fortunes of east and west are very closely interwoven. Not only do the eastern manufacturers look to the west for their principal market, and the banks and mortgage loan houses regard the same region as an important field for the lending of money, but the west, to an increasing extent, is concerned with the industrial east as a market for its farm produce. When the western farmer, along with agriculturists all over the world, fell a victim to the general process of deflation, his difficulties were bound to affect the country as a whole, and at present they provide a key to the economic fortunes of the Dominion. The western agriculturist, like farmers everywhere, has been caught between the upper and nether millstones of high costs for labour and for what he must buy, and of low prices for the produce which he must sell. The cost of his produce is fixed in a world market greatly restricted, of course, by the low buying power of Europe, which affects the Canadian exporter chiefly by helping to depress the price of wheat; while, on the other hand, the cost of what the farmer must purchase, whether in Canada or the United States, is inevitably stiffened by keen bidding in the American raw material markets during this period of great business activity. Farm labour, too, demands high pay and is hard to find, by reason of the greater material rewards which the city workman may enjoy, particularly in the building trades. The market for Canadian farm produce has been greatly narrowed also by the present American customs tariff. Although several million bushels of "No. 1 Hard" wheat have been imported in the last few months by American millers who were prepared to pay 30 cents a bushel as duty to get it, the tariff generally is practically prohibitive, and on the live-stock industry of the west it has had a disastrous effect.

The farmer, too, like nearly everyone else in North

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America, has suffered from financial indiscretions during the "boom" in 1919-1920. With its collapse, owners of farms throughout the country found themselves too often with added land purchased at high prices, which created interest charges too great to be carried by the diminished returns of their labour. The easterner, too often a ready if ill-informed critic of the western farmer, makes frequent charges of luxury and refers gravely to trips to California and expensive motor-cars, gramophones and radio sets. If the easterner were innocent of similar prodigalities during the same period the accusations would have more weight. It may also be pointed out that the solitude of life on the prairie turns certain luxuries into necessities of life. To add to the farmer's troubles, the crops for the last few years have been capricious. Southern Alberta, for instance, has experienced a devastating series of droughts, and in 1923, although the western grain harvest was generally very abundant, the crops in the southern half of Manitoba and Saskatchewan suffered acutely from "rust," which in some places left little or no grain fit to cut.

A new area of settlement, possessing little or no background, still in the pioneer stage, and staking its future more or less on a single industry, is apt to possess a mercurial temperament. Its spirits can rise higher and fall lower than those in an established community with diversified occupations and steadied by tradition. In the great "boom" before the war, western enthusiasm resembled the atmosphere of a mining camp in a gold rush. For the last three years, on the other hand, the sense of disillusionment has been acute, and active bitterness and disappointment have passed into a feeling of general depression. After reading the evidence given by western farmers before a parliamentary committee during the last session, one might easily despair of the prospects of this great region, which had been looked upon as the hope of Canada's future.

But evidence such as this may be discounted to some extent as having a political flavour, and students of the

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western agrarian problem, living both east and west of Lake Superior, have recently given us more dispassionate testimony from which reasonably sound conclusions may be drawn. A competent observer has said that the farmer has it in his own power to solve half his troubles. His methods must undergo a change. For years the agricultural colleges and Government experimental stations have been urging western agriculturists to adopt mixed farming. The farmer who produces nothing but wheat and buys his food, even to the milk which he consumes, is not in a position to stand the strain of the inevitable lean years. He must avoid the error of having all his eggs in one basket. Again, experts are generally in agreement in the contention that the soil in the older sections, such as Southern Manitoba and Southern Saskatchewan, has grown wheat and wheat alone for too long a period, and has reached a time, such as was encountered in the western American States years ago, when the farmer will be compelled to enrich the soil by a rotation of crops, including Indian corn, clover, and other types of fodder. An additional reason for such a development is to be found in the weeds which are causing serious losses annually to the farmer in Manitoba and Saskatchewan; for these can only be eradicated by the introduction of new crops. The gospel of "mixed farming" has been preached for a generation, but is only now being listened to under the stress of grim necessity. The farmer is being forced in the older districts to diversify his operations, when, unfortunately, he is least able to find the capital necessary for the change. It is probably not too much to say that a revolution in agricultural methods has commenced, which is bound to spread slowly from the older to the more newly settled districts. This change in policy, together with the drastic retrenchment which farmers everywhere have found necessary, is causing inevitable hardship and, here and there, casualties.

It must be remembered that the west has been peopled by thousands of settlers with or without previous experi-

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ence, who have approached their new work in a spirit quite different from that of the traditional farmer. The west to them has seemed a country where one could acquire rich land, either free or very cheaply, capable of producing crops which would allow the owner to pay for his equipment after a few years and retire with a competence to a milder climate. This, of course, has been done in many cases. Under present conditions it is no longer possible, and it would seem likely, from now on, that the farmer who is to be successful is the man who is resolved to settle permanently on the land, make a home for his family, live off his farm as the farmer traditionally does in the east, and accept the toil which farming imposes and the low return which it yields, offset as these disadvantages are by the certainty of a permanent living. It is significant that agricultural journals in the west have been devoting less time recently to the economic questions of the tariff, bank rates and freight charges, and more to the task of encouraging the farmer to beautify his homestead, so often bare and unattractive, by planting trees and shrubs and the development of a garden, in other words by making it a "home" rather than an uncomfortable *pied-à-terre*.

If half the farmer's problems can be solved by his own efforts, the other half will only meet solution when he possesses a wider market, with the higher prices which it is reasonable to expect this will bring. This last year Canada produced the heaviest wheat crop in her history, and during the last two years she has reached the position of being the greatest exporter of wheat in the world. Nevertheless, the value of the crop for 1923, in volume reaching a total of 470,000,000 bushels, is estimated at \$315,000,000, as against \$339,000,000 for the crop of the previous year, which amounted only to 400,000,000 bushels. The total field crops of Canada for the past year bear an estimated value of \$892,000,000, as against \$962,000,000 for the crops of 1922. The price, of course, is something which lies beyond the power of any one

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country to control, and cannot be improved until European trade is fully restored.

A recent committee of inquiry, under the authority of the United States Government, has made a report which reveals the fact that the Canadian farmer in the west is relatively better off than his "opposite number" in the western States, the conclusion arrived at being (according to a recent Press dispatch) that wheat can be produced in Canada more cheaply than in the United States, to the amount of from thirty-six to forty-six cents a bushel. The yield of grain per acre in the western provinces is also higher than in adjacent States, the price of the Canadian land is cheaper, and consequently the interest charges on a farm investment considerably lower. It may be an unworthy form of comfort simply to know that one's neighbour is worse off, but there are grounds for encouragement for Canada in these comparative figures.

The most urgent question in Canada is immigration, and its bearing on western conditions is highly important. New settlers there must be to take over farms from land-poor farmers, as well as to share the burden of taxation and provide traffic and business for a region that is over-equipped not only in transportation services but in nearly every sphere of activity. Only one-fifth of the arable land of the west is at present under cultivation, while two million acres of good farm lands still await the plough. The belief that there could be a return to the mass movement of immigration of an earlier period is now happily almost dispelled. The absence of capital amongst intending settlers, the increasing scarcity of lands that are accessible and fertile and cheap as well, make settlement more difficult. It is now realised that immigration must imply "colonisation" carried out on a workmanlike basis. The policy, recently announced, of enlisting in this work the services of the Soldier Settlement Board is most encouraging. This body has settled on the land, since the war, 29,852 ex-service men, only 17.5 per cent. of whom have not met with success for any

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reason; and it will be well able to give adequate supervision to the many civilian farmer settlers who are expected to arrive in 1924. Immigration, it is evident from recent announcements, will be more actively encouraged by the Dominion Government than it has been in recent years. Definite efforts are to be made to obtain, in the first instance, immigrants from Great Britain as well as from the United States and north-western Europe. The theory that the best settler is the "sheepskin-coated peasant" from central and south-eastern Europe is not held by the many who believe that, save in the very roughest western country, the Anglo-Saxon is able to establish a comfortable home on the yield of his farm, and that incomers with a low standard of living are not welcome in a country which demands that all men should be citizens in the full sense of the word, as well as producers.

After the harvesting of last year's great crop, there was definite evidence that conditions in the west had begun to improve. The liquidation of indebtedness has commenced, and farmers, even those whose position has been most precarious, will admit that they are able to see a little daylight on the horizon. Again, a study of the climatic records of the last forty years shows that years of drought have come in more or less regular cycles, and that we shall have reached the end of the "dry period" which on previous occasions has never lasted longer.

The situation, however, is full of difficulties. The indebtedness of the west to the east is enormous. No accurate estimate can be arrived at of what the farmer and the western municipalities which depend upon his prosperity owe banks, mortgage houses, insurance companies and manufacturing firms in the eastern provinces. The liquidation of this debt will be slow, and the losses, both in capital and accrued interest, for some time will reach very large figures. There is a tendency on the part of Western Governments to try to protect the debtor by legislation so drastic as to discourage new investment. This short-

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sighted policy will of course produce its own corrective. If the long view is taken the interests of the borrowing west and of the lending east must be regarded as identical. It must be remembered, however, that the relation of debtor and creditor, existing between two sections of a country already divided by a barrier of nearly one thousand miles of wilderness, pursuing different occupations, and each possessing a mental outlook of its own, has inherent dangers. The west has many people, immigrants from the United States and Europe, who know nothing of the east. It is easy and forgivable if they as well as the westernised easterners, isolated as they are, and labouring under heavy handicaps, should regard themselves as victims of financial exploitation, as a "market" for the east and little more. This feeling has expressed itself in the agrarian political movement which has already been discussed in *THE ROUND TABLE*.^{*} Abnormal times produce abnormal thinking, and the western farmer has followed one Messiah after another, political and economic, in an endeavour to find a way out of his troubles. There would seem to be signs that the Progressive, or agrarian, party is not so strongly entrenched as it was a year ago, having failed to accomplish a task which no political movement could have been expected to perform. Be that as it may, while western agriculture is as heavily handicapped as it is at present, one can expect a continuance of a period of great restlessness. Much damage has been done by hasty generalisations on the part of eastern observers, who divide the Dominion neatly between "wise men from the east" and "wild men from the west." As a matter of simple fact, at bottom easterner and westerner are much alike, alike in their loyalty to the Dominion and to British traditions, and alike in the fundamental political principles in which they believe. The physical gap between east and west cannot, without irreparable damage, be allowed to become a permanent hiatus in the political thinking of Canada. The ultimate

^{*} *THE ROUND TABLE*, No. 49, December, 1922, p. 171.

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prosperity of the western provinces is so certain as to be beyond the bounds of argument, and if during the next few years of adjustment their problems can be approached by all with patience and an understanding mind, their recovery may be unexpectedly rapid, as it is, in any case, eventually sure.

Canada. January 22, 1924.

AUSTRALIA

I. AUSTRALIA AND THE IMPERIAL CONFERENCE

A STUDY of Australian opinion with regard to the issues raised by the Imperial Conference is of more than usual importance. We are met at the outset with the difficulty of deciding how far there is a real public opinion in Australia on these issues. There was no election here, as there was in England, to test opinion. Not even the Commonwealth Parliament was available to focus discussion, since it remained shut up during the absence of the Prime Minister. Party leaders have done little more than indicate their views in a few general speeches. Australia lacks the wealth of voluntary organisations for the study of problems and the formulation of policy, which is such a characteristic feature of English life, and there has been little help from this source towards the formation of an enlightened public opinion. For a study of opinion we are forced to rely mainly upon the Press, which has given great prominence to cables relating to the Imperial Conference and the British elections, and has devoted many leading articles to these subjects. Yet even from the Press we do not get much help save with regard to the question of Imperial Preference. Apathy and lack of discussion is partly due to the policy of secrecy adopted by recent Imperial Conferences. The reports of the wartime Conferences of 1917 and 1918 were voluminous when compared with the meagre report of the Conference of 1921, and what appears to be the even more scanty report of its

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successor. This growing habit of secret diplomacy within the family circle of the British Commonwealth is a serious thing. Publicity is the life-blood of an organisation which depends for its very existence upon the concurrence of public opinion amongst a large and varied group of peoples.

On the constitutional aspect there has not been much discussion in Australia. The claim of Canada to treaty-making powers is not clearly understood and, perhaps for this reason, has been regarded with some apprehension. The momentous resolution in which the Imperial Conference—though its members have deprecated any suggestion that they intended to discuss constitutional relations—quietly accepted the whole position of Canada with regard to the treaty-making powers of the Dominions passed by almost without notice in the Australian Press. It is not clear whether this is due to apathy, or to a belated recognition of the fact that the Canadian claim applies to treaties relating to matters affecting a particular Dominion and not to matters affecting the British Commonwealth as a whole. While the bulk of Australian opinion accepts the view that there must be one foreign policy for the British Commonwealth as a whole, it demands an effective voice in the making of this policy. But the public have been left entirely in the dark as to the methods of securing effective consultation agreed upon at the Conference. The sole information given by the cables was that the secretariat proposal (which has not found much favour in Australia) had been shelved; but that Mr. Bruce was “satisfied with the arrangements made at the Imperial Conference for keeping the Dominions in touch with the march of events”—which may be true but is not very enlightening.

The same studied vagueness characterises the news received in Australia with regard to the discussions and decisions of the Imperial Conference on foreign policy and defence. In fact, it is not too much to say that Australia is little if any better informed on these matters than if the Conference had never met. The most important of the

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few decisions of which news reached Australia was the agreement to support the League of Nations. Mr. Bruce correctly summed up Australia's attitude on this question when he said "Australia believed the foundation of Britain's foreign policy to be support of the League to make its authority as great as possible." The attempt of General Smuts and of Lord Curzon, acting on behalf of the Imperial Conference to bring about an international conference of experts, including America, for the purpose of investigating Germany's ability to pay reparations was welcomed in Australia. Although there have been neither profound nor widespread discussions on this question in Australia, some sense of the gravity of the situation has been shown and strong support has been given to the British view. On the whole, the balance of opinion seems to be that Britain cannot afford to let Europe go to the devil in its own way, but must continue to press for its political and economic restoration. The newspapers have done their best, with the meagre information at their disposal, to whip up a languid public interest in naval defence. The principle of an Australian navy working in close co-operation with the British navy is accepted by all parties. But as to the form which this navy should take and the amount which should be spent upon it, there is no general agreement. Though Australia is in no mood to spend much money upon defence, and all parties are reluctant to withdraw from the urgent necessities of national development a single penny beyond the barest minimum required for national insurance, the reluctance of Labour goes further than that of the other parties. The Press, other than the Labour newspapers, have urged that Australia should be prepared to carry her full share, or even more than her share, of "Empire defence." The vital necessity to Australia of the Singapore base has been widely urged, although Mr. Charlton, the Federal Labour leader, suggested in the House that Australia "should have nothing to do" with the proposal. The views of Australian Labour

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on these questions have undergone some important modifications since the war. The views of the party were summed up by Mr. Charlton in the House before Mr. Bruce's departure as follows :—

The Labour party's policy is to promote world peace. Consistently with Australia's goodwill to her kindred overseas, the party declares its readiness to take full responsibility for Australia's defence, but it is opposed to the raising of forces for service outside the Commonwealth or promise of participation in any future overseas war, except by decision of the people.

In a speech delivered in the Sydney Trades Hall on October 29, Mr. Charlton made this reference to "service outside the Commonwealth" somewhat clearer. "In future wars," he said, "no man should be allowed to leave Australia unless the people of the Commonwealth decided that he should go. Not only Parliament but the people should be consulted on such a vital matter." This is not a new policy on the part of Labour. But Mr. Charlton has gone further than this, and on at least two occasions has stated that his party will "take the first opportunity to knock out compulsory training," which was originally introduced by the Labour party. So far as naval defence is concerned, Mr. Charlton has expressed the view that Australia could be adequately defended by aeroplanes and submarines.

The views of Labour leaders and of the Labour Press on the demand made in the House by Mr. Bruce that "Australia should have an effective voice in foreign affairs" are of some interest. The deputy leader of the Labour party, Mr. Anstey, retorted, "We say that there shall be no further participation by Australia in foreign affairs." In a speech delivered soon after the opening of the Conference, Mr. Charlton said that :—

the Labour party would have nothing to do with foreign affairs unless it was to bring about world peace. Once Australia attached her signature to participation in the Empire's foreign policy she

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would be in honour bound to take her due part in any war in which the Empire might be engaged, whether she thought it just or not.

A leading member of the party has since stated in a public speech that it is the intention of the Labour party at the next Federal Election to make the issue: "Is Australia necessarily at war when war is declared by Great Britain?" The views expressed in the Labour Press tend in the same direction. Witness the *Australian Worker* (Sydney) in a leading article on October 3: "Foreign policy is only a euphemism for Capitalism under arms." The proposal to have a "permanent representative in London to consult with the Imperial Government on foreign affairs" is denounced as a species of Imperial Federation to be opposed by the Labour movement with all its strength:—

Before long (the leader continues) there will be a Labour Government in Australia, and another in Great Britain to match it, and there will almost certainly be an agreement between them to the effect—that the best of all foreign policies is to have no foreign policy at all—to keep your nose out of other people's business, and hang up the gun on a nail, to be taken down for strictly home defence only.

It is hard to believe that Labour has been suddenly converted to the view that "government interference" is the chief cause of international ills, and that a world which is left without restraint to the tender mercies of international Capitalism will be turned into that questionable sort of paradise in which all wars are "for strictly home defence only." Call foreign policy "constructive internationalism," and make it such, and the Australian Labour party will co-operate willingly enough—even with enthusiasm if it has to deal with a Labour rather than a Conservative or Liberal Government in England. Labour mistrust of this kind, common enough in all the Dominions, has been heightened by the policy of the Conference with regard to publicity. Mr. Charlton has protested strongly against

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the secrecy observed regarding foreign affairs. The *Australian Worker* presented a cartoon of "the Empire Conference on which the sun (of publicity) never shines," showing the Prime Ministers meeting in the cave of secret diplomacy. Yet even on its own showing Labour is not consistent when it refuses to participate in foreign affairs. Few public men in Australia have been more consistent and enthusiastic supporters of the League of Nations than Mr. Charlton. This is foreign policy. On November 2 the *Westralian Worker* said:—"On the well-being and security of the peoples of Europe depends very largely the maintenance of our own standards; we cannot detach ourselves from the major problems of the humanity to which we belong. If Europe goes down, we too will sink deeply." This, too, is foreign policy. Here perhaps we may find the truer voice of Australian Labour.

Australian interest in the Imperial Conference has been concentrated mainly upon the Preference debates. The two successive preference offers by the British Government went beyond the expectations of the Australian public though they fall short of their hopes, and many tributes have been paid to Mr. Bruce's presentation of his case. The offers were welcomed by all parties and every variety of interest, not merely by the primary producers but also by the manufacturing and commercial interests. The general feature of the Australian attitude was made sufficiently clear by Mr. Bruce, but one point may be emphasized. The tendency has been to regard the British offer simply as the first instalment of a reward for the preference already granted by Australia, and not as any ground for a further reduction of the Australian tariff. As an example of a typical comment the following may be taken from the *Industrial Australian and Mining Standard* (October 18):—

Than canned fruits, it would be difficult to find a more conspicuously instructive illustration of the mutuality of benefit of the reciprocal preferential policy. Australia imports every year about

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50,000 tons of tin plate for canning purposes. Our present tariff grants British tinsplate manufacturers a preference of 10 per cent. . . . and this preference has given Britain practically a monopoly of the Australian trade.

The paper points out that the British offer of preference on canned fruits would amount to only a fraction of the value of the Australian preference on tin plate, and urges that Britain should give a *quid pro quo* by substantially increasing the duty on foreign canned fruit. The reception of the British offer of development loans for the acceleration of public utility works, the money being spent as far as possible on British goods, affords a good example of the reluctance to forego any of the existing protection of Australian industries. Though strongly welcomed by the Federal and most of the State Governments (with the notable exception of the Queensland Labour Ministry), the manufacturing interests and Labour were inclined to be critical. The acting Federal Prime Minister, Dr. Earle Page, and the State Premiers were therefore at considerable pains to point out, in the words of Dr. Page, that it was "not intended that British manufactures should take the place of Australian manufactures," and that British goods would be subjected as usual to the tariff, unless they were such as could not be manufactured in Australia.

But the discussions on preference have revealed the existence in the Australian Press of a strong note of criticism directed against extravagant demands on the part of Australian primary and secondary industries for government subsidies and a high tariff wall combined with substantial preference in British markets. The recent appointment by the meat industry of the Australian Meat Council for the purpose of reorganising the industry on a much more efficient basis is one among several signs that criticism of this kind is already being taken to heart. Numerous instances of this criticism might be drawn from such papers as the *Sydney Morning Herald*, the *Melbourne Argus*, the *Adelaide Register*, the *Perth West Australian*, and the

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Brisbane Courier. One example drawn from the *Sydney Morning Herald* will suffice :

In the last few months this paper has directed frequent attacks against the high tariff, the working of the Navigation Act, and the failure of a number of Australian industries (such as the fruit and meat industry) to justify their requests for preference by reducing their high costs of production, and abandoning their inefficient methods.

It is argued that Australia prevents the substitution of Empire for foreign trade, which would be one of the chief aims of a British tariff, by maintaining her high tariff against British goods, and by a navigation policy which practically treats British ships as foreign ships. It is further argued that :— "The volume of British exports entering Australia must increase to an extent corresponding with the amount of capital raised by loan for or granted in aid of migration settlement," and it is suggested that if Britain grants the Dominions free entry of dried fruits, etc., she may legitimately "in return request of Australia free entry for all manufactured materials required in land settlement." In a leader published as this survey is being written (November 27) the paper emphasizes the enormous part which the cheap motor car has played in the development of America, and laments the fact that the high tariff prevents it playing a similar part in the development of Australia.

Instead of having them (Ford cars) brought in shiploads . . . to help Australia to solve the problem of her empty spaces and to stop the drift from country to city, the National Government makes their acquirement costly to the prohibitive point for the many, and the manufacturers talk of still higher duties to penalise further the few who can buy.

An estimate of the attitude of Australia to the proposed protective tariff in Britain and the general election on this issue is rendered somewhat difficult by the restraint

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exercised by political leaders, and to some extent by the Press, in expressing opinions on what is purely a domestic issue in the mother country. Judging by comments in the Press, opinion seems fairly evenly balanced, inclining if anything to the advisability of the tariff and of the election. But while universal tribute is paid to the honesty and single-mindedness of Mr. Baldwin, the advisability of the election has been freely criticised on several grounds. One ground is that Mr. Baldwin in taking the risk of defeat may imperil the preferences already offered to the Dominions. A second ground, as expressed for example by the *Sydney Daily Telegraph* (November 12, 1923), is that the state of Europe renders an election unjustifiable.

The Dominions would be willing to struggle along for a while without the preference on dried fruits . . . if the delay would allow the Baldwin Government to save Europe from the rocks which mean its shipwreck, because a saved Europe would mean more to the Empire than these preferences would mean to the Dominions.

A similar division of opinion exists with regard to the advisability of a British protective tariff. The *Sydney Bulletin* and the *Melbourne Age*, for example, are enthusiastically in favour of the change, although they think that the patient would take some time to recover from the "protracted Free Trade debauch," and express the view that a rise in prices would result from the change. The *Sydney Morning Herald* and the *Melbourne Argus*, on the other hand, strongly oppose the change. In almost identical terms they express the view that a country which adopts protection becomes the victim of a vicious drug habit, which weakens its vitality; and they predict that, while protection might temporarily benefit the British working man, "in the long run it would operate to his detriment rather than to his advantage." The *Argus* (November 15, 1923) goes so far as to express the view that "the barriers which the present ruling party now propose to

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erect will serve to disintegrate rather than to weld the Empire."

II. THE VICTORIAN POLICE STRIKE

THE people of Victoria and through them the people of Australia have been shocked into a realisation of the importance of government. Life and property have for many years been so safe in Australia that but little regard has been paid by the average citizen to the foundations upon which society rests. In the first week of November a series of events happened in Melbourne which demonstrated the delicacy of our social organism, the thinness of the partition between order and disorder, and the need for administrators who are both sincere and competent.

The first week in November is the gala week of Australia. The Melbourne Cup is run upon the first Tuesday in November, and Melbourne is full of visitors from all parts of Australasia. There is, as in all large crowds, a definite criminal contingent. It had long been known, in a general way, that the police force was not in a satisfactory condition. The increase of burglaries in city premises upon beats regularly patrolled by constables had made many people doubtful of the integrity of some members of the force, and the administration of the licensing law had not been above suspicion. It was, however, a surprise to the whole community when it was suddenly announced on Thursday, November 1, that the night shift of constables had suddenly refused duty at the hour when they were due to go upon their beats. The reason given for the refusal was the establishment of a system of supervising constables, commonly called in the force "spooks"—a delicate allusion to their alleged secrecy of movement. No other reason was mentioned. The leader was a constable who, in spite of voluble protest, had recently been removed from

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licensing duty in Melbourne and placed upon other work. The men were warned by the Commissioner that if they refused duty they would never return to the force. On the following day the Victorian Cabinet decided that the men must resume immediately or be dismissed. Mr. Lawson, the Premier, took charge of the situation. Police were called in from the country, and a number of them also refused duty. The Premier, after hearing the representatives of the men, made an offer that there would be "no victimisation" if the men returned at once, and that careful consideration would be given to the complaints. This offer was refused, the men at a largely attended meeting insisting upon the immediate removal of the supervisors as a condition precedent to return to duty.

On the following day more policemen refused duty; the striking policemen marched round the city in ordered formation, hooting the constables who were still on duty and in particular abusing those who were still attempting to control the traffic at the busy city intersections. The lower elements of the population, always ready to profit by disorder, declared themselves the allies of the strikers, and assisted them in abusing the police who continued to perform their duty. In the evening there was some rioting, and constables were roughly handled. Next day, Saturday, a few special constables were sworn in, but it is clear that the Government did not appreciate the gravity of the situation, as it made no preparation adequate to meet the events which followed. In the late afternoon the strikers were engaged in hooting and hustling the men on duty, with the result that the few police who remained loyal were forced off the streets. When the hotels closed at 6 o'clock the hoodlums and roughs, the scum of the city and suburbs, seized the opportunity and attacked shops in the leading thoroughfares of Melbourne. The fronts of 78 shops were smashed, generally with beer-bottles. Special attention was paid to jewellers' and drapers' premises, and the windows were thoroughly looted. No authoritative esti-

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mate of the damage has yet been made, but it runs into many thousands of pounds. For nearly three hours the roughs were in almost undisputed control of the central portion of the city. From time to time small but gallant bands of police charged the crowds and dispersed them with their batons. A message was screened in the picture theatres asking returned soldiers to rally at the Town Hall and act as special constables. They responded in throngs, and soon "specials" were out in the streets vigorously dealing with the unruly elements. Motor patrols were instituted, and did most effective service. There were over 200 casualties on this evening. On Sunday there were further disturbances, but by Sunday evening over 2,000 special constables had been sworn in, and every sign of disorder received immediate attention. There is no evidence that the rioting was organised.

On Monday morning the community fully awoke to the situation. Some 600 out of 1,800 police in Victoria had refused duty, and many of the police available for duty could not be brought to the metropolis as they were required in the country. Under our federal system the naval, military and air forces are not under the control of the States. The Constitution declares that the Commonwealth shall, upon the application of the Government of a State, protect it against domestic violence. No Commonwealth Government has hitherto exercised this power, and on this occasion the Federal Ministers were unwilling to make use of it. On Tuesday evening there was an organisation of 5,000 special constables with A. Q. and G. staffs consisting of men who had seen war service in responsible positions. The organisation was highly efficient. Ten thousand meals per day were provided at the Town Hall. Detachments were held in the near suburbs ready to be used where required. Motor transport was largely provided by volunteers. Defence department motor wagons, which acquired the name of "tanks," were particularly effective in dispersing the rioters in the suburbs. A

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"special" was killed in a riot at West Melbourne on Monday evening, but from that time the "specials" had full control, and the roughs hardly dared to show their heads. The stoppage of suburban trains and trams after 7 p.m. prevented the presence in the streets of crowds of idle sightseers whose insatiable curiosity had augmented incipient disorder. The same morning the law resumed control in an effective manner, when a first batch of seventy persons who, despite the riotous conditions, had been arrested in possession of goods which were obviously stolen, was summarily dealt with in the courts. Most were sentenced to three months without the option of a fine, a form of punishment which had a most salutary effect. On Tuesday afternoon, by arrangement with the Licensed Victuallers' Association, all hotels within a fixed radius of Melbourne were closed, and no sales of bottled liquor were made. The few hotels which broke this arrangement were also guilty of a breach of the law, but they were most effectively punished by having their supplies of liquor stopped by their own trade association. Their penitence was sudden and complete. On this day the Trades' Hall, representing the Labour party, came into the matter in an official capacity, apparently being led to this attitude by the use in the Press of the word "strike" to describe the refusal of the police to perform their duty. A resolution was prepared, which was adopted on the Thursday evening, "that the whole resources of the Labour movement be made available to help the police strike to an honourable conclusion." It was also resolved to appeal for financial assistance for the strikers. Representatives of the Trades' Hall allowed it to be known in newspaper interviews that it was the intention of the leaders of the Labour movement to organise a strike in key industries if the striking police were not reinstated within three days. The strikers—some of them with much misgiving—fully associated themselves with the Trades' Hall, holding their meeting there. Their policy alienated public sympathy. Not only did

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they identify themselves with a particular political party, but they actually passed a resolution "that a special deputation be sent to the constables guarding the wharves to induce them to join the strike." The speakers in support of this resolution stated that this would "give the wharfies a go at the cargoes of the ships." It is only fair to state that the wharf labourers promptly and vehemently repudiated the dishonourable suggestion.

The Ministry introduced a Public Safety Preservation Bill which after all-night sittings became law. The Act provides that the Governor-in-Council may proclaim a state of emergency to exist when it appears that the public safety is imperilled. The action taken must at once be communicated to Parliament which, if not sitting, must be summoned within five days. The Governor-in-Council, after making the proclamation, has power to make regulations for securing public safety which, however, are not to continue in force for more than seven days after they are laid before Parliament, unless adopted by a resolution of both Houses. Regulations may be made for securing the public safety or order and to prevent the doing of any act or thing with the object of, or which may have the effect of prejudicing the public safety or order. The Act enables the Governor-in-Council to make regulations :—

to prevent interference with, intimidation or molestation of, or annoyance to any persons in or in relation to the lawful conduct of their affairs or the lawful performance of their duty, and to prevent the exposure of any person to insult or disability in or in relation to his lawful behaviour or the lawful conduct of his affairs or the lawful performance of his duties.

The Labour party succeeded in securing the insertion of a proviso preserving the right of peaceful picketing and prohibiting industrial conscription. The Act contains a section framed upon the model of the Act passed by the Imperial Parliament in 1920, on the occasion of the transport strike, under which regulations may be made to secure

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the essentials of life to the community including food, water, fuel, light, and other necessities and essential services. The Act imposes a penalty of not more than £100 or imprisonment of not more than three months. The Labour party fought every provision in the Bill (and thereby missed a great political opportunity). The Act of itself only provided the Government with a weapon which might or might not be used. If the Labour party had recognised the obvious fact that grave disturbances had occurred in which lives had been lost and much property destroyed, and that emergency powers were necessary in the event of a recurrence of disorder, it could have accepted the Bill, while still contending that the emergency was past. Thereby it would have shown it had a sense of responsibility, and that mere hooliganism did not appeal to it.

When the Bill had been carried the emergency, so far as public order was concerned, had ceased to exist and the Government showed good judgment in announcing that, as the emergency had passed, no regulations would be issued, as the ordinary law was sufficient to deal with cases of insulting behaviour and the like, which were still not uncommon. The Premier stated, however, that regulations were ready for use if an emergency should recur. One result of this attitude was that little further has been heard of the threatened strike in key industries. The Act gives the Government wide and drastic powers, and the unruly elements of the community have been over-awed by the resolute action of the general public. At the time of writing the position is that 627 constables have been dismissed and have been told that they will not be reinstated. A new force is being formed from the special constables, and its training has begun. In the meantime many citizens are still discharging the duty of protecting the lives and property of the general community. An agitation for the reinstatement of the striking constables is receiving some support. The Government declares that it is adamant upon this question. If the case is effectively handled, it is

The Victorian Police Strike.

probable that the community will support the Government upon this issue.

The community is now beginning to inquire into the cause of the breakdown of the police force, and the results have not been satisfactory to either the pride or the honour of the people. The action of the police in breaking their oaths and in refusing duty at any time, but particularly at the busiest time of the year, when many of the criminals of Australia were in Melbourne, cannot be defended, but the community is beginning to realise that there is something else which is equally indefensible. In the debate in the Legislative Assembly it was shown that the administration of the force had been weak and incompetent and had been hampered by cheese-paring economy. It is now practically a universal opinion that the pay of the police should be raised and that pensions should be restored. A Bill to provide police pensions is now before the House. The debate showed that for many years the police had been seeking the restoration of pensions. To such requests Ministers have given "encouraging replies" which, possibly without sufficient justification, have been interpreted as promises. But nothing has been done, and the members of the force grew tired of words. Thus a manifesto issued by the Trades' Hall on behalf of the men, after referring to many statements made on behalf of successive Governments, concludes with the words :—

The Government justify their action in refusing to reinstate the men on the ground that they have violated their oaths. A perusal of the foregoing will show that the present and past Governments have violated their pledges to the people and their promises to the members of the police force.

The charge is grave, and is not unsupported by evidence. It may be that regard will now be paid to the need of intelligence, efficiency and sincerity in administration. If so, the ultimate benefits of the police strike may prove greater than its present evils.

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III. THE PAN-PACIFIC CONGRESS, 1923

THE Pan-Pacific Science Congress has an interest and value which go beyond science. In common with the British Association the Congress aims at the advancement of science through the mutual help and stimulus that come from personal intercourse of men engaged in scientific research in different parts of the world, though, as its name indicates, it is primarily concerned with the problems that confront science in the Pacific. But the main reason for the Congress is the fact that there is a wide range of Pacific problems which specially lend themselves to international investigation, and the solution of which is the joint concern of the nations with territories in and around the Pacific. Scientific bodies like the American National Research Council and the Australian National Research Council were more directly concerned with promoting scientific research in their own countries, but the trend of events since the British Association met in Australia in the first month of the war has turned men's minds more and more to the affairs and destiny of the Pacific, including the tasks that lie before science in this part of the world. The credit of focusing the attention of American scientists and the United States Government on the need for international co-operation in these tasks is largely due to Professor Davis of Harvard and Professor Gregory of Yale. Material assistance has been forthcoming from several powerful organisations. The Pan-Pacific Union was established with headquarters at Honolulu "to bring all nations and peoples about the Pacific into closer friendly and commercial contact and relationship." The first Pan-Pacific Science Congress, which met at Honolulu in 1920, was largely supported by funds granted by the legislature of the territory of Hawaii. Its scientific discussions were conducted under the direction of the

The Pan-Pacific Congress, 1923

National Research Council of America. It was attended by six Australian delegates.

The second Pan-Pacific Science Congress was held in Melbourne and Sydney in August and September under the auspices of the Australian National Research Council, and with generous assistance from the Commonwealth and State Governments. Invitations to be represented at the Congress were sent to all the Governments of the countries around the Pacific, and also to Great Britain, France and the Netherlands. Many scientific institutions and individuals were also addressed so as to have as representative a gathering as possible. Nearly one hundred oversea delegates attended.* Several hundred Australians attended the Congress both in Melbourne and Sydney. There was unfortunately no representative from South America.

The matters discussed included problems of agriculture, anthropology, botany, entomology, forestry, geodesy, geography, geology, hygiene, veterinary science and zoology. While this list was much more comprehensive than the list at the Honolulu Congress, there were some important omissions—for instance, physics, chemistry, and sociology—which may find a place at the third Congress to be held in Japan in 1926. The discussions were noteworthy not merely for their scientific and economic value, but also by reason of the eminence and representative character of the scientists who took part—such men, to mention only a few, as Sakurai, Omori, Ikeno and Yampaki from Japan, Dr. Haddon, Sir George Lenox-Conyngham and Professors Martin and Cosser-Ewart from England, Professors Huntington, Hobbs, Elwood-Mead and Stakman from the United States, and the Dutch Professor Brovwer. Some of the discussions seem likely to bear immediate fruit, as the attention drawn to race relations in the Pacific and the decrease of the native population in the islands will prob-

* Great Britain 11, United States 19, Canada 3, Honolulu 9, New Zealand 13, Japan 11, Philippines 8, Holland 2, Java 4, Malay States 2, Papua 2, and one each from Burma, Tahiti, Fiji and Hong Kong.

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ably lead to a chair of cultural anthropology being established in one of the Australian Universities in the near future. Such a chair could do valuable work in helping to train men for administration in the mandated territories. An interesting feature was the visit of the U.S. ship *Milwaukee* especially to demonstrate the Sonic depth finder to the members of the Congress. Possibly even greater benefits may come from the informal rather than the formal discussions, from the personal contact between representative people of different races, and from the welcome and hospitality extended to the overseas delegates. The Japanese representatives were obviously grateful for the practical sympathy shown by the Commonwealth Government after the Tokio disaster. The lengthy journeys and excursions in Australia gave opportunities both for social intercourse and for better understanding of Australian conditions. The agriculturists visited the Burrunjuck Dam and the Yanco Irrigation area, 300 miles from Sydney. Others visited the extreme north-east of the State. The geologists spent some days under the leadership of Sir Edgeworth David in and around the Newcastle coalfields. Along the Great Barrier Reef almost to the northern extremity of Queensland a large party of visitors, with Mr. Charles Hedley and Professor Richards, studied the fauna and geology of the coral reefs. A cosmopolitan party of five Japanese, four Dutchmen, two Americans, one South African, one Filipino, five Englishmen, one New Zealander and six Australians made a journey half across Australia to Broken Hill and Adelaide. In all these journeys there was frequent discussion and interchange of ideas. Not improbably the value of the Congress is to be measured as much by the help that it gave to mutual goodwill and understanding between the different peoples interested in the Pacific, as by its contribution to a better knowledge of the scientific problems which were its immediate concern.

Australia. December 22, 1923.

SOUTH AFRICA

I. SOUTH AFRICA AND THE IMPERIAL CONFERENCE

NOT unnaturally, in view of the General Election in Great Britain and its results, the question of Preference has been, in South Africa, the subject of more discussion than other questions of importance which were dealt with at the Conference.

General Smuts' speech, delivered at Johannesburg on December 14, made it plain that Mr. Baldwin's plans were laid quite independently of the proceedings of the Conference, and there will be general agreement with General Smuts' view of the awkwardness of the position created by the commencement of preparations for an Election while the Conference was still in session. Now that the Election is over and the displacement of the Baldwin Government seems imminent, there is some anxiety as to the fate of the Preference proposals. General Smuts, in his speech at Johannesburg (and apparently Mr. Massey) have argued in effect that these proposals amount to promises and that such promises made at the Imperial Conference by the Government of the day must be honoured by any succeeding Government; otherwise, General Smuts contended, the Dominions would ask what was the use of attending these Conferences, and why they should continue to give preference if the British electorate was hostile to them. This line of argument has already evoked some criticism. Admittedly, the proposals were subject to ratification by Parliament, and it is not difficult to imagine the protests

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which would be made in South Africa if it were suggested that South Africa should be held to any arrangement made at an Imperial Conference even if its terms conflicted with the views of the majority in a Union Parliament elected after the close of the Conference, and before there had been any possibility of ratification.

General Smuts was doubtless on firmer ground when he maintained that these proposals were not the issue of the General Election, which has been fought on the question of Protection in general, but were simply an extension of the system which had been agreed to by all parties since 1918. In fact, as Mr. Baldwin reminded his hearers at the Guildhall on November 9, as far back as 1917 the Imperial War Cabinet, attended by Mr. Massey and General Smuts among others, showed that in time of stress and danger the Government of the Empire recognised the necessity for giving all possible encouragement to the development of Imperial resources, and so making the Empire independent of other countries in respect of food supplies, raw material, and essential industries. "With this end in view," so ran the resolution then passed, "the Conference expresses itself in favour of the principle that each part of the Empire, having due regard to the interests of our Allies, shall give specially favourable treatment and facilities to the produce and manufactures of other parts of the Empire." It would seem, therefore, that either a Liberal or a Labour Government replacing the Baldwin Administration might without loss of principle or dignity recommend these proposals to the new Parliament for ratification. A refusal to do so will certainly raise doubts as to the stability of the Preference system, though it is by no means certain that, even so, opinion in South Africa would favour a diminution, still less the abandonment, of the preferences which South Africa grants to-day.

That the proposals of the Baldwin Government are of real importance to South Africa seems clear. General Smuts has stated that "they will have the most important

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effect on our agricultural industry, and in many ways mark a new epoch," and Mr. Burton, in a speech delivered immediately after his return, declared that they completely altered the position of the fruit-growing industry in the Western Province (of Cape Colony). It is not necessary for the purpose of this article to comment in detail on all these proposals which apply to dried fruits, preserved fruits, fresh apples, fruit juices, honey, tobacco, preserved crayfish, and to certain types of wine, while in regard to sugar the British Government intimated that, while it was not possible to offer any increase in the existing preference, they were prepared to stabilise that preference for ten years, thus giving the security necessary for the development of the industry. These proposals come at a time when, in view of trade depression, they will be specially welcome, more particularly in regard to the wine industry. To-day the exports of wine to Britain are negligible, a state of affairs which has existed since 1860, when Mr. Gladstone abolished the preference to Cape wines established in 1813, while at the same time remodelling the British wine duties by the introduction of a new scale based on alcoholic strength, a change which, apart from the damage done by the loss of preference, hit the Cape producer hard, owing to the fact that the wines then habitually exported, owing to the length of the sea voyage, were heavily fortified and were thus at a disadvantage in competing with the light wines of France, which were imported with a lower duty owing to the smaller percentage of alcohol. At the present time, wines containing up to 30 degrees of spirit pay a duty of 2s. 6d. per gallon, with an Empire preference of 1s., and wines containing from 30 to 42 degrees of spirit pay 6s. with an Empire preference of 2s. The new proposal is that on heavier types between 30 and 42 degrees, the preference shall be increased to 4s. per gallon. It is generally believed that this substantial preference will, if ratified, be of material assistance in encouraging export, and the possibilities of an appreciable increase in the trade will doubtless

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stimulate the producers to improve the quality of their wine and to study carefully the requirements of the British market. It is also to be expected that the increase of the preference on unmanufactured tobacco from one-sixth, or about 1s. 4d. per lb., to one-quarter, or about 2s. per lb., will afford appreciable assistance to tobacco growers in the Union and also in Rhodesia, where an expansion of the existing market for tobacco is greatly desired. Generally, the new proposals should not only afford assistance to the various industries concerned, as they exist to-day, but should also lead to the study of improvements in methods of production, packing, and marketing, as the efforts of producers in this direction will naturally be stimulated by the more hopeful prospects of the trade.

In his speech at Johannesburg, General Smuts paid a tribute to the spontaneous manner in which the British Government had put forward their proposals. Their action, he said, was most handsome, there was no bargaining and the British Government asked for nothing in return. General Smuts, however, gave expression to a feeling which seems to be fairly widespread, that South Africa should not be content merely to accept, with due gratitude, the concessions offered by the British Government and people, but should do all that is reasonably possible to make some direct return. It is, therefore, satisfactory to learn that the Union Government propose to revise our present somewhat indiscriminate system of Preference, to take preferences off articles for which it is unnecessary, and to give increased preference to articles which call for it. The details of the scheme, which will doubtless depend upon the ratification of the proposals by the British Parliament, will be awaited with general interest.

On the question of defence, the results of the Conference do not seem to have been very conclusive. It is possible that other representatives of the Dominions may have shared General Smuts' view as expressed since his return, that there is no danger of another great war in

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Europe in our day, and that the question, therefore, received somewhat academic attention. At any rate, the only concrete recommendation made appears to have been contained in the resolution affirming the necessity for the maintenance by Great Britain of a Home Defence Air Force, of sufficient strength to give adequate protection against the attack by the strongest Air Force within striking distance of her shores, a resolution which in effect merely expresses approval of what is now in process of being done.

Other resolutions, while affirming the principle that it is necessary to provide for the adequate defence of the territories and trade of the several countries of which the Empire is composed, made no definite suggestion as to how the burden of providing adequate defence should be shared. Each Dominion must be primarily responsible for its own local defence, and it is left to the Parliaments of the several parts of the Empire, with the recommendations of their respective Governments, to decide the nature and extent of any action to be taken by them. What action is South Africa able to take? With a white population of 1½ millions and a budget of something under 30 millions, and with taxation already at a high level, action on a grand scale, even if Nationalist feeling could be ignored, would be, from a financial point of view, almost impossible. Nevertheless, there is a fairly strong feeling that South Africa, as an independent member of the Empire, makes but a minute contribution to Empire defence. The visit of the British special service squadron can hardly have failed to bring home to a large number of South Africans the extent to which the safety of each part of the Empire depends on the command of the sea and the utter helplessness of their own country if that command passed under hostile control, as well as the vast cost of maintaining the Navy and the disproportionate share of that cost which is borne by the heavily burdened British taxpayer.

So far there has been but little comment on the resolution dealing with the principles which should govern the

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relations of the various parts of the Empire in connection with the negotiation, signature, and ratification of treaties. The resolution, admitting, as it does, the right of any single Government of the Empire to make separate treaties, would seem to afford a fairly complete answer to that section of South African opinion which is always on the look-out for justification of its complaint that South Africa, under the guidance of the South African party, is not allowed any independence of action in such matters, and must, in all cases, subordinate its policy to that of the British Government. It is difficult to see how any other position could have been arrived at, having regard especially to the attitude adopted by Mr. Mackenzie King and his colleagues of the Canadian Government in connection with the Halibut Fisheries Treaty with the United States. In that case, the Dominion Government directly advised His Majesty to issue full powers to its representative, and that course is obviously contemplated by the resolution passed at the Conference. To the question, whether such powers were then, and in similar cases in view should be, issued with the consent and advice of the British Government, there is no reference in the resolution. And indeed any attempt to lay down a hard and fast rule designed to deal with every possible contingency would, in all probability, have raised great and embarrassing difficulties in the future. The resolution unanimously passed by the Conference admitted, as already stated, the right of any single Government to make treaties, but urged that the Government should not make treaties without proper consideration of their effect upon other parts of the Empire interested in the matter to which any proposed treaty may relate, or if the circumstances so demand, on the Empire as a whole. As was pointed out by *The Times* in an article dealing with the results of the Conference, the question whether the freedom of action thus enjoyed by the Dominions in regard to the making of treaties may be a source of danger to the Empire in its relations with the outside

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world, must depend on the manner in which each Dominion gives effect to the doctrine contained in the resolution affirming the desirability of due consideration of the possible effect of the proposed treaty on the rest of the Empire. If neither sentiment nor self-interest are sufficiently potent to induce a particular Government to admit the desirability of such consideration, the smooth working of the Commonwealth system must obviously be endangered. Only if each member of the community is willing to respect the wishes and interests of the others, can they live together harmoniously.

Mutatis mutandis, the same condition applies to the treatment of the British Indians in the Dominions, on which question the position of South Africa differs materially from that of other Dominions by reason of the large number of Indian residents in the Union and of the fact that the South African natives outnumber the white population in the proportion of about six to one. As General Smuts explained to the Conference, the attitude of thinking people in South Africa is not that the Indian is inferior to the European because of his colour or any other grounds, but the question must be considered from the point of view of economic competition. Once the door was opened to anything like free immigration to British Indians and to their demand for full political rights, the whole question of European civilisation in South Africa would be involved. South Africa with her huge native population can never be a "white" country. It is to civilisation rather than to "whiteness" which she must look, and the difficulties in the way of bringing the native population by degrees towards civilised standards would be rendered insurmountable by the admission to political rights of an Asiatic population which has been found by experience to be quite unassimilable. This position does not arise in Canada, Australia, or New Zealand, where in view of the exercise of the undisputed rights of each Dominion to control the entrance to its territories of new citizens, and

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of the small number of Indians resident in these territories, a liberal policy as regards the demand for political rights presents comparatively little difficulty. There can be no question that in this matter General Smuts has South African opinion behind him, and it is not conceivable that any Administration which may in future succeed to power could take any other course. It is to be hoped, therefore, that opinion in other parts of the Empire, and particularly in India, will recognise the exceptional difficulties of the South African position. It is, of course, desirable that in any matters not essential for the preservation of Western civilisation the wishes and convenience of the Indians resident in the Union should be met as fully as possible, and that any question arising should be discussed without heat or acrimony. In this connection, the visit from the distinguished Indian Prince whom General Smuts has invited to study the question on the spot can only be productive of good.

The only other subject discussed at the Conference, to which, at the moment, reference seems necessary, is that of wireless communication. Hitherto South Africa has been dependent for telegraphic communication with other parts of the world on the service supplied by the cable companies. The service, as everyone knows, is in every way reliable, but the charges involved, though it is not suggested that they are exorbitant, militate against the full exchange of information, the advantages of which are obvious to all. Last year, as the result of proposals made by Marconi's Wireless Telegraph Company, Ltd., an agreement was entered into between the Union Government and that company and subsequently confirmed by the Union Parliament, in terms of which the company agreed to establish a South African wireless company, which company would erect and complete within a period of eighteen months a radio telegraph station capable of establishing direct communication and suitable for duplex commercial working between the Union of South Africa and other parts of the

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world, and would maintain and operate the station on terms laid down in the agreement. It was provided that a proportion of the capital of the company should be reserved for subscription in South Africa, and that one of the directors should be appointed by and should represent the Union Government. Power was reserved to the Government to take over the station on terms at the expiry of ten years, and to assume control of it in time of war or national emergency, and it was laid down that the rates from the Union to England should in no case exceed 1s. 4d. per word for full rate messages, 8d. per word for deferred and Government messages, and 2½d. per word for Press messages, rates which are appreciably below those at present charged by the cable companies. As General Smuts pointed out, in recommending to the House of Assembly the adoption of the agreement, if the Union were to build the station itself it would be very costly and the country would have no personnel with which to operate it. The establishment of the system proposed involved no cost to the country, and it had, in terms of the agreement, to be kept up to date.

In accordance with this agreement, the Wireless Telegraph Company of South Africa, Ltd., has been duly registered, and work is proceeding on the station. Unfortunately a hitch has arisen in consequence of the decision of the British Post Office to retain in its own hands control of the station in England which is to correspond with the South African station operated by the Wireless Telegraph Company of South Africa, Ltd. This proposal has been condemned by the Marconi Company, and also in very severe terms by the Empire Press Union, and also by the Australian Government. The company maintains that divided control must diminish efficiency and increase expense, and consequently tend to deprive the South African public of some of the advantages resulting from the establishment of the scheme contemplated by the agreement between the company and the Union Government, while the Empire

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Press Union expresses grave doubts, having regard to past experience, of the ability of the British Post Office to serve the Dominions adequately, pointing out that, from a commercial point of view, the results of State control, as exercised by the department in connection with wireless telegraphy, have been disastrous. It appears, however, that General Smuts did not feel justified in refusing to accept the assurances given by the British Post Office that their control in England would in no way prejudice the successful working of the scheme, and in claiming the same treatment as Australia has secured, and the somewhat colourless resolution passed by the Conference on the subject does not carry the matter much further.

It is to be hoped, therefore, that further negotiations between the Marconi representatives and the British Post Office will result in the making of some arrangements which will prove satisfactory to both parties, and will obviate the danger of inefficiency and inconvenience arising from the control of the station in England and the station in South Africa being in different hands.

II. THE PROVINCIAL ELECTIONS

OUR provincial system has advanced another stage towards deadlock. The Councils are elected by the ordinary parliamentary voters, continue for a period of three years from the date of their first meeting and end only with the effluxion of time. Hence new elections fall due in all four provinces simultaneously. Elections have just been held and have yielded some curious results.

The principles underlying the provincial system were fully described in a recent number of *THE ROUND TABLE*.^{*} There is, therefore, no need to enter into a detailed discussion of them now; but it is essential to remember

^{*} *THE ROUND TABLE*, September, 1923, No. 52, p. 869.

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that the system was adopted by the National Convention after that body had decided to frame a unitary and not a federal constitution. Some form of local government there had to be if the new Union Government and Parliament were not to be overwhelmed with a mass of detail; but that local government was to be definitely subordinate to the central powers and above all was to be conducted on non-party lines. Hence the drastic whittling away of local powers and privileges which went on during the sessions of the Convention, the abandonment of the original proposal that the provinces should be administered by little responsible cabinets, and the retention of the system of proportional representation as the method of electing members of the Executive Committees.

The attempt to exclude party politics from the provincial Legislatures has been a dismal failure. The failure is not obvious in Natal and the Orange Free State, for in the one the Nationalists have no chance, in the other they sweep the board time after time. The recent elections have taken the usual course, for though most of the Natalians stood as Independents, they are to all intents and purposes South African party men, whose control of the provincial machinery is hardly affected by the presence of a handful of Nationalist and Labour members. Moreover, in these two smaller provinces the provincial system functions fairly well. It is suited to a small area; indeed, in a scheme brought forward some years back for the reorganisation of local government in the Union, Natal was marked out as one unit and the Free State as two. On the other hand, the Transvaal was to have provided four such areas and the Cape seven. There lies the root of the trouble. The two larger provinces of the Union are too big and too varied in their interests to be satisfactorily ruled by bodies with the present powers and constitution of the Provincial Councils. The Fathers of our Constitution for the most part frankly regarded the provincial system as a temporary expedient which would one day

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make way for a division of the Union into true areas of local government on the old Cape lines. That day is brought visibly nearer by the virtual breakdown of the provincial system in the Transvaal and the Cape.

The recent elections in these two provinces have had two special points of interest. How far could they be regarded as a preliminary canter for the next parliamentary general election? What bearing would they have on the readjustment of the financial relations between the Union and the provinces which we are promised in the coming session of Parliament?

For some time past the Nationalists and Labour men have been drawing closer together in a common hostility to the Smuts' South African party Government. There has been much discussion of a pact between the two somewhat incongruous allies, a pact which has puzzled many people outside their party ranks and more than a few within them. Nevertheless, there can be no doubt that for parliamentary purposes the two parties have a working alliance aiming at the defeat of Smuts *cum suis*; and that this loose alliance came into play in the recent provincial elections. The elections were fought mainly on parliamentary party lines in the Cape, entirely so in the Transvaal. If it can be assumed that electors will vote in a parliamentary election in the same way as they have voted for provincial purposes—a somewhat doubtful assumption—the auguries are more cheering for the Smuts Government than its friends hoped or its foes prophesied. In the outgoing Cape Council the parties were divided as follows:—S.A. party 27, Nationalists 20, Labour 3 and Independents 1. In the new Council numbers are 24, 21, 4 and 2. In the Transvaal the strength of parties in the old Council were:—S.A. party 16, Nationalists 21, Labour 11 and Independents 1. To-day they are 20, 21 and 9, the Independents having disappeared. In other words, there has been no Nationalist-Labour landslide; indeed, in the Transvaal the S.A. party has held its own in the

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country districts and increased its strength on the whole.

In the Transvaal the working arrangement between Nationalists and Labour functioned, but not as its makers hoped. Hitherto the Executive Committee has consisted of two Nationalists, one Labour man and one S.A. party man. The "Pact" parties arranged to help each other. One Nationalist was told off to vote for the Labour nominee; but there was some confusion, five names were returned each with ten votes, recourse was had to drawing names from a hat and Labour drew the blank. The S.A. party thus unexpectedly obtained two seats and the Nationalists two; hence as the Administrator ruefully remarked, "I am the majority!"

It comes to this. Within thirteen years of its inception the non-party provincial system has, in the two smaller provinces, fallen into the hands of purely party organisations, and, in the two larger, into the hands of the Administrators, officials appointed by the Union Government. Meanwhile in all four provinces financial pressure threatens to crush a system which was never designed to bear it.

III. PROVINCIAL FINANCE AND EDUCATION

EFFORTS to bring provincial expenditure more completely under Treasury control and to establish more satisfactory financial relations between the Union Government and the Provincial Administrations have been carried forward a step by the publication of the first report of the Education Administration Commission. The Provincial Finances Commission had already recommended the abandonment of the modified pound for pound basis for the payment of subsidies by the Union Government to the provinces. It proposed to substitute a subsidy based on the reasonable cost of primary and secondary education, by far the most expensive of the administrative services

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delegated to the provinces. This amount is calculated by the Commission at a per capita rate on the school enrolment of the respective provinces, and the future subsidies will be determined by applying the rate to the school enrolment for the time being. The object is to fix at any rate for a term of years the standard of expenditure for which the Union is to be liable while allowing for such increase in the subsidy as may be necessary to provide for the increase of the school population.

The attempt to fix a stable basis for the subsidies raised important and intricate questions of educational principle which the Provincial Finances Commission did not feel able to determine. It, therefore, contented itself with laying down a temporary makeshift basis and recommended the appointment of a further Commission * to enquire into the questions of educational policy which were involved and to draft a scheme that would serve as a permanent basis on which to calculate the subsidy. The aim was to make sure that the restoration of Union control of finance should not entail any injury to education or make the administration thereof more difficult. A further object was to remove some of the anomalies and disparities which exist at present as between one province and another. For instance, while secondary education is free by law in the Transvaal and largely so in fact in the Free State, fees are charged in the Cape and in Natal. This difference of practice may still continue even if the recommendations of the Commission be adopted. It will be open to each province to decide whether or no it will charge fees for secondary education. If it does not it must, of course, raise funds by local taxation.

The Union Government appointed the further Commission. The opportunity was taken to institute enquiry into other departments of educational administration where waste and overlapping appear to have occurred, such as the care of indigents and defectives and provision

* THE ROUND TABLE, September, 1923, No. 52, p. 882.

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for technical and industrial training. But the first and main business of the Commission was to formulate the conditions upon which the new form of Union subsidy should be based. The terms of reference to this end were as follows :

To examine and report upon the following matters in connection with education as now administered by the provinces in respect of European children :

- (a) The limits within which education should be compulsory :
 - (i) In respect of the age of pupils.
 - (ii) In respect of the attainment of pupils.
- (b) The extent to which the Union Government should assume liability for the cost of education within such limits.
- (c) The extent to which the Union Government should provide funds for the cost of education outside these limits and the manner in which such provision should be made.

The Union Government asked for an early report on these heads in order that it might be provided with the necessary guidance in the framing of legislation for the parliamentary session in January. The Commission's report was published within three months. Its recommendations are now to be considered at a conference on January 21 between the Union Government and the provincial Administrations preparatory to the new Financial Relations Bill which the Government proposes to introduce this session.

Public interest is likely to turn from the somewhat unreal and semi-theatrical proceedings of the Provincial Councils to the deliberations of this Conference and to subsequent discussions in Parliament. For it seems to be as certain as anything can be in this land of political surprises that provincial finance will occupy a foremost place in the deliberations of Parliament during the coming months.

The main recommendations of the Commission are simple and sweeping. They may be summarised as follows :

- (a) Education shall be compulsory for all European children between the completion of the seventh and the completion of the fifteenth

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birthday (with options to commence at six or to complete at sixteen under certain conditions). The Commission rejects as uneducational any proposal to limit compulsory attendance by a standard of attainment.

- (b) The Union Government should assume liability for the whole reasonable cost of compulsory education within these limits. "Reasonable cost" is taken as the amount per head which was arrived at in respect of each province by the Provincial Finances Commission.
- (c) The "reasonable cost" as thus calculated was estimated over the whole range of primary *and* secondary education, as the Provincial Finances Commission found it was not possible to arrive at separate figures of cost for the two types. The present Commission therefore recommends the adoption of its predecessor's figures for the present and advises that steps should be taken at once to establish a system of accounting which would provide separate figures.

In any case the Union Government is to assume liability for the *whole* cost of compulsory education and for the cost of non-compulsory education less a certain amount which it is assumed the provinces will raise either by taxation or by secondary school fees, due provision being made for a supply of "free places" for poor but deserving scholars.

The proposals have been very well received by the educationists. But educational administration is, unfortunately, more intimately and injuriously entangled with party politics in South Africa than in most countries, and it is currents of political rather than of educational opinion which will decide the fate of the proposals.

Nationalist opposition is a foregone conclusion. Labour will support the Nationalists, especially on such a matter as the non-recognition for subsidy purposes of "free" secondary education in the Transvaal; where the establishment of the free system was a much trumpeted exploit of a Labour majority in the Provincial Council in 1914. The effective Government majority in Parliament will be dangerously small. Further, the adoption of the proposals will include a considerable increase in the aggregate Union subsidy to the provinces, and this increase must in equity be balanced by a reduction in provincial taxation. But such reduction can only be brought about effectively by the

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adoption of certain proposals of the Provincial Finances Commission to restrict within comparatively narrow limits the powers of taxation hitherto vested in the Provincial Councils. Opposition to this by the Free State Nationalists can be discounted beforehand; but possible opposition from Natal is another matter. The Government has supporters in Natal, the Minister of Finance himself sits for a Natal constituency and Natal has always striven for the extension of provincial powers. If it accepts a restriction in place of an extension it will do so with a wry face.

The strength of the Government's position lies, however, in the steady backing of that strong body of opinion which is really concerned, whether for financial or educational reasons or both, to secure consolidation and order and reasonable economy of money and of effort. Such opinion is, as a rule, not very strongly party in character. Even from a purely electoral point of view it may be good policy for Government to take a strong line, relying upon the quiet folk to see it through, whether in Parliament or in the constituencies. In any case there will be lively discussions and possibly some far-reaching developments. These we may be able to discuss in a later issue of *THE ROUND TABLE*.

The second part of the Commission's enquiry raises all those questions of the relation of education to finance on the one hand and to industry on the other, which are of such vital importance in a country like this.

In a former issue of *THE ROUND TABLE* * something was said of the complex interrelation of these factors and when the Commission's second report appears fresh light should be thrown on problems which are already exciting serious and anxious thought among us.

South Africa. January 23, 1924.

* *THE ROUND TABLE*, March, 1923, No. 50, p. 433.

NEW ZEALAND

I. PUBLIC OPINION AND THE IMPERIAL CONFERENCE

DURING the past quarter New Zealand has been in the happy position of having no history of world importance to record, except perhaps that penny postage was re-introduced from October 1, and that New Zealand's doors were re-opened on September 1 to German trade, after having been barred and bolted longer than those of any other country in the Empire. Her Prime Minister has been away at the Imperial Conference, losing no opportunity of giving assurances of New Zealand's soundness, economically and patriotically. Mr. Wilford, the leader of the Liberals, the dominant party of the Opposition, has been touring in Japan and orienting himself on the Eastern question and the necessity for the Singapore base. Ministers, relieved from the necessity of making speeches or getting into the limelight, have been doing solid if silent work in the administration and development of our electric power works, railways and main highways, forests and lands. Mr. Holland alone, the leader of the Labour party, while not anticipating an early election, because he considers that the Reform party will "soft pedal" until Mr. Massey has beaten Mr. Seddon's record for tenure of office as Prime Minister, is passing the fiery cross round members of his clan, urging them to provide themselves with oil in their vessels, to keep their lamps trimmed and to be ready whenever the day and the hour

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of the appeal to the country shall come. Mr. Holland says that he is "beating the drums of doom for the Government." A good deal of dissatisfaction is undoubtedly felt by the business community with the taxation of companies, which is said to penalise production and hinder investment, and with the meat and dairy produce pools set up by the Meat Export Control Act, 1921-1922, and the Dairy Produce Export Control Act, 1923. Business men connected with the Reform party itself during last session raised strong objections to the latter Bill, contending that it was another step in the direction of nationalisation and state control of our industries, and hence playing direct into the hands of the Labour party. In consequence there has been some rumour during the last month of the formation of a business men's party, the leaders of which were to be Mr. W. D. Hunt, a prominent and successful merchant from the South, now controlling large interests from the capital, and Mr. J. H. Gunson, the popular and energetic mayor of Auckland. A *ballon d'essai* in the journals, however, has led to the disclaimer by these gentlemen of their association with any new party. The former, indeed, has stated that in his opinion there is one party too many already, and that safety lies in the amalgamation of the two moderate parties against extreme Labour. The rumour is probably due to the combination of business men for the purpose not of forming a separate party, but of organisation for the purpose of securing more consideration for their interests by the Government, whose policy is considered to be dictated by the farming community.

Theoretically the New Zealander should have been keenly following the proceedings of the Imperial Conference. Actually he has taken very little interest in its doings. The New Zealander is above all things practical. At gatherings of the statesmen of the Empire he realises that it is necessary for his Prime Minister to attend, in order to keep New Zealand's "end up," as he would say in his

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own vernacular, and, now that there is all this talk of change of status and independence of the Dominions, to see that our neighbours across the Tasman Sea do not have it all their own way when Preference is to be discussed, trade bargains to be driven, mail or telegraphic or wireless negotiations to be entered into. But he also realises that during the absence of the Prime Minister important matters of domestic concern are too often allowed to drift, with the result that later on they receive insufficient consideration, first when legislation is passed, and afterwards when it is presented to Parliament. Talk of the constitutional relationship of different parts of the Empire, of the "Imperial" signature by each Dominion of whatever treaties it thinks fit, of "an effective voice" in the control of the Empire's foreign policy—as he would say—leaves him cold. He is quite satisfied to continue on the old lines whereby the United Kingdom directed the foreign relations of the Empire and the British Navy protected its trade and dominions. He is quite alive to the fact that this talk of independence is, so far as New Zealand is concerned, merely "hot air," and that with the defeat of the Navy the independence of the Britain of the South would disappear. In this respect the *Wellington Evening Post* of October 15 voices his sentiments:—

New Zealand would be glad to have an effective voice in the control of the Empire's foreign policy, but she recognises that in such a matter rights and duties must be commensurate, and that this insistence by the Dominions on their full rights as nations to a full share in the partnership while they persistently ignore its obligations savours of "hot air" rather than statesmanship. . . . New Zealand does not like the system of giving blank cheques for the senior member of the Imperial firm to fill in at discretion, but she considers it infinitely preferable to a system which would allow all the junior partners to draw cheques on the firm's account exactly as they please.

Nor can the dairy farmer's "leg be pulled" by post-prandial compliments. Says the *Taranaki Daily News* of

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Lord Haldane's speech at the dinner given by the Institute of Public Administration in London to the Dominion Premiers:—

Lord Haldane envisaged an Empire of independent nations sending diplomatic representatives to London, and the British Government sending representatives to the Dominions. No doubt Lord Haldane considered he was paying a great compliment to the Premiers of these "independent nations" by implying that they had attained an importance equalling that of the Great Powers. That is exactly the kind of after-dinner talk which has become conventional, and is deemed to be pleasing to the guests. From a practical point of view, however, such an evolution would simply be a costly and absurd farce—a blind alley leading to nowhere.

The New Zealander has read too many reports of Imperial Conferences to anticipate much result therefrom. He knows that the leader writers of his principal papers are in duty bound to "kick off" with a reference to the Conference as "more momentous than any of the similar gatherings preceding it." He expects that when it has been opened with a speech in which the rhetorical and the practical are nicely blended, and when his anticipations of really important revelations have been roused, the veil of secrecy will descend upon the proceedings and nothing will be allowed to transpire, except platitudinous generalities and pious resolutions. As the *Evening Post* (Wellington) said on October 22, "The Imperial Conference is believed to be still in session, but the public has a very vague idea of what it is doing." It can be predicted that when Parliament meets and the Labour members ask for some information as to how the Prime Minister has carried out his mandate, he will inform them with bated breath that disclosures of the gravest importance were made to the Dominion representatives and decisions of vital consequence arrived at, which could not, however, possibly be disclosed lest each particular hair of foreign nations should "stand on end, like quills upon the fretful porcupine."

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When the New Zealander has dismissed from his mind the Imperial Conference and its results except with a lingering curiosity to see what this jaunt of his representative has cost the country, and has his mind firmly fixed on the operations of the Dairy Produce Control Board or the reconstruction of the Hutt Road, or the general elections, he will perhaps see a reference in the paper to a book giving a report of the Conference. If he is a student of Imperial affairs, he may perhaps cast his eye over a copy, only to murmur as he has so often done before, "Nothing in it."

The attitude of the man in the street is faithfully reflected in the newspaper comments. On looking through the October files the reader is struck with the small amount of space given to editorial comment on the doings of the Conference and the absence of any real analysis of the problems considered or the decisions arrived at.

Dealing with Imperial Preference, the Christchurch *Sun* says:—

These Empire gatherings, though spectacular affairs endowed with an optimistic *aura*, are rarely productive of important practical results. We have long since ceased to regard them as other than an opportunity for the heads of the Imperial units to exchange views at close quarters. If the Conference now in session proves the exception, it will come as a pleasant surprise. The least that can be expected of the function is that the necessity for harmonious understanding among the nations represented will be emphasised.

The *Auckland Star* on September 20 feels sure "that sooner or later the method of conference through Prime Ministers will break down and that some better system will have to be devised." The *Evening Post* (Wellington) on October 11, referring to the representative control of foreign policy, says that there is a strong probability that the Conference "will imitate its predecessors and laboriously mark time with regard to most of the things that matter." This attitude may be considered as

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typically New Zealand. So is that taken up by the Christchurch *Press*:—

So far as New Zealand is concerned, we have long since made up our minds that what the Admiralty advises technically we shall accept politically and financially. Nor is it likely that even the constitutional issue will occupy as much time in fact as in theory it seems to demand. . . . Academically, General Smuts may push independence further than Mr. Bruce, and Mr. Mackenzie King a great deal further than Mr. Massey, but in practice neither one school nor the other will ask for changes disturbing to the Empire's unity. It is to be expected rather that they will come away with a new understanding but with the same machinery (or lack of it). The dangerous questions are the economic ones—more preference or less, quicker emigration or slower, a self-contained or dependent Empire.

In four respects the New Zealand Press is unanimous, the expression of disappointment at the lack of publicity given to important matters, the belief that "the most promising scope of the practical extension of Imperial co-operation appears at present in the domain of economic affairs" ("the increase of trade by non-controversial methods, the improvement of communications," the solution of the immigration problems), the fear lest questions of Imperial economic importance should become the shuttlecock of party politics in the United Kingdom, and the belief that the Dominions should bear a larger proportion of the cost of Imperial defence. "Censored publicity," states the *New Zealand Times* (Wellington), "seems to be necessary in the Imperial Conference, but it is disappointing. The evil has, for obvious reasons, to be endured. But the burden of our endurance should be reduced to the possible minimum."

Under the heading "A veil that should be lifted," the Wellington *Dominion* of November 2 remarks:—

Particularly as regards the economic questions that are being dealt with at these great Empire gatherings, the policy of undue secrecy that is evidently being observed in London is extremely

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unwise and open to criticism. Where they are concerned, the withholding of explicit and detailed information is not only unfair to the people of the Empire, but is liable to impair in a very serious degree the usefulness and effect of the Conference.

In the cablegrams of the past month dealing with the Conference proceedings, references to such questions as those of shipping and other communications, oversea settlement, financial co-operation in Imperial development, Empire currency, and others, have been almost invariably so vague and incomplete as to convey no real information. It does not justify or account satisfactorily for the policy of conducting the business of the Economic Conference behind a veil, that this body has yet to reach finality on many, if not most, of the questions before it. In the interests of effective agreement, though not necessarily of easy agreement, it is desirable that these questions in the shape in which they are being discussed by the Economic Conference should also be discussed throughout the Empire. The publication of proposals, and the reporting of partial agreements or of progress towards agreement, naturally would inspire in some cases approval and in others dissent in the various countries of the Empire. If in these circumstances the work of the Conference were hindered, it would not be hindered without cause; on the other hand, approving comment in different parts of the Empire would in some instances enable the Conference to act with increased confidence and enable it to go further in practical agreement than if its delegates were relying solely on their own judgment. Experience at earlier Imperial Conferences has very fully demonstrated that agreements reached behind closed doors and embalmed in pious resolutions are apt to end there. Agreements may not be reached as easily in the open air of publicity, but where they are reached in these circumstances they are more likely to stand and to serve a practical purpose.

The possibilities involved are perhaps best realised by considering a specific example. When the Imperial Shipping Committee was constituted some years ago, hopes were raised that an important forward step had been taken towards the more effective regulation of Imperial sea transport. As yet, the hopes based upon the creation of the Imperial Shipping Committee have not, to say the least, been realised. Within the last week or two general assurances have been offered of a satisfactory adjustment with regard to shipping transport. There is no definite guarantee, however, that history will not repeat itself, and that the arrangements now made or in train prove to be satisfactory only to British shipowners and anything but satisfactory to Dominion producers and others who are vitally dependent on fair and equitable conditions of shipping transport.

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It is an important consideration, and one that should have dominated the policy adopted with regard to the reporting at all events of the proceedings of the Economic Conference that open publicity is a very valuable means of modifying and improving conditions of representation in which the oversea countries of the Empire are at a somewhat serious disadvantage.

On October 24, the *Evening Post* declared that the suppression of Mr. Amery's speech on naval defence

is perhaps the most deplorable result of the policy of secrecy to which strong objection was taken both by British and by Dominion critics at the opening of the Conference. . . . Even after it had been stripped of all confidential matter "the address" would have been of far greater public interest and value than the average Navy statement since it must have dealt in part with the vital, urgent and neglected problem of Dominion co-operation. What impressed the Prime Ministers would also have impressed their constituents, and it is with the constituents and not with the statesmen that the fate of the Empire ultimately rests.

Following up the question of co-operation, the *Post* contrasts, with the practical default of both their respective countries in the matter, Mr. Massey's address at the New Zealand Club luncheon and also the broad-minded imperialism of Mr. Bruce's statement that "Co-operation in Navy maintenance should entail a contribution by all the Empire." "Australians, at any rate," said Mr. Bruce, "do not intend to sit back and see the tax payers of the United Kingdom bearing a disproportionately heavy share of the cost of equipping the Empire Navy for its double task."

The Commonwealth Minister of Defence (it adds), while condemning a reversion to the old system of naval subsidies as reactionary, testified very frankly to the failure of the system which Australia has preferred. He said that Australia was unprepared in defensive matters, the coast line was in a deplorable condition, and the lack of efficiency in the Australian fleet was staggering. A New Zealand Jeremiah could doubtless find equally good material. Both New Zealand and Australia must bring their practice into much closer proximity with the admirable doctrines proclaimed on their behalf in London.

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The *Auckland Star* of October 1 declares that "in defence policy Britain is awaiting—and we should say with rising impatience—a more definite lead from the Dominions."

Whether the old system of naval subsidies is reactionary or not, it was the only one by which we got value for our contribution to naval defence. The present New Zealand experiment is valuable only as a demonstration of the absolute futility of the local navies system and it is high time that the naval experts of the Empire had the courage to say so and proclaim their opinions openly.

The Wellington *Evening Post* of October 11 puts the question that the patriotic New Zealander frequently asks himself :—

The emphatic enunciation of the doctrine of the autonomy of the Dominions which is attributed to Mr. Mackenzie King is an example of the kind of talk that usually finds more favour at an Imperial Conference than the difficult work of constructive statesmanship. . . . What is for all practical purposes a complete trade preference having been ungrudgingly conceded the Dominions by the Mother Country, the substantial question now is what use they are going to make of it, and whether they expect to continue indefinitely an arrangement under which they combine the blessings of perfect freedom with dependence upon the Mother Country for the cost of its defence.

The New Zealand point of view on the question of Imperial Preference is well put by the *Christchurch Press* of September 26. "So far as New Zealand is concerned, no pressure will be put upon the British Government to tax the British consumer in our own interests. The traditional New Zealand view is that it is our duty to grant a substantial tariff preference to Britain as against foreign countries, and to leave Britain free to do as she chooses."

The same note of warning is sounded by the *Evening Post* (Wellington), which, after referring to the expectation

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by Australia and South Africa of some kind of trade concession from Great Britain, continues :—

It is not surprising that there are signs of alarm in Britain lest the Government should be led into adopting a policy of Protection to placate the Dominions. The present is as unfavourable a time as there could be for the raising of the British tariff in the interests of the Dominions. Britain does not import manufactured goods from the Dominions, but raw materials and food, and in the present depressed condition of British industries with widespread unemployment and heavy direct taxation, effective duties on foreign food and raw materials would be a damaging burden. Our chief anxiety at the present time ought to be that the case for Imperial Preference shall not be urged in such a way as to leave the people of Britain with the feeling that they are being burdened for the benefit of the more happily circumstanced people of the Dominions.

The *Otago Daily Times* of November 13 thinks it would be a "great pity if Dominion interests were to become a subject of discord between political parties in the home country : but it has to be admitted that the danger of such an eventuality is not entirely negligible."

The *Dominion* of October 10 considers it undesirable that important aspects of Imperial policy should become the theme of bitter party contention in the United Kingdom.

It is desirable (it says) that Imperial policy should develop on lines approved, at least broadly, by competing and generally opposed political parties in the several countries of the Empire, and not least in the United Kingdom. In the extent to which it became a bone of contention between political parties, Imperial policy would be a thing of shreds and patches hopelessly lacking in continuity and assured and definite aim.

In discussing Mr. Bruce's proposal for Imperial Preference, the *Wellington Evening Post* of October 13 asks :—

From the standpoint of Imperial courtesy, is he not quite wrong in pressing upon the statesmen and electors of Great Britain a revolutionary change in a fiscal system which is their sole concern, and with which he has no better right to interfere than they have

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to interfere with the tariff of Australia? We are at a loss to understand how anybody in the Dominions who understands how jealously they would resist any interference by Great Britain with their domestic policy can approve of the converse policy. Though Preference is an Imperial question, Protection, which to the British people is a matter of infinitely deeper concern, is a domestic question. The question of preference for the Dominions' produce, which is Mr. Bruce's ultimate objective, will only arise as an incidental issue if Protection is ensured. In this controversy the Dominions will best consult their own interests and those of the Empire by declining to take a hand.

In this connection Mr. Massey's bluff utterances on the question of Imperial Preference—on the result of the British elections—have evoked some caustic comments from editorial writers.

II. NEW ZEALAND PREFERENCE AND RECIPROCITY

IN view of the suggestion now finding so much favour that a self-contained Empire may be built up by the grant of Imperial Preference and reciprocal tariffs with Protection or a surtax against goods of foreign origin, a brief account of the development of New Zealand's policy of Preference and of her reciprocal treaties with other Dominions may be of interest.

In New Zealand's first tariff of 1841 preference was given to spirits or strong waters, the produce of the United Kingdom or of any British possession in America, or of New South Wales or of Van Diemen's Land, such produce being charged 4s. per proof gallon, as against 5s. for the produce of other countries. On other goods except those enumerated in the tariff, which were spirits, wine, tobacco, cigars, and snuff, tea, sugar, flour, meat, wheat, rice and other grain and pulse, ten per cent. was charged on the

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produce and manufacture of countries other than the United Kingdom, New South Wales and Van Diemen's Land. In 1844 the preference was dropped, but it was introduced again later by the imposition of a duty of 12½ per cent. on all foreign unspecified goods, similar British goods paying only 10 per cent.

It was not, however, until 1903 that Imperial Preference proper was introduced into New Zealand by the Preferential and Reciprocal Trade Act, 1903. That Act imposed extra duties on foreign imports—viz., on foreign cement an amount equal to the amount payable under the existing tariff, 20 per cent. on certain foreign goods formerly free, and on certain specified foreign articles an additional duty of half the amount already payable under the tariff. It also provided that where a British Dominion or a foreign country reduced the duty on New Zealand goods, New Zealand might reduce or abolish the duty on goods of the reciprocating country to an extent that the estimated value so remitted should equal, as nearly as possible, the estimated revenue remitted by the reciprocating country. The Tariff Act of 1907 extended the surtax on goods of foreign origin to a great number of items. The existing tariff of 1921 imposes this surtax on almost all goods of foreign origin, except those which come in free whatever their country of origin.

That tariff specifies three rates of duty: "British preferential," "intermediate" and "general." The British preferential tariff, which is free or at the lowest rate, applies to the produce or manufacture of some part of the British dominions, including protectorates and mandated territories. The general tariff applies to the produce or manufacture of other countries and is at the highest rates. The intermediate tariff at intermediate rates is intended to apply to countries entering into reciprocal relations with New Zealand and will allow of New Zealand goods receiving preferential treatment in reciprocating countries. At present the intermediate tariff is not in operation. Represent

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sentative samples of the relative duties charged under the three tariffs are :—

British Preferential.	Intermediate.	General.
20 per cent. ad val.	30 per cent. ad val.	35 per cent. ad val.
10 " "	20 " "	35 " "
25 " "	37 " "	45 " "
Free	5 " "	10 " "

It is hard to draw any definite conclusions as to the operation of Imperial Preference, owing to the disturbance caused to the normal trade arrangements by the Great War, the Dominions finding it difficult or impossible to obtain goods from the United Kingdom just when they most desired to do business with it. In spite of the preferential tariff the proportion of the total imports derived from the United Kingdom has fallen from nearly 70 per cent. in the 'eighties and 'nineties to about 60 per cent. in normal times, the drop being accounted for by the development of trade with foreign countries. Next in order of importance comes the United States, closely followed by Australia. According to the *New Zealand Official Year Book*, of 1923, from which this information is taken, the adoption of Imperial Preference seems to have caused a temporary drop in the United States' share of our imports from between 11 and 12 per cent. in the first decade of the present century to about 7 per cent. The proportion, however, has for some years been mounting and has surpassed its old level. In 1922 15·36 per cent. of the imports came from the United States. Imperial Preference therefore does not seem materially to have checked New Zealand's trade with the United States, which at present is England's most formidable competitor, while the proportion of foreign imports on which the surtax is paid seems to be steadily growing. There has not yet been time to see what effect the new tariff will have on the volume of our trade with the United States. From this summary it will be seen that the so-called preference

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given by New Zealand to British goods involves no sacrifice to the Dominion. We merely penalise the British tradesman and manufacturer somewhat less than the foreign one.

While in 1895 the Customs Duties Reciprocating Act enabled the Government to make tariff agreements with the Australian States and ratified a proposed agreement with South Australia, it was not until 1907 that a reciprocal arrangement was made with South Africa. The chief import from South Africa affected by this arrangement was wine. The exports from New Zealand to Africa dwindled from over £83,000 in 1912 to less than £3,000 in 1921, and the reciprocal arrangement was terminated on August 1, 1922.

Australia for a long time past was not much inclined to reciprocate, and although prior to the New Tariff of 1921 New Zealand gave British preferential treatment to imported Australian goods, Australia kept New Zealand imports under the general tariff. In consequence from December 1, 1921, Australian goods were placed on the same footing as foreign. This step led to negotiations, which resulted in a tariff agreement dating from September 1, 1922, and providing for a substantial reduction of duty in respect of 129 items specifically mentioned. All other goods produced or manufactured in either Australia or New Zealand are admitted to the other at British preferential rates of duty. The chief item affected is timber, the produce of each country entering the other free of duty. Agricultural and dairying machines have in the main been admitted free by the two countries. One item of great importance that is not affected by the reciprocal agreement is the dried fruit of Australia. Owing to the re-entry of oriental dried fruits into the markets of the United Kingdom, Australia is extremely desirous of capturing the New Zealand market with her dried fruit. There is no New Zealand dried fruit industry to speak of. Nevertheless, the New Zealand Government will grant

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no concession in respect of this item, peculiarly an Australian product, preferring to keep so important a card to play later on when further concessions already sought and declined by Australia come under discussion again. This incident is illustrative of the whole course of trade between the two neighbouring Dominions, and shows that where trade is concerned Imperial sentiment weighs very little in the scales as against business interests.

In the 1921 Customs Legislation of New Zealand, provision is made

(a) For the imposition of an extra rate of duty on goods from countries with a depreciated rate of exchange;

(b) For a special dumping duty where the public interest requires it.

III. CO-OPERATION IN MARKETING

The Dairy Produce Pool

THE Dairy Produce Export Control Act, 1923, establishes a Dairy Produce Control Board of eleven persons, nine elected by the "producers," viz., suppliers of milk or cream to factories manufacturing dairy produce for export, and two Government appointees, with power to the Government to appoint a twelfth as representative of manufacturers of dairy produce or of sellers of such produce out of New Zealand. The term "produce" hereinafter used means New Zealand dairy produce only. There is also to be a London Agency of the Board to advise it as to prices and matters relative to the disposal of produce in England and to act as its agent. The Board may exercise absolute or limited control over the export of produce from New Zealand after giving notice of its intention to assume control, and is deemed the agent of the owners of all produce over which it has assumed con-

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trol. Any produce of which the Board has assumed absolute control shall be shipped, sold and disposed of only as the Board directs. Subsisting contracts are, however, protected. No contracts for the carriage by sea of produce exported from New Zealand shall be made except by the Board acting as the agent of the owners of that produce or subject to conditions approved by the Board. Provision is made for co-operation between the Dairy Produce Board and the Meat Export Board for sea carriage contracts. The Board is provided with funds by a levy on all dairy produce exported from New Zealand not exceeding one-eighth of a penny per lb. of butter and one-eleventh of a penny per lb. of cheese. The Board is given wide powers in the handling, pooling, storing, shipment, sale, insurance and distribution of produce and may on behalf of the owners give security over the produce to secure advances made to the Board or to the owners.

The Act was not to come into operation unless a majority of the producers voted that it should do so. The poll was taken in October after a good deal of propaganda work by both supporters and opponents and resulted in a majority of over 13,000 for the Act, which was accordingly brought into force as from November 3. There were 56,000 producers on the roll, of whom only 31,768 voted, 22,284 in favour of the Act, while the number who refrained from voting was 24,232. The poll for the election of the producers' representatives on the Board took place on December 13, when it was announced that out of a total of 53,094 names on the revised roll approximately only 20,000 voted. There were 27 candidates for the nine seats.

The value of the produce that will be controlled by the Board each year will ere long be £20,000,000, so that the interests with which the Board has the power of interference are enormous for a small country, especially as there is a growing tendency for the conversion of sheep country into dairying land.

While the Secretary of the National Dairy Association

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claims that the Meat Export Control Board's operations have effected a saving of more than £575,000 in shipping freights alone and that other large savings have been made by reductions in freezing charges, railway rates and landing charges in London, the action of the Board in sanctioning the sale of the property of the Poverty Bay Farmers' Meat Company, Ltd., to Vestey Brothers, Ltd., has been severely criticised. The Meat Company is one of the farmers' co-operative concerns which was largely indebted to its bankers and has lost its capital, partly owing to its embarking in shipping business and purchasing the *Admiral Codrington*, a vessel which has landed its owners in heavy losses. The Bank, the mortgagee, insisted on a sale, and a certain section of opinion considers that this is just one of those cases in which the Meat Board should prevent an overseas interest from acquiring any freezing works in New Zealand. The answer is that Vestey Bros. already own freezing works in the neighbourhood and proposed on the acquirement of the Poverty Bay Works to close up their own, so that the position will remain unaltered.

Such experiments as the combination of the whole of our meat in one large pool and the whole of our dairy produce in another, each controlled by a Board, will be watched with the keenest and most critical interest alike by those who regard co-operative marketing as essential for the protection of our interests against rings and combines, by those who welcome what they regard as long steps towards the nationalisation and Government control of our industries, and by those who, like the *Otago Daily Times*,* regard the Dairy Produce Export Control Act as "a highly objectionable and dangerous piece of legislation," establishing "a precedent which will almost certainly be quoted in future in support of even more questionable assaults on individual and personal rights."

* The *Otago Daily Times*, September 5, 1923.

Co-operation in Marketing

It is the last body of opinion, strong in our business community, that has voiced a desire for a business man's party in politics.

The Frozen Meat Industry

New Zealand has been suffering from a shortage of mutton and lamb. The slump in meat and wool and the enhanced value of butter and cheese resulted in the conversion of large areas of land into dairy farms, and a consequent reduction of the flocks of sheep. The Imperial Government's purchase of meat and wool during the war and the storage earned on the meat held in New Zealand caused a boom in the freezing industry and the erection of a number of new works. During the war the storage arrangements and the elimination of risk in buying resulted in a temporary success, which ceased when these factors ceased to operate and times became normal. The shortage of sheep compelled companies last season to pay prices above the London value in the effort to keep their plants fully occupied. The result has been failure in some cases and heavy loss in others. Our meat industry is just passing through a difficult period of adjustment, and the freezing companies have been putting their houses in order. Those meat companies that have come to grief, including one in the Wairarapa and one in the Poverty Bay District, have been sold up by the Banks that were financing them. Most of those which have survived have been writing down their buildings and plant, taking from their reserves for the purpose, and passing their dividend. While the worst period of the industry is probably over, and with the improvement in the prices of wool the prospects are brighter, the fact remains that there are too many freezing works in the country, no fewer than ten having been created during the boom in the war period, most of them

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farmers' organisations. Mr. J. Fraser, the General Manager of the New Zealand Meat Producers' Board, who recently returned from South America, pointed out that our 43 freezing works ship only half the number of freight carcasses that 20 freezing works do in Argentina, Uruguay and Chile. The manifest remedy, amalgamation and elimination, has so far been rejected by those managing the rival companies.

IV. IMMIGRATION

THE question of our Immigration policy, if we have one, was brought into prominence by the visit of the British Oversea Settlement Delegation, which spent a hurried three weeks in the Dominion, and had to digest what a rather confused course of feeding offered it. While the farmers stated, what is a fact, that the classes of immigrants that can readily be absorbed were farm labourers, boys of 15 or 16 for the land, and women household helps especially for the country, and expressed their dissatisfaction with the nomination system, delegates from the Labour unions opposed immigration on a large scale on the ground that it would cause unemployment and that no houses were available. The Labour point of view was faithfully reflected by the expressions of opinion of Mr. Wignall, the Labour M.P. on the Delegation, on his arrival in Sydney, that the prospects of immigration to New Zealand were very gloomy, in short that there were no prospects at all. All the facts and the progress of immigration in the past prove this statement ridiculous. The fact is that the balance is held by the Government evenly between those who desire a large influx of immigrants for the development of our resources and the establishment of our industries on a big scale and those who, like the Labour unions, would restrict immigration to the

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narrowest limits. While the nomination system often excludes a good class of settler who has no friends or relations in the Dominion, at the same time it, in most cases, ensures employment for the nominated immigrant and a guarantee that he will not become a charge upon the state. New Zealand prefers a steady stream of British immigrants who are readily absorbed, as has been the case in past years, to a sudden influx of the surplus population of the Mother Country. In consequence, New Zealanders make no wild and misleading statements about the vast area of undeveloped lands awaiting settlement and the millions that it would carry. As Mr. Massey has pointed out, New Zealand expects to take 10,000 British immigrants a year from the United Kingdom, and that number under normal circumstances will be about the limit of our capacity. As times improve, however, and when the country has funds with which to extend its development activities on hydro-electric and irrigation schemes and the improvement of transport and communication facilities, we shall be able to absorb progressively considerable additions to our population. It is very unlikely that any big scheme of development will be adopted, like the Public Works policy of Sir Julius Vogel in the early 'seventies by which, in 1874, 32,000 and, in 1875, 20,000 assisted immigrants were attracted to our shores. The settlement of our land, the development of our industries, and the growth of our population will probably all be gradual.

New Zealand. December 18, 1923.



LABOUR AT THE HELM

THE Labour Government has now been in office for something more than three months. The period is too short for any final judgment either of the capacity or of the prospects of the present Administration, and the probable behaviour of Socialism in power, with a clear majority, is still matter for conjecture. But in spite of these obvious limitations there has been time for definite impressions to be formed of the personnel, the policy and the tactics of the Government. It has had to meet the test of Parliamentary criticism and to conduct business in the House in a minority; to take decisions and to declare its policy on important Imperial questions, such as Defence and India; to indicate its intentions in regard to domestic questions such as rents, housing and unemployment; to introduce its first Budget; to deal with a series of difficult and threatening industrial disputes. In these matters the Government has revealed the contrast between its strength and its weakness, its sincerity and its insincerity, its sense of responsibility and its preoccupation with party tactics, its ideals and its poverty of ideas. In foreign affairs, in particular the vital problem of European settlement, circumstances have permitted and indeed prescribed comparative inactivity, and the Government have been able to live with real if inconclusive credit on the atmosphere of formal general friendliness which the Prime Minister has created.

It is the object of this article to record the tendencies

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which Labour has exhibited during its first few months in office, to estimate the degree of its achievement and to indicate the nature of the problems, more especially in the field of foreign affairs, that it will have to face in the immediate future. The many questions which it will be necessary to review fall broadly into the three categories of Home, Imperial and Foreign Affairs, and this division will be followed. No account of these matters would be complete or even readily intelligible without frequent reference to the peculiar position of political parties in Great Britain. When no party can hold office except in a minority, it is inevitable that policy should be influenced at every turn by considerations of party tactics, and that tendency is likely to be accentuated when the Government is in office for the first time and is led by so skilful a political tactician as Mr. Ramsay MacDonald.

I. EMPIRE AND DOMESTIC POLICY

WHEN Mr. Asquith in December was defending his decision to vote for the Labour amendment to the Address, he said that if the experiment of a Labour Government was to be tried, it could hardly take place in conditions which contained less risk of revolutionary consequences. Experience has justified this confidence in the sense that the extreme features peculiar to the Labour programme, such as the capital levy and nationalisation, have receded into the background. The unregenerate, full-blooded Socialists in the party have responded, if at times reluctantly, yet on the whole loyally, to the exhortations of their leaders and have confined their native wildness for the most part to the constituencies. There they expound their convictions in terms such as those used by Mr. Maxton in Glasgow on May 4: "Politics was no game; it was a very definite, bitter class war, which could not be fought with kid gloves, because the common people

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were not to be raised until the wealthy and powerful were pulled down." As for the Government, neither the Prime Minister nor many of his colleagues are in any real sense revolutionaries or could reasonably have been suspected of underestimating the responsibilities of office. So all prophecies that the heavens would fall if Labour came in have so far been falsified. Indeed, the prophets overlooked not merely the obvious limitations referred to by Mr. Asquith of minority government, but also the possibility, which the Liberals themselves had not fully appreciated, that Labour might set its course with an eye to the electoral position. The minority, far from being lulled by the opiate of office into a careless indifference to its earlier ambitions, has shown an acute preoccupation with the question how it is to become a majority. Labour can attain independence if it wins over about half of the total Liberal vote in the country, and in no other way. It has not been restrained from making the attempt by any desire to co-operate cordially with Liberals in the present Parliament in the promotion of progressive causes.

The last few months have confirmed the impression that Mr. Ramsay MacDonald was the outstanding figure in his party, and for that reason it is impossible to ignore the significance of the extremely skilful and assiduous campaign which he has conducted on the platform, in after-dinner speeches and through the Press to prove that his Government is in the true succession. As he told the Independent Labour party in their annual conference at York, "the great thing they had to do was to impress on public opinion in this country as well as throughout the world that the Labour Government was not only a practicable thing, but that it was a good thing." With this object even the name of Socialist might well be allowed to be forgotten, "because after all there is a sort of bookish association about Socialism." Let the party be called Labour, "and then you have a heart and spirit that in some sort of mystical way associates yourself with the

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great simple godlike heart of the common people, with all its failures yet with all its divine potentialities and possibilities." With all the arts of eloquence the Prime Minister expounds the new idealism in politics. It is the spirit that matters, "work, faith, patience, honesty, facing of facts." He does not solicit, he takes for granted, wide outside support—"I am perfectly certain of this, that the great sentiment of Liberalism in the country must look upon our work with expectation and gratitude."

In the pursuit of the new supporter, the impressionable citizen breathing humanity and good-will, the old stalwarts must not be overlooked. Occasionally, as in the interview which appeared in the *New Leader* on April 11 and 18, Mr. MacDonald himself returns, for the benefit of the Socialist democracy, to the tones which it prefers. When asked for his view of the epidemic of industrial disputes, the Prime Minister expressed the opinion that "after the cruel way that wages have been reduced by a dominant profiteering class recklessly using its power, these troubles were inevitable." He also referred to the defeat of the Government on the Evictions Bill. In that measure the Minister of Health had supplemented two non-contentious clauses by a provision which would have enabled an unemployed tenant to live free of rent and rates without limit of time at the expense of his landlord. They were defeated in the end mainly as the result of an unfortunate speech by the Prime Minister himself. To the interviewer Mr. MacDonald complained of "the meaningless, factious attitude" of the other parties and of "pettifogging humbug," and hoped "that the friends of Labour were watching very carefully recent actions in the House of Commons and would see that the truth about Monday's discreditable performance is told."

But if there are two sides to the propaganda even of the Prime Minister, the voice of reason and moderation has on the whole prevailed in the actions and pronouncements of his Government; and it would be unfair to conclude

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that because there are sound electoral motives for orthodoxy the present Ministry is influenced by no other considerations. Opinion as to its views on Imperial questions is likely to turn mainly on the decisions as to Singapore and the Preference resolutions, but it will be unfortunate if other factors are left out of account. The provision for the Defence services remains practically at the level of last year's expenditure. The Air Force programme for Home Defence is unaltered. Five new cruisers and a number of destroyers are being put in hand, in spite of opposition both from Liberals and from the left wing of the Labour party. In its relations with India, and in particular in its attitude to the Swarajist demand for a round table conference, the Government has shown no sign of weakness. The Prime Minister, indeed, made it plain in an admirable message to India when he took office that "no party in Great Britain would be cowed by threats of force or policies designed to bring the government to a standstill." As regards the Dominions, the Government are taking steps to implement the resolutions of the Imperial Economic Conference other than those relating to the proposed Preferences.

It may be said that Singapore and the preferential duties are the only questions of Defence and economics in which the Dominions are at the moment keenly interested. We dealt at some length with the Preference resolution in the last number of *THE ROUND TABLE*,* and we still hope that when the matter comes before Parliament on a free vote that part at least of the offer made to the Dominions by the last British Government may be ratified, which relates to the increase of existing Preferences. We recognise that there are serious difficulties in expecting a Government mainly representative of the working classes, or indeed any Government coming into office after such an unmistakable verdict as that of last December, to impose new duties on the food of the poor at a time of acute trade

* *THE ROUND TABLE*, No. 54, March 1924, p. 233.

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depression. For that reason we have already expressed the view that the moral and constitutional obligation inherited by the Labour Government from its predecessors would have been met by an honest attempt, in consultation with the Dominions, to devise some alternative form of preferential treatment. So far as is known, no such attempt has been made, and the real case against the Government is not that duties here on canned salmon or dried fruits would mean the difference to the Dominions between prosperity and stagnation, but that after months of irritating delay it has nothing to offer except a cold negative. A more scrupulous regard to Dominion sentiment need not be inconsistent with moral gestures to humanity at large.

The question of Singapore in many ways presents greater difficulties. It affects the whole orientation of Imperial foreign policy, since no British Government could for long pursue one policy in the Pacific and another elsewhere. It concerns a sphere, Defence, in which the people of Great Britain are to an increasing extent conscious that they bear already an immense financial burden. There is no unanimity of opinion even amongst experts as to the need for and the value of a modern base in the Pacific. Different views are held by the Dominions, and even in the two Dominions primarily concerned, Australia and New Zealand, there is a considerable minority opposed to the project. In this country the two parties which now constitute a majority of the House of Commons, and since November 1922 have represented a majority of the electorate, have expressed their vehement dissent from the proposal since it was first mooted. In spite of criticisms, no estimate has ever been published of the ultimate cost of the base with the land force which would be needed to defend it.

In his powerful defence of the Government's decision, the Prime Minister made it clear that the construction of the base would be no breach even of the spirit of the Wash-

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ington Agreement. He founded his case on the argument that the world now had a breathing space of a few years in which to try and find some other way of maintaining peace than by preparing for war. If those efforts failed, the policy represented by Singapore would be revived. We believe that the people of Great Britain are prepared to look to new methods with hope rather than with confidence. They have no desire to leave either the Australasian Dominions or their own trade routes at the mercy of an enemy's fleet, but they are not convinced that the potential menace in the Pacific is in any sense comparable to that of 1906 in the North Sea, or that the risk of postponement for two or three years is too serious to be reasonably incurred. In view of the existence of this feeling, there is likely to be a strong demand in this country, whatever may be the developments in the next few months of the internal political situation, that the Prime Minister's policy should have a fair trial. The problems created for the Australasian Dominions by the Singapore decision are admittedly difficult, and it would, in our view, be disastrous if those Dominions, in a moment of anxiety and disappointment, concluded that they were thrown back on the resuscitation of local schemes or of a sectional policy in Defence. If the aim of seeking peace by agreement is to be pursued, it is essential that the Dominions should assert to the full their right to a voice in the application of that policy. After active cooperation on those lines, their position would be unassailable if the MacDonald policy should break down, and they would be able at the first clear indication of failure to reopen the whole question of defensive measures through the Imperial Conference. It is, perhaps, desirable to add that the political effect in the Pacific of the conditional postponement of the Singapore scheme is not yet apparent.

In domestic affairs, as in the larger concerns of the Empire, the new Government has shown little inclination to follow an extreme or wrecking policy. In certain directions it

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has gone further, by legislative proposals or administrative action, than either of the other parties on its own initiative would have been likely to advance. There is to be a small increase in the rates of unemployment benefit and an extension of the maximum period during which the benefit can be paid in any one year. Within the framework of existing legislation, more liberal provision and wider facilities for educational progress are being arranged. The Chancellor of the Exchequer has given a guarded and conditional promise to bring in proposals this year if possible for widows' pensions. But in regard to all these points, even the last, the ground has been carefully chosen, and no considerable section of the House is likely to show active opposition even to measures which it would have preferred for financial reasons to see postponed. Social Reform is now in every party programme. The Government has, it is true, made one or two brief excursions into the danger zone, and others appear to be contemplated. The Evictions Bill already mentioned was a glaring example, and the proposals in regard to agricultural wages, to which fuller reference is made elsewhere in this number, approach the region of undiluted Socialism. The Minister of Health, Mr. Wheatley, whose Parliamentary talents have won the reluctant admiration even of the majority which dislikes his opinions, has not yet announced the details of his housing policy. But if it is founded, as seems probable, on the proposals which he has elicited from the building trades, lively opposition may be anticipated. For many reasons, and for none more cogent than for its electoral dangers, all parties are anxious to find a solution of the housing problem. But if the State is to be committed to an expensive guarantee of prosperity to the building industry for a long period, it is entitled to insist on conditions which will secure that restrictions on output are removed and that less fortunate industries are protected from the disturbing injustice of a perpetuation of present wages inequalities.

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The housing policy which is ultimately adopted will have an important influence on future Budgets, and it is a fair criticism of Mr. Snowden's first budgetary proposals, which are set out in greater detail elsewhere, that they contain no obviously adequate provision to cover this and other expensive items of the immediate Labour programme. As the inheritor from a series of conservative predecessors of a surplus of £48,000,000, Mr. Snowden was in a position to make substantial remissions of taxation, direct or indirect, and from the point of view both of equity and of political sagacity he has exercised that right with eminent success. Whether he has had an equal regard to the position in a year's time is much more doubtful, and the possibility that a heavy deficit then may be met by a resort to some of the more predatory features of Socialist finance may on reflection suggest to the taxpayer a modification of his present transports. Indeed it has been suggested that what appears to be a rather reckless prodigality is the far-sighted and deliberate policy of a Chancellor who is concerned to find means not for avoiding a capital levy but for making it inevitable. In the eloquent expression of orthodox Gladstonian principles on the importance of maintaining the national credit and the necessity of debt redemption, the Chancellor's speech enhanced both his own reputation and that of the Government. Uncompromising adherence to Free Trade doctrine has ensured Liberal support and has probably for the time being effectively suppressed the growing Liberal revolt against the Labour policy of contemptuous hostility. To have killed so many birds with one speech is, at its lowest, a remarkable political achievement.

Apart from finance, doubts as to the course which Labour might pursue centred mainly in domestic matters round its industrial policy. There has been little, on the whole, to justify any special anxiety. Where strikes have taken place, the Government has done what it could to promote a settlement, and in the case of the London traffic workers it showed an adequate sense of its responsibility

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in the event of a complete interruption of an essential public service. There can be little doubt that the existence of a Labour Government has hastened the general movement, which originated in an improved economic position, to secure higher wages rates. But it is probably also true that the desire not to embarrass that Government has reinforced the comparative poverty of the trade unions as an influence making for settlement. Labour has this advantage in dealing with these disputes that it is familiar with the personalities and the technical case of the workers to a degree in which the older parties can rarely claim a knowledge of the employers' side. Although the natural tendency of a Labour Government in these circumstances will be to seek a compromise as favourable to the workers as possible, it is far from being true that a Conservative or Liberal Administration, from its position of greater theoretical detachment, will necessarily arrive at a solution more nearly consonant either with abstract justice or practical expediency. There can have been few strike settlements concluded directly under the intervention of a Government which have had a more far-reaching detrimental effect on industrial conditions than that made by Mr. Lloyd George at the time of the railway strike in 1919. Of the disputes or potential disputes of the last few months that in the mining industry appeared to be the most dangerous, and the course which it has taken not unfairly illustrates the above remarks. The Government's efforts have been directed chiefly to securing an industrial rather than a political settlement of the wages demand, and while a decision has not yet been reached it seems probable that they will be successful. Even if it be admitted that the Government had no other motive than that of party tactics for desiring to avoid legislation, it must be recognised that the miners have up to the present shown sufficient appreciation of the Government's position to suppress the policy of a legal minimum wage, which has extensive and active support in their own ranks.

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To sum up these scattered impressions, Labour in office under the limitations of minority government has shown itself anxious above all to demonstrate its fitness to govern, its full sense of responsibility, its essential moderation. This natural ambition has been indulged to the point where every action has to be interpreted in terms of political strategy. While there have been indiscretions and while proposals have been made which on a long view are questionable, the principal characteristic of this Administration has been neither grave blunders nor striking successes, but a certain failure of constructive imagination. That defect is evident in the cold formalism of the Labour attitude towards Imperial Preference. It appears again in the decision to repeal the McKenna duties at three months' notice—a decision which, whether it is to be interpreted as a bait to the Liberal party or a declaration of Free Trade convictions, can hardly fail to increase, temporarily at least, the volume of unemployment. It is possible to recognise the dangers and the unjust anomalies set up by a Protectionist outpost in a Free Trade system, and yet to be convinced that the only expedient and, if we may use the word, the only humane course would have been to abolish the duties by stages. The lack of constructive ideas in regard to unemployment is less open to comment, since there is by now general agreement as to the perplexing character of the problem. But the validity of that defence of the Government's inability, in Mr. Shaw's phrase, "to produce rabbits out of a hat," is likely to be contested so long as Labour claims a monopoly not merely of the solution but of the decent human attributes of sympathy and goodwill, or continues to seek support on the ground that its policy is in no sense revolutionary, instead of adhering to its original contention that the only remedy is Socialism.

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II. THE EUROPEAN PROBLEM

THE Prime Minister has not concealed his opinion that the principal tasks of the Labour Government lie in the field of foreign policy. He looks first to the settlement of Europe, and after that to an extension of agreements which will make further reduction of armaments feasible. For this preoccupation with foreign affairs there are many good reasons. The subject has always had a special interest for Mr. MacDonald himself. He has been a great traveller and a prominent figure on the international side of the Labour movement, and it is natural that a knowledge of personalities and problems in Europe acquired over a lifetime should now direct his thoughts mainly into the sphere of foreign affairs. Personal inclination is doubtless reinforced by other considerations. It has become a commonplace that there can be no adequate remedy for the most serious of our domestic problems, unemployment, until peace is restored to Europe and the world. It is obvious, too, that the successful negotiation of outstanding foreign questions such as reparations would immensely enhance the prestige and improve the electoral prospects of the Labour party.

Whatever may be the limitations on freedom of action imposed in domestic matters by government through a minority, they scarcely apply at the present time to the conduct of foreign affairs. There is substantial agreement amongst all parties as to the proper objects of British policy, and it is unlikely that any difference in methods will give rise to obstructive or captious criticism. Labour, it is true, claims that in this as in everything else a new epoch dates from its entry into office. Even Mr. MacDonald falls a victim to the exaggeration. "That [a new world war]," he tells the *New Leader*, "was the condition of things which was being created up till when we took

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office—perhaps not always created consciously, but created as a matter of evolutionary inevitability." In fact the new methods and the new régime have not yet been seriously tested. The Prime Minister has utilized an interval between the acts to cultivate more cordial relations with his fellow players. But that is all. We can all subscribe to the view that "a new spirit in Governments" is what is required; we can agree that the vision of a chain of democracies encircling the world and maintaining peace by the sheer power of their will to friendship is a noble ideal. But it is idle to shut our eyes to the fact that the more Governments change the more they seem to be the same, or to forget that the world at the moment is witnessing not a universal extension of democracy, but a marked tendency to react against it. The Prime Minister himself, indeed, is not unmindful of the real obstacles to his policy, and he has already confessed that the process of introducing reason and confidence into international relations is "terribly slow."

Possibly this admission has been suggested by the course of the Russian negotiations. Recognition was a simple matter. It was a step to which the Labour party was deeply committed, and there is, on the face of it, much to be said for the view that no conference between Governments is likely to lead anywhere as long as one of the parties is ostentatiously treated as an outlaw. But recognition in itself has settled nothing, and it is the discussions that are now taking place in London which will determine whether normal political and commercial intercourse between the British Empire and the new Russia is practicable or not. Those discussions will clearly be protracted, but in that respect there is little distinction between Soviet Russia and the régime which it preceded. It is not this that destroys confidence in the negotiations, but the absence of any sign that the Russian Government recognizes the elementary conditions which must be met before financial help for Russia can be obtained. The statement of those

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conditions published by representatives of all the leading financial interests in the City of London has been rejected unequivocally by M. Rakovsky, the head of the present delegation. A chorus of embittered diatribes against the Labour Government and Mr. MacDonald has been led from Moscow by Trotzky and Zinovieff with such vehemence that it is not unreasonable to infer that the Russians regard the conference primarily as a useful opportunity for propaganda. After all this a tolerable agreement with Russia would indeed be an unexpected success for Mr. MacDonald.

Of more importance is the settlement with Germany. In the reports of the Dawes and McKenna Committees, Europe is offered the chance of a fresh start. For the first time the problem of reparations has been exhaustively considered by a representative body of business men whose impartiality can not be called in question. While Germany was not directly represented on either Committee, the views of the German Government and of German financial authorities were heard at length, and it is probably true to say that neither report could have appeared in its present form if it had not been for the information and assistance given by Germany. In these conditions the publication of conclusions come to unanimously by representatives of the United States, Great Britain, France, Italy and Belgium clearly introduces a new and vital factor into the controversy; and the Reparations Commission recognized the importance of the occasion by announcing without delay its acceptance of the reports, and more particularly of the elaborate scheme prepared by the Dawes Committee. It will be convenient to give here a brief summary of the conclusions and proposals contained in the two reports.

In the first place the enquiry has established certain broad and fundamental principles which must be taken into account if any progress is to be made. They are principles which are not unfamiliar to readers of THE

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ROUND TABLE. The first is that the resumption and continuance of reparation payments presuppose a stable currency and a balanced budget in Germany. There must be a breathing space which will allow of the rehabilitation to that extent of German public finance. The second is that neither a stable currency nor a balanced Budget can be maintained for any length of time unless the financial and economic unity of the Reich is restored. In other words, the methods which have been employed in the Ruhr and the Rhineland—interference in industry and in public services, the railway régime, the arbitrary erection of customs barriers—can in the long run only destroy the prospect of reparations receipts. The third principle, in the words of the Dawes Committee, is “that it is hopeless to build any constructive scheme unless this finds its own guarantee in the fact that it is to the interest of all the parties to carry it out in good faith.” To begin at the other end, with the assumption that Germany’s “bad faith” is incurable, is only another way of saying that the problem of obtaining reparations is insoluble. The fourth principle (we quote the McKenna Committee, which estimates German capital abroad to be about £350,000,000, or one-fourth of the amount at the outbreak of war in 1914) is that “the only way to prevent the exodus of capital from Germany and to encourage its return is to eradicate the cause of the outward movement. Inflation must be permanently stopped.”

With these principles in mind the Dawes Committee first proposes the establishment of a new Central Bank of Issue, which will be free of Government control and will issue notes on a basis stable in relation to gold. The Bank will have a monopoly of the right of issue for 50 years and its capital will be £20 million. The President and Managing Board will be German, but there will also be a General Board, of which half the members, including a Commissioner, will be foreign, drawn from Allied and Neutral countries. The statutes are so drafted that

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cooperation by members of both the German and the foreign groups on the Bank directorate is necessary for action. The Committee then proceed, on the assumption that there will be a stable currency, to examine in detail the German budgetary position for each of the next five years. They seek to determine what sum Germany can provide in her own currency in each of those years, either by taxation or in other ways, to meet her external Treaty obligations. The underlying principle of their calculations is that the German people and German industries ought to meet a new debt charge, in place of the internal Government debt, and the loan charge on industry, both of which have been wiped out by inflation; and that this new debt must impose a burden on the German taxpayer and German industry commensurate with the burden borne by the taxpayers and the industries of Allied countries. Over and above this, provision is made, by means of a composite index of prosperity, for the creditors of Germany to share in any unforeseen improvement in the German financial and economic position.

It is proposed that the German railways, as an important potential source of revenue, should pass from direct State ownership into the control of a company in which the German Government owns all the common stock. Their capital value is estimated at 26 milliards of gold marks, and the annual profit before the war, after liberal contributions for maintenance, was 1 milliard, of which one half was required to meet debt charges now eliminated by the currency depreciation. The Committee therefore propose that the new railway company should issue to the Reparations Commission first mortgage bonds for 13 milliards, carrying interest at 5 per cent. and a 1 per cent. sinking fund. The present transport tax, which is equivalent to about 6 per cent. of the gross railway receipts, will continue and will be assigned for reparations purposes. On the general industries of Germany, it is proposed that a first mortgage debenture of 5 milliards should be raised, with

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interest and sinking fund at the same rates as for the railway bonds. The normal sources of reparation payments would then be taxation, interest on railway bonds, the transport tax and the interest on industrial debentures. For the next five years the total payments required (and the Committee are careful to point out that their estimates include under one total all forms of reparation payments, whether cash or kind, costs of the armies of occupation, clearing house debts or any other miscellaneous item) are as follows :—

	Millions of gold marks		Millions of gold marks
1924-25	1,000	1927-28	1,750
1925-26	1,220	1928-29 (the normal year)	2,500
1926-27	1,200		

Up to this point the Committee have been dealing entirely with payments in gold marks to the agent in Germany of the Reparations Commission; in other words, they have been assessing in its widest sense the taxable capacity of Germany in its own currency. It depends on the balance of German trade whether these sums in gold marks can be converted into francs or sterling without destroying the exchange value of the mark. The prospects of the exchange operation are at present incalculable, and for that reason the Committee decided not to fall into the error committed by so many of their predecessors of fixing the annual payment due from Germany on too high a level, nor yet to proceed to the opposite extreme of fixing an amount too low to satisfy the claims of justice. Instead they provided in the form of an inter-Allied transfer committee, with its seat in Berlin, machinery for adjusting the conversion of mark receipts to the possibilities of the exchange position at any moment. If, through inability to convert without danger to the currency, as much as 5 milliards has accumulated in gold marks, the mark payments due from the Budget in the subsequent period will be correspondingly reduced. This is the most novel feature of the scheme;

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it is also, perhaps, the one which must raise the most doubt as to its possible effects.

As collateral security for the payments to be made by Germany, the Committee propose that the revenues from customs duties and the taxes on alcohol, tobacco, beer and sugar should pass to an impartial authority, and that only the balance after meeting the reparations charge should be paid to the German Government for its own purposes. Finally, the scheme is based on the raising of a foreign loan by Germany for the equivalent of £40,000,000 in the present year. That sum is required to constitute the gold reserve behind the new note issue, that is, to ensure currency stability, but it will also be available for financing expenditure in Germany during the year on reparations account—for example, deliveries in kind or the costs of the armies of occupation.

It is obvious that any scheme so complicated and far-reaching as that which we have just outlined is open to criticism in detail. Yet little has been heard of adverse comment, for the reason that the Committee had the courage and the honesty to draw a clear distinction between what can be known with reasonable certainty now and what can only be determined by practical demonstration or trial and error. It is the proposals falling in the latter category which are most exposed to criticism, and yet at the same time least vulnerable. The Committee claim for them only that they are worth a trial in the absence of any reliable alternative. On many doubtful points the scheme includes its own correctives. It is explicitly put forward as an indivisible whole, and the Committee wisely take no responsibility for the results of adopting certain recommendations and rejecting others, or of undue delay in putting the plan into execution, or of attempts to avoid the complete restoration of Germany's economic sovereignty.

If we pass on to consider what are the prospects of the early adoption of the Dawes plan, we have to examine not

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merely the known views of the Governments concerned and the state of public opinion behind them, but the significance of those aspects of the reparations problem which are not covered by the Committee's recommendations. There is indeed far less likelihood of Allied differences on the positive proposals of the report than on the questions which the Committee rightly decided to be outside their terms of reference. What are those questions? In the first place no attempt was made to fix the total of the German reparations debt, or rather to revise or even to express any opinion on the total of 132 milliards of gold marks fixed in 1921 by the Reparations Commission. A normal annual payment in gold marks is indicated, as we have seen; also the possibility of an increased payment in the event of unforeseen prosperity, or a reduced payment if that is necessary to maintain the German exchange at or near par. But there is nothing to show for how many years these payments are to continue, and until the maximum demand on Germany is determined it is difficult to see how the German people can know the extent of the burden they are asked to assume or the Allied nations what on the most favourable hypothesis they are to receive. At the moment it is not even clear that increased payments by reason of the operation of the index of German prosperity will hasten the amortisation of the debt. We should wish to emphasise that we are in no sense criticising the Committee, and indeed we recognise that they were wise in their decision to leave this question alone. We are concerned only to point out that the Allied Governments will have to grasp this particular nettle in the negotiations arising out of the report.

The total of the German debt is bound up with other financial arrangements as between the Allies. How are receipts from Germany to be divided? Are the percentages fixed at Spa to be adhered to? What is to be done with the revenues received, or perhaps we should say with the expenditure incurred, by France and Belgium in the course

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of those operations in the Ruhr and the Rhineland which Great Britain has always maintained to be contrary to the Treaty? More important still, there is the question of inter-Allied debts. To that France, and even more Italy, the principal debtor nations, attach great importance. Can it in practice be divorced from the other question of reparations? If not, what is to be the arrangement? Is there any hopeful line of approach to a settlement of inter-Allied debts unless the United States are an active party to the negotiations? Is there any reasonable prospect, in the year of a Presidential election, of fruitful American participation? We have no wish to appear to exaggerate the difficulties in the way of a settlement, but it would be foolish to overlook them.

Finally, there are the problems of a political rather than a financial nature. The Dawes Committee more than once in the clearest terms postulates the financial and economic sovereignty of the German Government throughout the Reich. This implies a complete change in French methods in the Occupied Territories. What is to become of the military occupation of the Ruhr? If it continues, can it be expected to become and remain invisible, or as a purely military problem can the safety of the French force in the Ruhr be guaranteed without such control of its communications as would interfere with the proposed independent administration of the German railways? Even if those doubts could be swept away, could Great Britain assent to the continuance of an occupation not provided for by the Treaty, unless Germany voluntarily agreed to this invasion of her rights? Is any such agreement likely? On the other hand, can France be induced to withdraw her troops as well as her engineers from the Ruhr, and, if so, on what terms? There remains the thorny question of sanctions in the event of a future German default. The Committee provides for all possible financial and economic safeguards that their scheme will be carried out, but they rightly leave the decision as to

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political sanctions to the Allied Governments. If we assume that the Allies could agree on the nature of the measures to be taken if Germany defaulted—reoccupation of the Ruhr, an economic blockade, or whatever it might be—is it possible to define in advance what constitutes default in the carrying out of a scheme so intricate as that of the Committee, or to ensure that no punitive action shall be taken except by the Allies as a whole? Without such a definition and such an assurance, is the conception of sanctions consonant with the immediate raising of a large German loan in the international market; will the foreign investor lend his money to a country which is liable at any time in the future to a repetition of the experience of the last two years? On the other hand, is it safe or practicable to renounce in advance all idea of penalties for default, and even if it were, can French opinion be persuaded to make that sacrifice?

We have said enough to make it clear that the negotiations into which Mr. MacDonald is about to enter are full of pitfalls. The ground which has been partially cleared by the Experts' Report is still encumbered with the most formidable obstacles. His principal difficulty may well be that the other European Allies, France and Italy more especially, will endeavour as the price of a tolerable settlement to drive a financial bargain which, in the absence of more active cooperation by the United States than there seems any reason to hope for, the public opinion of this country would be in no mood to accept. At the time of writing, May 12, the attitude both of France and Germany can only be surmised. Both countries, as the result of their general elections, appear to be faced with a change of government. In Germany we have seen a swing to the Right less pronounced and decisive than had been feared, in France a reaction against M. Poincaré far more complete than the most enthusiastic prophets of radicalism here or in France had anticipated. It is still uncertain whether the German Nationalists will have any part in the new

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government, or whether in office or in opposition they will be prepared to modify their declared policy to the extent of confirming Dr. Marx's acceptance of the Dawes scheme and providing the two-thirds majority necessary to give effect to the constitutional changes which it presupposes. In the interests of a settlement Nationalist adherence is extremely important, and indeed it is doubtful whether there can in the long run be any effective guarantee that Germany will loyally carry out the scheme, unless a party which represents, and probably permanently represents, so large and influential a section of the German people is committed to the support of it. If declarations made before the election are to be decisive, that support will be refused. But against any such rigidity there is the strong and growing pressure of business opinion throughout Germany. The precarious stability brought about by the Rentenmark may end in economic chaos at any moment. The delay and uncertainty of the last few weeks have already brought signs of a severe commercial crisis, and the vast majority of those who control German industry and finance are convinced that the acceptance and the working of the Dawes scheme offer the only remaining chance of a revival of German prosperity. The prospect that sane views will prevail in Germany over the confusion and the commitments of party politics is by no means hopeless.

In many ways the French situation is more obscure. That there has been a revolt against M. Poincaré is now obvious, but as yet there is no means of knowing whether that repudiation extends to his foreign policy or is brought about, in despite of his attitude to Germany, by those domestic conditions—financial pressure and high cost of living—which are not necessarily traced in the popular mind to their real causes in the sphere of foreign affairs. Certainly the leaders, such as M. Briand and M. Herriot, of what are now the majority parties have shown little eagerness during the election campaign to confront M. Poincaré on his own ground or with any vigour to attack

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his policy in the Ruhr and the Rhineland. That may have been due to their substantial agreement with that policy, or, what is more probable, to a prudent caution until the electors had voted and to the tactical choice, for the purpose of influencing those votes, of the more certainly vulnerable features of the Government's record. Time alone can show whether this election has brought to power leaders with the vision and the courage necessary to carry French opinion in the not inconsiderable concessions which will be required for a settlement. But however sincerely we may admire the strength of M. Poincaré's convictions and the courage with which he has fought for them, it is impossible not to feel that his defeat removes, even though it may only be temporarily, the most dangerous obstacle to a genuine European peace.

SOCIALISM AND UNEMPLOYMENT

I

IS Great Britain solving the economic problem by which she has been confronted since the war? In some ways, judging by such tests as a stable currency, a sound exchange, and a balanced budget, the answer might be, Yes. But judging by other tests, such as the figures for unemployment, or the capacity to sell her products in the competitive markets of a normal world, or a progressive rise in the general standard of living, the answer is almost certainly, No. Over a million workers are still unemployed, which means that about a tenth of the inhabitants of Great Britain are unable to earn a livelihood for themselves. Exports are still, in volume, only about 75 per cent. of the figures of 1913. Great numbers of her working people, especially in agriculture and the exporting trades, are still living below the real standards of 1913. Certainly from this point of view Britain's problem is not being solved.

Moreover, mere recovery is not enough. We need progress. We need it in two directions. We need greatly increased expenditure on "nation building" services, such as education, housing, town planning, and works of development of every sort and kind. We need, too, to see our way to a progressively rising standard of living for the immense mass of the working community. People are no longer content with the prospect of ending human life in the same limited circumstances as they began it. They demand, and rightly demand, that they should have the opportunity of leading a wider and an ampler life than

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their forbears, with a material foundation which will assure them and their children, in return for honest labour, at least decent housing, plenty of clothing, and an income adequate to provide holidays, recreation, and to make possible the cultivation of the things of the mind and spirit. Yet this nation building and a higher standard of living are only possible if national prosperity not only returns to the level of 1913, but goes far beyond it.

It has been a common assumption since the slump of 1921 that British economic troubles have been due to the dislocation of European markets by the war. There is undoubtedly much truth in that view. The condition of Europe and of the exchanges was certainly enough to explain temporary bad times. But it is doubtful if it is enough to explain the economic state in which Great Britain finds herself nearly six years after the armistice was signed. Supposing an all round settlement, would the reopening of the Central European and Russian markets, coupled as it would be with the revival of German, Italian and American competition, diminish unemployment and bad times at home? Would it lower the burden of taxation, or provide the means whereby the "nation building" services would be financed? Would it enable us to absorb the 140,000 additional workers who come into the market seeking employment every year? Would it enable us to get rid of that margin of unemployment which afflicted us even before the war? If not, we are living in a fool's paradise.

Let us look at some instances. In an article appearing in the *Fortnightly Review* for April, Mr. Robert Crozier Long, who has long been resident in Berlin, points out that, excluding reparations charges, the German budget of to-day is only about £250,000,000* per annum compared with a British budget of £785,000,000; that skilled wages in Germany are only 73·6 per cent. and unskilled wages

* This also excludes other Peace Treaty liabilities.

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88 per cent. of the wages of 1913; and that the hours of work have in many trades been raised from 8 to 10. The greater the reparation charge to be placed on Germany the more fiercely must she compete for foreign markets. Does the re-establishment of normal conditions in Europe, therefore, point to a greatly improved competitive position for Great Britain in the markets of the world?

Not only is Germany a competitor once more. Italy and the United States, to say nothing of reorganised France, Belgium and Japan, are newcomers in the field. The Fascist revolution, whatever we may think of its political aspects, has placed Italy once more upon the economic map. Whereas two years ago Italy was nearly bankrupt, unemployment was rife, food was scarce, to-day her budget is practically balanced, there is no unemployment, prosperity shines on the land, and Italian products are making headway all over the world. The United States, too, is entering the markets of the outside world. Despite the highest wages and short hours, American motor cars practically dominate the world market to-day. In all types they compete successfully with British cars in Great Britain herself. After paying freight, the difference in exchange, and a duty of 33 per cent. two American cars, the Ford and the Durant, undersell every British made car in the British market. And French, Italian, German and Belgian cars also compete successfully, despite the tariff. Great Britain sells practically no cars overseas except luxury cars. She is no longer a competitor in utility motor cars in the markets of the world.

Do these facts support the universal but blind expectation that a restoration of world peace will automatically mean a restoration of British prosperity? Or do they point to continued depression of British industry, and perhaps an increase in unemployment, as the full force of economic competition comes into play?

No one can predict the answer with confidence. But in any case, the point of view which waits on other nations to

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give us prosperity is essentially unsound. We have it within our own power to save ourselves if we set about it in the right way. We have, in the Empire, all the resources we need; we have the skill, the enterprise, the energy, the capital to give profitable employment to all, if we would use them properly. What then is it which hinders our recovery?

II

BEFORE considering the answer, let us consider exactly what is the economic process by which the community lives. So many fallacies arise from considering only one aspect of industry, the worker's side, or the capitalist's side, or the consumer's side, that it is essential to get clear about the process itself, for the most apparently complicated and international organisation in the world is simply the application on a larger scale of exactly the same laws which govern the simplest and the smallest business. Every community has to live by industry. It cannot live on politics, or oratory, or nationalisation, or doles, or resolutions. It cannot live, save for a very short while, on its capital. The total capital value of the property of Britain is only seven times the value of its annual production. In order to live it has to consume some seven-eighths of its annual output. Only an eighth is saved. A nation can only live by the fruits it can elicit from the soil and the commodities it can manufacture from the minerals and other products of the earth. The standard of its living is determined by its success in these operations and by nothing else.

What is the process by which it converts the treasures of the earth to its own use? It is the combination of three fundamental elements, labour, direction, and capital. Sometimes these may be almost represented by one man, for instance, a lonely fisherman who lives by the boat and the fishing rod, and in the house and on the accumulations he has himself made. But normally the functions are

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divided, from the simple division of labour between a settler and his family in a new and empty land, up to the many-sided activities of a modern industrial trust. In the case of the family, the land must be there, the health and energy of its members must be there, the knowledge of farming and the skill in organising the energies of every individual most effectively in the house and outside must be there, and the capital necessary, if not to buy the farm, at least to secure agricultural tools and the food and clothing necessary to support the family until the harvest is reaped, must also be there. In the case of the great company, raw material must be available, production, distribution and salesmanship must be always up to date and highly organised, and capital must be available from the savings of the community, or its own profits, to improve plant and experiment continuously with new and better processes.

It is just the same with the industry of a nation. By the same fundamental process as the individual, and this process alone, successfully executed, can a nation live. If the natural resources are ample, if labour is energetic, direction enterprising and intelligent, savings abundant, then the standard of living of the community will be high. If they are the reverse, if natural resources are poor, labour inefficient, direction unenterprising and slow moving, savings inadequate, then the standard of living will be low. There is no alternative way. That is the law.

There are, however, two other elements to be taken into account. On the one hand, no nation can produce all its own needs. Every nation, even the United States and France, the two most self-contained countries in the world, has to purchase from abroad certain raw materials, or certain food stuffs, or certain special products, which it does not or cannot produce for itself. It has to do so by buying them from other countries in exchange for such of its own products as are valuable to them. In the case of Great Britain this condition is exceptionally exaggerated. Because Great Britain is a small island containing some

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43,000,000 people she is only able to produce about a third of the food and less than half the raw materials which she needs. In order to pay for these she has to export great quantities of manufactured articles or render services, such as shipping, and she has to do so in competition with the whole world. Great Britain, therefore, can only live by successful competition in the markets of the world. If Great Britain had within her own boundaries the land and varied resources with which to produce all that she needed, she could erect a sort of ring fence round herself, and the fluctuations of world conditions and world prices would not affect her very much. No doubt she can increase her own production of food and raw materials. But in the nature of things there must always be an enormous margin which she must import from outside. Great Britain, therefore, can only prosper, indeed, can only live, by making articles of such quality and utility, and at such a price, that the producers of food and raw materials abroad will prefer to exchange their products for British manufactures in preference to the manufactures of any other country, up to the amount of those products which Britain requires. Efficiency, therefore, is peculiarly necessary to Great Britain, efficiency in labour, efficiency in invention and direction and organisation, efficiency in saving the capital without which saleable products cannot be placed continuously upon the competitive markets of the world.

On the other hand, many nations are dependent on other nations for primary resources. They lack the land, or the minerals, or some materials necessary to the standard of living they aspire to maintain, and therefore have to rely upon being able to purchase what they need from abroad. In this respect Great Britain is favourably placed. In the overseas possessions which she administers she has the greatest estate in the world, and while she cannot for many reasons enclose it within a tariff wall for her own purposes, she can never be excluded from the products of its soil, and she has the primary control of the manner in which its

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resources can be developed. If no other way is open to her, she can by developing those resources obtain from under the Union Jack all the food, all the minerals, all the tropical products which she needs, without interference by foreign imposed tariffs or obstructions.

What then is the cure for the economic ills of Great Britain to-day? How is she to produce the prosperity which will give all her people full employment at good wages, pay for her new plans of nation building, raise continuously the standard of living of the whole population, and distribute the burden of her taxation over such an expansion of wealth as will reduce the burden on each individual to reasonable proportions?

There is only one way, and that is for her people to produce commodities or render services of such quality, and at such a price that the outside world will take them in preference to those of other nations, up to the amount which will pay for the food and raw materials which she must import to maintain the standard of life desired by the British people themselves.

It makes no difference in the long run whether the industries of Great Britain find their chief markets in a restored Europe, or through the development of the still undeveloped estate of the British Commonwealth. Whether she has to sell ships, or clothing, or engineering products to the nations of Europe, or whether she invests great sums in the development of Africa or other backward territories so that new markets will appear for railway material or for those articles, such as blankets or bicycles, which the native population, beginning to earn good wages for the first time, is able to buy, the fundamental necessity is the same. The ships, the clothing, the engineering products, the railway material, the blankets or the bicycles, must be better and cheaper than those obtainable from elsewhere, up to the amount which will purchase the food, raw materials and so forth necessary to the standard of living which the British people desire.

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Individuals or classes may have a preference for individualism or socialism, for private enterprise or nationalisation, for protection or free trade, but one and all of these panaceas will have to stand or fall by their success or failure in helping Britain to satisfy what the world demands in competition with other producers. We may deplore the necessity. We may wish we were living in another kind of world. But the central fact remains that nations, like individuals, can only live by the efficiency and success with which they serve the world's needs. That is the law. It is also the teaching of the Golden Rule.

III

WHAT then is the matter with Great Britain that six years after the armistice she should see no early solution of her unemployment problem, still less any prospect of rapidly improving the standard of living of the people, or expanding her expenditure on education and national development? What is the matter is that the main dynamo of national wealth production is running inefficiently. Great Britain to-day is not producing the things which the world wants of a quality and at a price which it will take in a competitive market, and she is not increasing the markets in her own imperial estate by spending the capital necessary to develop it. That is all that is the matter. If Great Britain was producing the best and most useful and cheapest products in the world, in the lines in which she specialises, and was saving the capital necessary for development, her people would be fully employed at high and increasing wages. Mr. Henry Ford sells 2,000,000 cars a year and pays the highest wages in the world, because he makes a product which humanity cannot do without and at a price it can afford to pay. If Great Britain had enough Henry Fords and the gumption to use them properly her problem would be solved.

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Why then is she not successful? Obviously it is because her labour is not sufficiently efficient, because the enterprise of the directors of industry and their use of scientific developments are inadequate, and the use she makes of her savings is ill-directed. These defects are no doubt in large measure due to the weakness of human nature. But in the British case the natural frailties of human nature are not the main cause of her troubles, because they are common to all her competitors. The main cause is another and a more easily removed cause, industrial strife. British industry is not as successful as it ought to be, the main dynamo of national production, on which all hopes of betterment depend, is not functioning as it should, because the British people are not doing anything like what they are capable of, because of the state of war in industry itself.

There are, of course, many contributory causes to present day industrial strife. There are inefficient employers and bad workmen. There are price rings and trade union rings. There is profiteering and dishonest company promoting, extravagance on luxury and "ca' canny." There are antiquated methods and autocratic management. There are vested interests of every sort and kind. But none of these are the root difficulty to-day. What has principally been the matter is not friction arising from attempts to put right abuses in the industrial system, but war which springs from a widespread desire to destroy the present industrial system and to substitute something else in its place. In the last century the principal evils of industrialism arose from the dominance of the *laissez faire* doctrines of the Manchester school, which sought to justify child labour, inhumanly long hours, and appalling working conditions on the ground that only by giving full rein to unrestricted capitalism could the nation find food and employment at all. Gradually, thanks to the activities of philanthropists like Lord Shaftesbury, and to the long and heroic struggle to organise trade unions and to establish the right to collective bargaining, the

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worst evils of the early industrial era have been abolished, and a better and more equitable distribution of the proceeds of industry between capital and labour has been achieved.

To-day, however, the principal evils of industrialism arise from the dominance of another body of doctrine—the dogmas of Socialism, especially in its Marxian form. What makes for national industrial inefficiency more than anything else to-day is the belief, vehemently held by large numbers of the younger trade union leaders, and recently officially adopted by the Trade Union Congress and the Labour party, that the individualist, or so called capitalist system, is in itself fundamentally wrong, that it is the cause of unemployment, low wages and industrial strife, and that the only way of improving the lot of the workers is its overthrow in favour of some form of socialised production, distribution and exchange. A great part of the energies of the leaders of labour to-day, therefore, are directed not towards making the industrial machinery of the nation function more efficiently, or finding a solution for its admitted defects, but to increasing the impediments to efficiency, in order to discredit it and thereby persuade the community that the individualist system is a failure and that they had better substitute some Socialist system in its place.

Now, if the Socialist vision is true, the sooner it can be brought about the better. For we shall never solve our problems under an individualist system which is constantly and deliberately prevented from working efficiently. But if the Socialist vision is a delusion, the sooner it is exposed the better, for then all classes can begin whole heartedly to think out how the evils of modern industrialism can be removed without attempting to smash up the system itself. Let us, therefore, examine whether or not Socialism will hold water as the solution of the industrial problems of our times.

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IV

FUNDAMENTALLY, the Socialist creed rests upon the idea that capitalism involves, by its very nature, the "exploitation" of the poor by the rich, of the wage-earner by the capitalist, of the proletariat by the bourgeois. Though the Socialist movement is divided into many different schools of thought, from those who believe in universal nationalisation, to the syndicalists and guild Socialists, they are united by one fundamental conviction, the conviction that under the existing system the mass of every community—the proletariat—are being exploited by those fortunate private individuals who own the land, and are therefore able to charge rent to their neighbours for the use of it, or who own capital in the shape of factories, or houses, or spare cash, and can therefore force the vast majority of their less fortunate fellows to come to them for employment, and to work, under their direction and on their terms, to produce yet more wealth for their employers. The root idea is described by Mr. Ramsay MacDonald in his analysis of Karl Marx's *Iron Law of Wages*, as follows.*

Capital (he says) possesses itself of the surplus product, and so, relatively, the rich become more and more able to exploit, and labour less and less able to defend itself against exploitation.

It is impossible in this article to give any full account of the vast mass of argumentation and economic diagnosis, with which the Socialist theory is supported, from those who regard the capitalist as a kind of ogre bent on driving the worker down in the scale of living so that he may take more profits for himself, to those who sympathise with the capitalist no less than the worker, because both are

* *Socialism, Critical and Constructive*, p. 51.

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imprisoned in a false system which drives the one to tyranny and exaction and the other to slavery and poverty. Starting, however, from this conception of exploitation, every Socialist is driven to the conclusion that the individualist system is, in its very nature, essentially anti-social and immoral. Socialists believe the capitalist system inevitably produces large masses of poverty-stricken slum dwellers—wage slaves—at one end of the scale, and autocratic millionaires and idle rich who "live by owning" the means of production, distribution and exchange whereby the community lives, at the other. They believe that under the capitalist system there is an inherent and inescapable conflict of interest between capital and labour, employer and employed, for the division of the proceeds of industry—the class war—in which the worker is always getting the worst of the bargain. They believe that to the acquisitive profiteering competition of the individualist system are due trade cycles, unemployment, and the fierceness of commercial rivalry, which they regard in turn as the main cause of international suspicion and hatred, imperialism and war.

Such is the Socialists' view of the true nature of capitalism. Their view of the remedy is simple and clear. They propose as the obvious corrective that all productive enterprise should be socialised, or brought in some way under the control of the State, municipalities, or elected bodies of some kind, so that every economic activity should be conducted in the social interest and not for the profit of private owners of property. And they believe that when industry is so socialised unemployment will vanish, the present day glaring disparity between rich and poor, idle and overworked, will disappear; that such anomalies as, that there should be unemployment in a country at the same time as a shortage of the boots or clothes that the unemployed can produce, will cease to be; that every man or woman will have the opportunity and indeed the duty of working at an ample wage in producing what the com-

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munity needs; and that class war will end, social equality and harmony will reign, and world peace will appear.

Few British Socialists think that this transformation can be achieved at a single stroke, or even rapidly. Taught perhaps by the lessons of the Russian revolution, they believe that the process must be accomplished step by step, beginning with such measures as the nationalisation of the railways and the mines. But the social management of the means of production, distribution and exchange is the goal at which every Socialist aims.

Now, if it is true that private enterprise, or capitalism, is in fact the cause of all the evils attributed to it by Socialists, it ought to be abolished at once, as being nothing but a system of monstrous slavery and extortion. But is it? And if Socialism, as a system, will abolish these evils and produce a higher, or indeed as high, a standard of living as capitalism, then it ought to be adopted at once. But will it? Those are the real questions, and on the true answer to them will the future of Socialism versus individualism depend.

Is the capitalist an exploiter? We have seen that the only condition upon which people can live in our modern highly developed civilisation is by making things which their neighbours are willing to exchange for the products of their own labour. There is no other way. Can labour by itself, or through trade unions, make these things without the introduction of the capitalist in the shape both of the employer or the owner of savings? Can the State or public authorities manufacture them as well and as cheaply as privately organised businesses? If labour cannot produce for the market by and for itself, then the employer, or the capitalist, is not an exploiter, but one who renders to labour an indispensable service without which it cannot live. If public bodies cannot manufacture for the markets of the world as efficiently as the private employer, then the private employer is, in his essential nature, a benefactor and not an

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exploiter, and to substitute public ownership must end in lower wages and increasing unemployment.

There is really no doubt as to the answer to these questions, even among fair-minded Socialists themselves. Every sane person will admit that at present, while the co-operative movement has been a great success within its own sphere, the great mass of labour is still unable to organise itself successfully for production. Some day it may do so. But to-day apparently neither groups of workers, such as building guilds, nor trade unions seem able to produce with any efficiency except on a very small scale. Overwhelming experience also shows that, save in cases where monopoly conditions exist, State or municipal ownership is not as adaptable or as progressive or as efficient as private enterprise. That question was settled once for all in the war. Yet, if these facts are true, and to-day they are true, the fundamental Socialist case against capitalism and private enterprise falls to the ground. For the capitalist is the person who enables the community to do what it cannot do for itself, produce what the world needs in a form and at a price which will enable it to buy and sell in a competitive market. And as we have seen, unless the community can do that it will progressively languish and starve.

Under present-day conditions, therefore, to talk about the employer or the capitalist as exploiters is sheer nonsense. It is the result of a wrong interpretation of economic phenomena. Without them, labour would die, because it is not able by itself to make the motions necessary to produce a livelihood. When the Italian operatives seized the factories three years ago, within a short time they handed them back voluntarily to their owners, because they found that they could not work them with sufficient efficiency to enable them to sell their products. The truth is that both employer and financier are, in their essential nature, the worker's best friends. This is not to say that there are not many capitalists who are exploiters. This is not to say that there are not great defects in the present method of

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utilising our natural assets and grave abuses in the working of the individualist system, which urgently need remedy. But it does mean that the capitalist, as such, is a person of enormous social importance, who is doing indispensable social work which nobody else seems able to do, and is therefore as worthy of public sympathy and approval, according to whether he does his work well and honestly or otherwise, as any other citizen of the community.

Contrary to Karl Marx, it is not labour which produces all value. It is labour so directed from hour to hour that it produces something that other people need at the moment when the product is available for sale, and at a price they are willing to pay. And if labour cannot do that direction for itself, it must submit itself to somebody else's direction and permit him to recoup himself for the service. Nobody will pay others just for digging a hole in the ground. Sheer effort is no title to reward. It must be rightly directed effort. The hole in the ground is valueless unless it is in a place and at a time and of a form which will make it the foundation for an office building for whose rooms there is a demand. Products which are "out of date" are simply unsaleable. Last year's fashions or models of motor-cars, or poor patterns of tools or machines, or inferior qualities of textile fabrics, simply cannot be sold except under cost prices.

It is the function of the employer to provide this indispensable direction to labour, and of the capitalist to provide the new capital without which constant improvement and new enterprise are impossible. The reward for this essential social service, and not "surplus value," is what they take as profits and interest. Indeed, the two functions of the greatest social value in the modern world are enterprise or capacity for direction, and saving to provide capital. Everybody can labour. Few people can organise and create. A majority do not regard saving as a social duty of every citizen. And it is because the value of their

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services to the community is so high that employer and capitalist are able to command so great a reward.

The truth of this analysis can best be seen from a few practical instances. There is only one real way of curing the terrible distress of Glasgow or Poplar, and that is that its inhabitants should learn how to make something which other people will voluntarily buy. Why have not Mr. Wheatley or Mr. George Lansbury organised the necessary factories? They can buy the land or the buildings, they can borrow from the banks, in exactly the same way as an ordinary employer. The reason is because they have not the ability to discover something that the public wants and to make it efficiently, or the sagacity to hire somebody else who has the ability, and obey his orders. If they were able to do this they would solve the unemployment and the housing problem at a single stroke. Instead, they turn to and abuse as an exploiter the one kind of man who can cure unemployment, they create every kind of obstacle in his way and put every kind of burden on his back, and then demand that inefficient State Socialism should be compulsorily substituted for private enterprise.

It is exactly the same with the coal mines. The main trouble is not "profiteering." When it comes to a division of what there is to distribute, Labour's share in relation to capital's percentage is 85 per cent. or more. What is the matter is that poor-paying old pits are kept in operation instead of new and modern pits, capable of paying good wages, being brought into production and attracting labour with higher wages. Yet it has always been possible for the Miners' Federation, an organisation of immense wealth and credit, to buy good coal properties and develop them according to any ideas of social or workers' management they pleased, and to prove that they could conduct the industry better than the individual proprietors, and to apply the profits to extending their business. Why have they not done so, and preferred the disastrous expedient of a series of strikes? Because they have been obsessed by the false Marxian

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economics into thinking that nationalisation would pay better, and because they have not had the ability or the capacity to do the creative work that the private capitalist is able to do. What England needs at the moment to solve its economic problems is not Socialism but more and better capitalists.

V

NOW where has the Socialist diagnosis gone wrong? It has gone wrong because it has considered the distribution of the rewards of industry, but has not studied how those rewards were gained. Above all, it has not reckoned with the factor of marketing or the problem of satisfying demand. If the needs and desires of man were uniform, measurable, and predictable, Socialism might possibly work. Public ownership and management is successful precisely in those fields such as gas, electricity, tramways, where the demand is constant, and where, in consequence, monopolies began to appear. But the needs of humanity are not uniform, measurable, and predictable. Human desire is in a constant state of change and flux. Mankind's need of food, clothing, housing, transportation, and recreation is constant. But his taste is ever changing and he is for ever seeking some new or better or cheaper way of satisfying those fundamental needs. Every hour he is seeking new varieties of food, new fabrics, better contrivances in the house, improved machinery in the workshop or in the field, new and more ambitious forms of amusement, wider facilities, and wherever he can find them he will give the product of his own labour in exchange, leaving the older products unsold on the stalls of the market place. And, therefore, the world of industry is engaged incessantly in inventing these novelties, in producing them, in making them cheaper, because in no other way can it secure the custom from which wages and profits can be paid and employment secured. Every business is in competition, not so much with one

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another as with human desire, and such businesses as cannot adapt themselves continuously and rapidly to the change in human desire, disappear, the capital sunk in them is lost, and labour migrates into the employ of some more intelligent, resourceful and enterprising firm.

These are the facts with which reformers of industry have to deal. The overwhelming mass of people are dependent for their living on producing better and more serviceable and cheaper food, clothes, ships, locomotives, engineers' products, pottery, and so on, than they have done in the past, or the public will give its custom to others who are more adaptable, efficient and enterprising. To-day the initiative is taken by individuals possessed of ideas and of organising ability, who make savings themselves, or borrow the savings of others, in order to build the factories, pay the expenses between originating production and the receipt of cash for the finished product, and thereafter continuously improve and expand their enterprise. And unless these men are there in sufficient abundance and are allowed to do their work with the greatest possible efficiency, or unless labour or the State can do that work with equal or more efficiency themselves, the national standard of living will decline.

For good or ill, that is the world in which we live. It has become a more competitive and strenuous world, not through the "profiteering" motive, but because modern invention has immensely multiplied the possibility of satisfying man's innate desire for novelty, variety and progress. There has never been a time when man's desires were not infinite. But till recently it was impossible for him to satisfy them except on the most moderate scale. The root of our competitive industrial civilisation of to-day is the immense expansion in recent times, in the means of satisfying humanity's insatiable needs. And there is no method of arresting the onward rush of modern industrial civilisation save an alteration in human demand itself.

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Two sets of people have seen this fundamental truth and attempted to deflect human desire. The first are the followers of Gandhi, the inheritor of Buddha's tradition. The head and front of the Gandhist campaign is that, if India is to escape the evils of modern Western industrialism, every individual must be content with the minimum of simple food, must manufacture his own clothing, and discard all material pleasures and possessions. In no other way can the advance of the modern industrial Juggernaut, in Gandhi's view, be arrested. But Gandhi, like Buddha, cannot succeed. For the price which he asks India to pay, and which he is willing that it should pay, is not only the suppression of all ordinary human desires, but the paralysis of all progress, all command over the forces of nature, as they are understood in the West. Under his system, man must live substantially where he is born. He cannot travel. He can have no amplitude and variety in his earthly life. He must be content with the pleasures of the mind and spirit alone. And with life on that basis, it is already clear, neither the majority in India nor in any other land is content.

The other group are the Communists. Lenin saw clearly enough that if Communism was to succeed he must control demand. And he controlled it by confiscating all private property, and absolutely forbidding private enterprise of every kind, so that while he did not attempt to alter men's desires as Gandhi and Buddha have tried to do, he made it impossible for them to gratify them because they could only obtain the products which the State elected to make and distribute. But Communism has completely broken down. The peasants would not abandon the private ownership of their land, and neither peasant nor worker would produce efficiently for the common pot, when all relation between skill or effort and reward was removed. So the wheels of national production slowed down until the standard of living fell to the famine point, when the stimulus of private ownership and enterprise and profit

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was restored in 1921 in the New Economic Policy, and the standard of living began once more to rise. And to-day, while the Communists keep most of the big industries, the banks, transportation and foreign trade in their own hands, the Nepmen, or small scale capitalists, are proving so much more successful, alike in manufacturing what the people want and in saving the capital for enterprise, that it seems only a question of time for Socialism even in its present limited form to be abandoned in favour of practically unrestricted capitalism.

Modern industrialism rests upon the insatiable demand of mankind for novelty and progress. And, granted that it is a good thing that humanity should have freedom to satisfy its desires, capitalism is the best system which has ever been contrived for expanding the variety and interest of human life. There are many grave defects in the method in which capitalism has been worked. But most of the Socialist criticism of it has been based upon emphasizing its more flagrant defects and failing to recognise its fundamental merits. Its merit is that it has produced an incomparably higher standard of living and an infinitely more varied life for the whole community than any system of wealth production previously known to history. It has done so by enlisting the energy and enterprise of immense numbers of people in the difficult and risky business of satisfying that multiform thing, human demand, by making it possible for them to reap ample reward for successfully supplying human needs.

The fundamental truth can most easily be seen by contrasting Russia and the United States. Both are new countries with immense natural resources. In the one, Socialism has been completely carried out, and the standard of living is the lowest in the world. In the other, capitalism is almost entirely unrestrained, and the standard of living is the highest ever known, so that workers from all over the world, and not least from Socialist Russia, are clamouring to be allowed to become "wage slaves" within it. Capi-

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talism, as a method of raising the standard of living of a community, is a demonstrated success.

Unfortunately, in the economic, as in every other field of human progress, the road is arduous and difficult. In the enterprise of raising the world standard of living, as modern industrialism has done, the weak and the lazy and the foolish have tended to fall by the way-side. And in the past not enough attention has been paid to protecting the weaklings during the transition from old methods to new and to restoring those who have suffered in the competitive strain. But no good will come to humanity by stopping the competitive process itself, even if that were possible, for it would simply mean stagnation at a low level of civilisation. The way of improvement is not to yield to the weak desire for ease and idleness, but to improve continuously the capacity for production and to educate and uplift the desires of humanity, so that, once a sufficient standard of housing, food, clothing, etc., has been reached, it will seek its happiness not in material pleasures and possessions, but in things of the spirit and mind. Then, and then only, will drudgery diminish and nobler work be possible for all.

VI

THE Socialist diagnosis has also gone wrong in another way. Mr. Ramsay MacDonald writes* :—

The first essential to their (labour) being employed at all is that their employers make profits by allowing them to work. This is the crux of the whole matter. The machinery of production and exchange has been constructed and is run in order that commercial need may be supplied by self-interest, and in the nature of the case, the self-interest is the self-interest of the owners of industrial capital.

The essential Socialist fallacy could not be better expressed than in these words. In the first place, the em-

* *Socialism, Critical and Constructive*, p. 26.

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ployer does not "allow" his employees to work. Without his knowledge and ability and without his use of his own or somebody else's savings, the vast majority are unable to make anything which their neighbours will buy, and they will starve. In the second place, the machinery of production and exchange only runs if, in fact, it does serve the community's needs. If any part of it does not produce what the world wants it will cease to pay, the capital invested in it will be lost, and it will disappear. The fundamental merit of capitalism is that it can only exist by successful public service.

There is indeed a complete confusion of ideas in the Socialist's argument about "service" being the right motive for industry and profit being the wrong. The question of whether a particular kind of product is one of "service" or not cannot be determined by the producer or the State, but by the purchaser. If it suits his needs he will buy it. If it does not he will leave it unbought. The true test of whether a particular activity is a "service" or not is whether it satisfies demand. And, if one analyses Socialism closely, it becomes apparent that "service," in the Socialist sense, means forcing the consumer to take not what he wants but what the producer or the State considers that he ought to want.

And this, in the last resort, is the rock upon which Socialism is bound to be wrecked. For the Socialist ideal to be realised must involve the destruction of the liberty of the individual and the dictatorship of the State, just in proportion as it is brought into effect. Socialism does not mean that the State, or municipalities, or trade unions, or guilds should start or conduct industries in competition with private enterprise and rely upon their superior efficiency to drive out private enterprise. If that were all, nobody would object, and Socialism would come into being just as speedily as the State, or the municipalities, or the trade unions, or the guilds learnt how to conduct business efficiently for themselves. But Socialists do not

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and cannot mean this. They do not mean it, because they are now very doubtful, in the light of experience, whether socialised production is more efficient than private enterprise, and therefore whether it can drive it out by competition. They cannot mean it, because the idea at the root of Socialism is to get rid of competition, to prevent private people drawing interest and profits, altogether, and to substitute for competitive individualism the Socialist co-operative commonwealth, by "taking over" the means of production, distribution and exchange.

The ideal—the admirable theoretical ideal—entertained by most simple Socialists is that the community should be so organised that every citizen should be employed according to his talents in working to supply the communal needs, and that nobody should be able to live by owning but only by his own work. Such a commonwealth, however, can only come into being if the State itself directs how everybody is to be employed, conducts every business, and sees to the distribution of the socialised product according to its own idea of the individual's needs. And whether the process is by a single revolutionary act, as in Russia, or step by step, as British Socialists propose, the result is always the same. As the area of socialised management extends, the State must prohibit competition with its own products, decide how citizens are to work, and make it impossible for the community to buy any other than its own manufactures. Lenin saw the logic of the Socialist position and has never ceased to describe other Socialists as idiots and traitors to Socialism for not seeing it too. And in the draft Bill introduced by the Miners' Federation for the nationalisation of the mines, sure enough, there is the thin end of the compulsory wedge. There is a provision forbidding the State to lease or sell any mine or minerals to anyone at all. It must mine and market coal itself. Which means, of course, that there would be no check on the efficiency of socialised production. However expensive and inefficient management might be, however high the

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wages paid in the coal trade might rise, however vital to the community good cheap coal might be, everybody is to be forced to buy the State product, at the State price, or do without it altogether, because the State will make it impossible for them to buy anything else.

No community, however, which has ever experienced political democracy, least of all Great Britain, where the instinct for individual freedom is especially strong, will permit any of the compulsory acts fundamentally necessary to the so-called Socialist co-operative commonwealth. It will not permit the conscription of labour. It will not permit the prohibition of private enterprise. It will not permit the abolition of competition. It will not permit the confiscation of private capital. It will not permit the State to dictate the habits, tastes, or customs of the people. As the experience of Russia has shown, the Socialist co-operative commonwealth is an impossible dream, because it can only exist on the basis of the universal tyranny of the State.

VII

IT is perfectly clear, if the considerations urged in the foregoing sections are true, that Socialism, as it is believed in by the great mass of Socialists, that is to say, the elimination of the capitalist, private profit making and competition by the socialisation of the means of production, distribution and exchange, cannot work. If social direction of industry is to make progress at all, it will do so only because the State, municipalities or trade unions go into business on exactly the same competitive basis as private enterprise, and prove, in practice, more efficient than private enterprise in every field into which they enter.

And that is the fundamental truth of the whole business. The ideals of the Labour party—the perfectly healthy ideals—will come near realisation just in proportion as they abandon the notion that they can be realised by some form

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of restriction on private enterprise, or of control or management by the State, recognise that they are attainable only within the fundamental limits of the existing economic order, and set to work to remedy the causes of inefficiency and injustice in capitalism instead of playing with the illusion that Socialism can replace it.

Despite the dreams of idealists, there is no possibility of dodging economic law. There is no magic in State "control." Socialisation will not abrogate the central fact that man can live only by doing something or making something which his neighbour will voluntarily buy. Municipalised tramways, nationalised railways and mines, guildised or syndicalised industries must all pay the interest necessary to borrow capital, the salaries necessary to get good management, the profits necessary to equalise risk, before they can pay high wages, and then they can pay high wages only by selling transportation, or coal, or other products successfully in a market liable to competition from rival producers. Efficiency in serving the world's needs is the only fund from which high wages and high standards of living can be paid, whether industry is privately or socially run.

VIII

IT is now possible to see where the root trouble in the present economic position of Great Britain lies. Though, as we shall see, there are a great many other things wrong, the fundamental trouble is that the most energetic and enthusiastic leaders of the trade union world, because of their acceptance of the basic Socialist diagnosis of modern industrial ills, are not working for efficiency but against it. They are not enlisting the immense energy which is generated by modern industrial unrest to make the reforms which will really benefit the worker because they still believe that by some change of system, to be arrived at by

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strike action, or political action, capitalism can be eliminated and social control can be put in its place, that as a result wages can be based upon some such uneconomic factor as the cost of living and not on efficiency, and that the profits which now go to capital can be transferred to the wage account.

As we have seen, that is a delusion. If every industry were taken over by the State or the trade unions to-morrow, it would not alter the economic laws by which they can pay those engaged in them, by a hair's breadth. Therefore, the first condition of improvement, of progress to higher wages, to a better standard of living, to expenditure on "nation building" services is that all sections should combine to make British industry the most productive, the most enterprising, the most successful in supplying what mankind is asking for, in the world.

The fundamentals can best be seen by considering two sets of figures. In 1922 Great Britain imported about £470,000,000 of foodstuffs, and £300,000,000 of raw materials. In order to pay for them she exported certain staples roughly as follows :—

	£		£
Cotton goods ..	150,000,000	Coal	70,000,000
Woollens ..	95,000,000	Machinery..	50,000,000
Iron and Steel ..	60,000,000		

and so on. If she is to employ all her population and heighten the standard of her living, she must either produce more food and raw materials at home, or she must buy them from overseas by selling more of those staple articles which she is equipped to produce, in the competitive markets of the world. Is Socialism, is nationalisation of the railways and mines, is high taxation going to help her to accomplish this fundamental need, on which the realisation of all other hopes depends ? Or is what is really needed a dozen British Henry Fords ?

If fifty years ago the enemy of labour was the grasping, driving capitalist, who chained men, women and children

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to his machines, to-day the enemy who depresses their standard of living and keeps them in poverty and distress is the Marxian Socialist. So long as socialistically minded leaders refuse to face the economic realities of the situation, so long will British standards of living be depressed. So long as they teach the working man that the capitalist is a predatory exploiter, so long will that miasma of class hatred and jealousy, which springs up wherever the Socialist appears, continue to hinder economic cooperation. So long as they talk to their followers about raising wages by any other means than securing efficiency as well as a square deal from the employer; about creating employment by ca' canny or shortened hours and not by making better products; about bettering conditions by political and not economic action; about nationalisation bringing a new heaven and a new earth; so long will it be impossible to get the discussion on to the only lines which can really produce results for the workers themselves or the country at large.

The trouble is that the delusions of Socialism are perfectly honestly held. That is their power. Yet history will probably record that it was the exponents of socialist economics, and the rank and file Labourites who blindly accept their teachings, who were principally responsible for the distress and unemployment of our times, and that in complete sincerity of conviction and honesty of purpose, they caused far more actual misery to the working population of their country after the war than all the capitalists in the British Isles.

IX

BUT all this does not mean there is nothing wrong with the working of the existing economic order. There are many things wrong with it. The general idealism of the labour movement, in its desire to improve the standard of living and the status of the worker, to secure a better distribution of wealth between all classes, and to abolish the

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autocracy and hardships of modern industrialism, is perfectly right. What is wrong is the belief, still entertained by a majority, that the cure can be effected by Socialism in any form. The road of advance is along different lines.

If the aspirations of Labour are to be realised, efficiency in industrial service must be recognised as the only road to higher standards of living of the worker and to universal prosperity, and attention must be turned to what are the real problems which make efficient industry difficult to-day.

The first is that of altering the status of the worker in industry itself. The worker and his wife to-day share responsibility for the conduct of the British Empire. They have none for the conduct of the industry in which they spend their lives save what they can get by collective bargaining. Once they realise that efficiency is the only road to better times for themselves, how are they to be enabled to share responsibility.

The second is the discovery of a better method of adjusting the distribution of the proceeds of industry between capital, direction, and labour than the "Kaffir bargaining" method of to-day.

The third is the prevention or control of monopolies, whether they consist of national or international, labourite or capitalist, rings or combines to eliminate competition and "profiteer" by artificially raising prices, and the destruction of private, municipal or trade union vested interests preventing progress.

The fourth is the problem of getting rid of the "two nations" which exist in all industrialised countries, the class which can live on the proceeds of invested capital without working and those who have to live by work alone. Both functions, saving for investment and work, are necessary to national prosperity. But the disparity which the payment of interest, the only means by which the capital necessary can be raised, creates in social conditions probably lies more closely at the root of industrial unrest than any other factor.

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It is not possible at the end of this article to discuss the solution of these problems. That must be reserved for a later issue of this review.

We would only in conclusion summarise the fundamental thesis of this article. The true test of Great Britain's economic recovery is the degree of employment of her people. If the whole nation is employed and the dynamo of production working at full power, everything else falls into line. There will be money for nation-building, the housing difficulty will be solved because the worker will be able to pay an economic rent, taxation will be spread over a larger national turnover, the burden of doles will disappear, it will be possible to consider not merely how to restore the pre-war standard of living, but how to raise it for all. The only way, however, in which unemployment can be eliminated, and higher standards of living attained, is that Britain should increase her efficiency in serving the economic needs of mankind. Though there are other ways of helping to this result, the fundamental necessity, the only foundation upon which permanent betterment can rest, is a constantly increasing capacity to produce goods and services which other peoples will voluntarily buy in the competitive markets of the world. The principal impediment to this improvement to-day is the red herring of Socialism, which has distracted the worker and his leaders from following the real road by which his hopes can be fulfilled and from tackling resolutely and intelligently the real obstacles which stand in the way of his own prosperity and advancement. Labour will not begin to accomplish its ideals until it has purged itself of the delusions of Socialism, has mastered economic law, and returned to the truths of responsible democracy.

AMERICAN POLITICS IN ELECTION YEAR

I

IT is now certain—if the word has any meaning for politics—that the Republican Convention to be held in Cleveland in early June will nominate Calvin Coolidge to succeed himself. Already more than the requisite number of delegates are pledged to support him. Indeed, such a result was to be expected; for every President in his first term is his own logical successor, and the burden of proof rests heavily upon those who would advocate the nomination of someone else. Senator Hiram Johnson, to be sure, has spoken at large upon the qualifications of Senator Hiram Johnson for “the highest office within the gift of the people”; but he speaks less largely now since the Republicans of New Jersey, in a recent primary contest for the purpose of choosing delegates to Cleveland, rejected his pretensions in favour of Coolidge by a vote of nine to one. Other aspiring gentlemen have yielded gracefully, and the President has the field. Stage by stage he has assumed the actual leadership of his party. His strategy has been well conceived, his tactics have been skilful, but not too skilful. The Convention will be held in the city which he selected, its “keynote” will be struck by a speaker whom he named, and the President's own man will be in the chair.

It is comforting to be able to write with “certainty” on this one matter; for all other things, internal and exter-

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nal, are in a most uncertain state. One might think, for example, that the Democrats, less than two months away from their own Convention, would have a fairly definite notion of the man to oppose President Coolidge in the November elections. Nothing of the sort. The Democrats of New York are gathering their forces for Governor Smith; some of the Western States still hold to McAdoo in spite of the taint of oil which spattered on him in the course of the Senate investigation. The Democrats of Alabama stand "to a man" behind their "favorite son," Oscar Underwood. In Virginia it is Carter Glass and no other. Ohio is for Cox in 1924 as Ohio was for Cox in 1920. Then the word passes that Senator Ralston of Indiana is the "dark horse" whose name will be put forward in the stress of the Convention, when the magic of other names has failed. "Not Ralston," says Jukes. "It's Senator Copeland of New York whom they're keeping in reserve." So the tongues wag: Walsh of Montana, Sweet of Colorado, John W. Davis of West Virginia and the Court of St. James, Silzer of New Jersey, Houston of the Wilson administration. . . They would even take Colonel House's hat from his modest head and, for lack of hats enough already, throw it into the ring. Not now, but at a psychological moment during the Convention when delegates are tired, and discouraged by innumerable fruitless ballots—when the week-end is in sight, and funds are low and querulous telegrams are coming in from wives. Then is the zero hour when Presidential candidates are chosen.

But where in this veritable telephone directory of names is the man who can win from Coolidge? The traditional strength of the Democratic party lies in the "Solid South," so the candidate should be "dry," and of course a Protestant. He *need* not come from the South, for the South is safely Democratic anyway. The potential strength of the party this year lies in the West, so the candidate should be liberal. He ought preferably to come from this section

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of the country, for here is the field of battle. Now McAdoo met these specifications in acceptable fashion and he might well have carried the Convention. But a certain notoriety gained in the Senate oil investigations lost him his early advantage, so that even his warmest supporters are no longer over-sanguine about his prospects. His name will be presented and he will receive the support of a considerable body of delegates already pledged to vote for him; but the best opinion seems to be that he cannot win through. Who else? No other man stands out as "available," and as a leader. Therefore someone must be found, not so much to win the Western States in the wake of a dominating personality, but to avoid offending them. Say, Senator Ralston of Indiana. Or say, anyone else from the Middle West who has no conspicuous disqualifications—or qualifications!

Thus the mice and men communed together until the last few days of April. Then the impossible event occurred: a Catholic, a "wet" and an Eastern man moved to the front of the stage. He was born on the East side of New York City, was Al Smith. He drove a truck, and then later he owned a lot of trucks. He is now serving his second term as Governor of New York State—one of the best governors the State has ever prospered under. He is a master of the political game, a skilled parliamentarian and an authority on State constitutional law. Above all, he is simple, kindly, wise, liberal in mind, courageous, honest and debonaire. And he is "Al," not because the writer chooses to be familiar with His Excellency, but because the men, women and children who speak of him, and most of those who speak to him, call him "Al." Imagine a man of fifty, of rather less than average height, slender, gay, quick as a trap, without illusions, without astigmatic ambitions, and you have imagined the most formidable contender to-day for the Democratic nomination.

It requires a certain knowledge of the history of American politics and a certain familiarity with the present political

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scene to understand the full effect of Governor Smith's fight for the Democratic nomination.

1. President Coolidge, with little or no consideration for the Middle and Far West, has tuned his pipe to the favor of the East. The Mellon tax reduction bill is approved in Eastern financial circles and by the President ; it is opposed in the West. The bonus Bill is opposed in Eastern financial circles and by the President ; it is approved in the West. The half-hearted efforts of the Administration toward the improvement of distressing agricultural conditions beyond the Mississippi have brought no relief, only disillusionment. So the Republican party is in a vulnerable position west of Illinois. Yet Governor Smith proposes to have it out with the President, not where he is weakest, but in the very section of the country which the President has appropriated as his own. If nominated, the Governor will fight from the East and in the East.

2. During the whole history of the United States no Roman Catholic has been nominated for the Presidency, nor for the Vice-Presidency. And Al Smith is a faithful Roman Catholic, in the year of our Lord 1924, with the Ku Klux Klan still flourishing.

3. In the matter of prohibition, whatever his recent utterances on the subject of law enforcement may have been, the Governor is counted as a distinct "wet" ; and in a country where parties have latterly inclined to nominate men who are equivocal on fundamental issues, his mere aspiration to the Presidency is a cause of grave concern and of high hopes !

4. Lastly, Smith is a Tammany man, a loyal member of that powerful organisation which controls New York City and reaches out its hands upon the politics of the State.

So, instead of the "dry," colorless, Protestant Westerner whom the situation seemed to demand, the Democratic managers must reckon with a "wet," vivid Roman Catholic of the very flesh and blood of New York City. His nomination might break the "Solid South" forever ; it might

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cause a rift in the party that would never heal. On the other hand, there are "wets" a-plenty among the Republicans, and Roman Catholics too, who would rally to his support if these two burning issues were involved. And above all these subtle calculations floats the cloud of his singular personality, his great gift for friendship, his everlasting genuineness. One remembers the San Francisco Convention of 1920, and memories grow fresh again of a moment when some forgotten supporter mounted the platform and presented the name of Al Smith for President. It was a ridiculous suggestion in 1920, a hopeless suggestion ; for the bosses had other plans. Yet at the mention of his name, in a spontaneous demonstration of affection for the man himself, a thousand delegates rose from their seats like boys from school and marched round the hall to the music of "The Sidewalks of New York."

But they returned to their seats at San Francisco to nominate Cox ; and one somehow feels sure that they will return to their seats in New York in June to nominate someone else. The tradition of party solidarity is strong, and the disruptive forces wrapped up in the person of Al Smith are tremendous. Who else ? It is the harassing question which hounds the party. And since no man gets relief until he has tried to answer it, one risks a guess that Senator Carter Glass of Virginia will bear watching. Then, thoroughly ashamed of himself for throwing out a suggestion which has no authoritative foundation whatever, the writer, like a shambling tipster, begs to be excused.

II

AMID these alarms and excursions the business of government proceeds pretty slowly and pretty badly. Ever since the middle of January the Press has been filled with voluminous reports of testimony in one Senate investigation after another. Mr. Denby and Mr. Daugherty

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have resigned from the Cabinet, to be sure, and the scandals related to them have thus indirectly led to the excellent appointments of Judge Wilbur of California as Secretary of the Navy, and Dean Stone of Columbia University as Attorney-General. All this is good; but hearings have been conducted with so little regard for the rules of evidence, and so little discrimination has been made among the various high and low characters who have been called to testify, that the public at large has been left with no clear impression of what constitutes administrative ineptitude and what constitutes corruption. . . . The sordid story still drags itself endlessly out.

These inquiries into the conduct of Cabinet officers, this campaign of attrition carried on by the Legislative branch of the Government against the Executive, has not been without serious implications. Twice the President has led a spirited counter-attack, first in defence of a constitutional right to maintain or dismiss the members of his own Cabinet, and again to rebuke the Senate for over-reaching itself in the scope and method of its investigation. The rift between these two branches of government—already wide before Coolidge, before Harding, even before Wilson became President—is now wider still.

One must first look to this long-standing dispute if he wishes to understand the recent impetuous action of the Senate in the matter of Japanese immigration. There is, of course, a violent feeling in the State of California, and a strong one throughout the rest of the country, against the admission of more Japanese settlers. But out of consideration for human sensitiveness, the American Government had adjusted this delicate question over a number of years through the rather loose provisions of a so-called "Gentlemen's Agreement." Under its terms not more than two hundred and fifty Japanese each year were admitted to residence in the United States; and no honest man can refuse credit to the Tokyo Government for the faithful way in which it co-operated to make the understanding effective.

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Ignoring the fact that this issue for some time past had been the subject of an international arrangement, and regarding only its national aspects, the Senate began to ride rough-shod over the whole field of immigration. Mr. Hughes saw the danger clearly, and with the intention of averting it transmitted for their consideration a mild protest of the Japanese ambassador in which the phrase "grave consequences" was used in a harmless context. Whereupon, because the Senators arrogantly intend to assert their control over all questions which may be construed as domestic, and especially because they saw a splendid chance to cripple the power of the Executive in the conduct of foreign relations, they took the pretext of two words to "pass a law which was unnecessary, to assert a right which was not challenged and to answer a threat which was not made." They overwhelmingly voted to exclude all Japanese immigrants from the United States. In the stormy language of Senator Reed of Pennsylvania, who, arm in arm with Comrade Lodge, led the Senate mob that day, they deliberately decided upon "the waste of twenty years of excellent diplomacy"; upon "the waste of the fortunate and happy result that followed the ratification of the four-power treaty in the Pacific"; upon "throwing away the good relations, or a large part of them, that followed the prompt and friendly action of America after the Japanese earthquake." The Bill has not yet become law, so there is still time to soften its impact by a compromise or to restore some fraction of good feeling in Japan by the hollow compliment of an ineffective Presidential veto. The conduct of the Senate would be reprehensible enough if it stood alone; but the *New York World*, in an editorial of April 16, spoke for many thousand Americans when it added:—

This incident is merely the climax to five years of truculent aggression by the Senate which has done immeasurable harm to the people of the United States. For in those five years the Senate has not only paralysed the Executive; it has gone out of its way to

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offend foreign nations. The time has come for the American people to see themselves as others see them, to understand their position in the world, and to insist that their Government act with that dignity and restraint which is the obligation of great power.

In these circumstances, it is assuredly better that General Dawes, Mr. Young and Mr. Robinson went to Europe as private citizens, with no degree of accountability to the Senate. Their report has been well received, the President has put his stamp of approval upon it and has urged American bankers to give the fullest possible support to the proposed German loan; the Press, though not everywhere regarding the settlement as ideal, considers it as a good working basis for economic reconstruction. It will, of course, lack formal ratification by the Government of the United States; but when one recalls the fate of previous international agreements, the device of an "unofficial observer" may be regarded, not as a subterfuge but as a successful invention mothered by the necessities of the American Constitution.

Occasionally there appears in American papers some reference, originating in Europe, to the hope of a further disarmament conference held out by President Coolidge in his speech before the members of the Associated Press on April 22.

There are certain definite things (he said) that can be done. I believe that among these are frequent international conferences suited to particular needs. . . . It would appear to be impractical to attempt action under present conditions, but with a certain and definite settlement of German reparations firmly established, I should favor the calling of a similar conference to achieve such limitations of armaments and initiate plans for a codification of international law, should preliminary inquiries disclose that such a proposal would meet with a sympathetic response.

But the significance of this speech should not be overestimated. The President himself has given warning that the present moment is not opportune for such a conference; at earliest it might take place "when the economic stability

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of Europe is restored." Nor should it be forgotten that the year 1924 is election year—when the concerns of the rest of the world are forgotten for a time, except as they may be dragged out of their seclusion to make campaign material. Lastly, even the President, with all his desire for any step in furtherance of peace, must shrink from one more exhausting fight with the Senate—a fight which he need not wage unless his conscience drives him to it.

And a fight it would be. For at the present moment in Washington a score of organisations claiming to represent more than twenty million voters are hammering at the doors of the Senate Foreign Relations Committee, asking for action on President Harding's recommendation that the United States adhere to the World Court. This harmless proposal has been before the Committee for more than a year, but they have blandly ignored its existence. They are now besieged in earnest by delegates from practically every Christian organisation, every Chamber of Commerce, every college and every woman's association in the country. Such men as President Lowell of Harvard, Bishop Brent, Walker D. Hines and George W. Wickersham are leading the assault. It is indeed an impressive sight—the people themselves battering their way into the inmost chamber to demand a rational explanation of all this mystery and hocus-pocus. But whether their crusade will be successful, or, if successful, whether it will not tend to delay further foreign action by the United States—these are questions which only the foolhardy would attempt to answer.

Beyond such concerns of the moment, a growing number of Americans are giving anxious thought to the limitations on negotiation and participation in external affairs imposed by the Constitution—by the system of "checks and balances," and especially by the provision which requires a two-thirds vote of the Senate for the ratification of a treaty. It is a situation which is not widely understood: that is, there is no popular demand for a change, and no popular

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support for the existing order. It is a matter which has not yet entered the field of politics, except in so far as Mr. John W. Davis has made his own views public, and in so far as Mr. Davis may be seriously regarded as a candidate for the Democratic nomination. There is no need to explain the evils of the present system to those who were stunned by the failure of the United States to ratify the Treaty of Versailles and join the League of Nations. The real need is that its shortcomings be brought home to the American people. When the changed relation of this country to the rest of the world is apprehended here, ways will be found for the prompter and surer transaction of international business. And when the power of the United States is realised by its own citizens as acutely as it is felt abroad, that power will be exercised with responsibility and with fitting dignity.

United States of America. May 1, 1924.

SHOULD WE GUARANTEE A EUROPEAN SETTLEMENT?

I

THE mists at last are lifting rapidly from the main problems of foreign policy bequeathed to us by the war.

When the Allied statesmen met in Paris in 1919, they set to work upon a principle which was then accepted, or apparently accepted, by all the democracies concerned. The principle was this—that all the Allies in the war, whether of the New World or of the Old, should join together to reshape the map in accordance with the aims and ideals which they proclaimed in the war, should impose this new configuration upon the defeated enemies, and should jointly guarantee the settlement thus imposed against all warlike challenge in future years. President Wilson, speaking for the democracy of the United States, was the protagonist of this principle; and for its maintenance against the assaults of time, the guarantee of the New World was an essential element in the balance of the Old. It was, for instance, only on the strength of this guarantee that France accepted an Eastern frontier in accordance with the ethnical principles of the Allies; she would greatly have preferred a scientific dismemberment of Western Germany, which would have secured her the Rhine frontier as her very own. The New World, however—and in this grouping, Britain with the Dominions upheld the views of the United States—entered its veto against any such relapse into the traditional vice of European history; and in return for the submission of France to its

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veto, it pledged itself to uphold the new configuration of Europe, if necessary, by force of arms.

The aims which inspired the settlement were in this respect lofty and generous; but events soon showed that the representatives of the New World beyond the seas had promised more to Europe than their peoples would endorse. The United States repudiated the Treaty of Versailles, and with it both the Covenant of the League of Nations and the special Treaty of Assistance to France. Canada and South Africa also failed to ratify the guarantee to France, though they ratified the Treaty of Versailles with the Covenant of the League. Without these essential supports, the Treaty of Assistance fell to the ground, the European settlement as a whole was almost certain to give way at one point or another; yet the remaining signatories had no choice but to persevere in the application of the Peace Treaty to which they had set their names.

The settlement with Turkey, as vital to European stability as the settlement between France and Germany, suffered from a similar collapse of the great co-operative ideal. Here also the support of the New World was essential to the complete remodelling of Turkey and its Succession States, which had been a declared war aim of the Allies. It was hoped that the United States would accept a mandate for a free and absolutely self-governing Armenia, as also for a wide demilitarised zone, including Constantinople, on both sides of the Straits between the Mediterranean and the Black Sea. The hope shone brightly for a few months, then flickered, then tragically expired.

There is no need to recapitulate here the depressing story of the vicissitudes which have since beset both the Western and the Eastern settlements. In the slow torment of her awakening from the lofty illusions of 1919, Europe has suffered a gradual relapse into a condition of organised international suspicion, jealousy and hatred, which is a bitter mockery of the original peace settlements. The mists have lifted at last from the rugged passes in which

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we have been struggling since the moment, when, not long after the Paris Conference had dispersed, the glad and confident morning of our hopes closed gloomily in; and so far as Britain is concerned, the choice of paths before her is now fairly clear.

It is evident that great pressure will be put upon Britain, not only by her Allies, not only by some powerfully organised bodies of opinion in the British nation itself, but also by the logic of European history since the armistice, to enter into specific obligations, with naval and military liabilities, to maintain the European *status quo*. Such an obligation has, in fact, already been incurred by her in the Straits Convention annexed to the Treaty of Lausanne. Under that Convention we pledge ourselves directly, and the Empire indirectly, to a guarantee of demilitarised zones round Constantinople and the Straits. Other obligations of a similar kind are proposed to us as the price of re-establishing a sense of security in France and thereby procuring a settlement of the German reparation question by general consent. Another project of the same kind has been elaborated by a Committee of the League of Nations—Lord Cecil's Treaty of Mutual Assistance—which would commit us to very serious obligations in an heroic attempt to solve the joint problem of European stability and a reduction of armaments under the forms and in the spirit of the Covenant.

The Straits Convention already pledges us as guarantors of the Eastern settlement. If either of the other projects is adopted, we shall be similarly committed as guarantors of the whole European *status quo*; for France no longer regards her security as adequately guaranteed by a pledge to defend her Eastern frontier against unprovoked attack; she demands a much wider undertaking on our part to maintain the whole territorial system in Central and Eastern Europe. It is clear that the effect of these proposals, if we endorse them, will be to make us part of the European balance of power. Such a departure would be

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contrary to the whole tradition of British policy in Europe since that policy first took shape; but the arguments in favour of it are weighty arguments. Peace and stability in Europe would assist us to recover our own prosperity; and if this be the only way to secure peace and stability, it may be considered necessary for us to pay the price.

On the other hand, it is increasingly manifest that the Dominions would not here and now commit themselves to such obligations, even if we saw no alternative but to accept them on our own account. They are part of the New World, and the attitude of the New World to the Old World is accurately reflected in the policy of aloofness pursued with determination since 1919 by the United States. Yet a refusal on the part of the Dominions to join us in accepting such obligations cannot, while the Empire lasts, absolve them from the consequences of any action which our obligations may force us to take. So far as active participation goes, their discretion is real; but if our obligations commit us to a state of war, they will be committed to a state of war, whether they participate actively or not. Such a situation must evidently place some strain upon their loyalty to the Empire, for it involves a serious derogation from their right as free peoples to decide whether they will go to war in a particular cause or not.

This is the central problem of foreign policy at the present time, and it is essential that, whatever decision we may take, we should take it with full appreciation of its implications and possible results.

In this country, on the one hand, tendency is being shown in some quarters to pursue the conduct of foreign policy with only such formal references to the Dominions as constitutional correctness may require. Mr. Ronald McNeill gave an example of this state of mind when he argued in one of the House of Commons debates on the Treaty of Lausanne that the anxiety manifested about Imperial co-operation was gratuitous. The various parts of the Empire, he reminded the House, had nothing

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to do with the guarantee given to Belgium nearly a century ago. Yet when the great war broke out, they sprang to our side, just as they had come forward voluntarily to help us in the South African war though, as far as he remembered, they were not consulted in it. The inference was clearly that if they did this in 1914, they would, in a similar emergency, do so again. Rhetorical statements which can only be met by some apparent disparagement of Dominion patriotism, are, of course, good debating material. But Mr. McNeill was, no doubt, quite sincere in his argument. It was evidently his view that co-operation must be taken for granted in the future as in the past, and that it was idle to discuss in advance whether or not the Dominions had actually pledged themselves individually to any commitment which this country had assumed.

Perhaps such a view is natural to those who have to get the business of the country done amid the great difficulties created by the present constitutional system. It shows, nevertheless, a complete misunderstanding of the vast change which has come over Imperial relations during, since, and in virtue of the war. No Dominion was in existence, of course, when the guarantee to Belgium was first given; only Canada was a Dominion when war broke out in South Africa. No Dominion or Colony voted a shilling for expenditure in South Africa. No Dominion or colony sent anything but volunteers to South Africa. How does that record compare with their participation in the great war? In it the moral and material resources of every Dominion and of India were strained to the utmost. They proved themselves nations in the hardest of all tests of national character, and made heavier sacrifices for the common cause than many of our European Allies. New Zealand alone, for instance, with one-eighth of Belgium's population, suffered more casualties upon the Western front than Belgium herself. But for the Dominions there might have been no victorious peace in 1919 or anything

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resembling it. Those who do not understand that in future they will justly regard themselves as entitled to the fullest discretion in deciding whether or not they are going to war totally misread the circumstances in which Imperial co-operation is now of necessity, and by every consideration of equity, carried on.

On the other hand, in the Dominions, there is a considerable school which refuses to face the implications of partnership in the Empire and is always ready to evade participation or responsibility in negotiations, however important, even though such negotiations must affect themselves and the Empire as a whole. Mr. Mackenzie King's startling statement that Canada from the outset disinterested herself in the negotiations at Lausanne and therefore dissociates herself from the instruments negotiated there is an example of this. For whether Canada accepts the obligations contained in the Treaty or not, she is in fact bound by it. The plenipotentiaries, who signed it, signed it on behalf of the British Empire, and the Canadian Prime Minister has not suggested that he considers Canada to be still in a state of war with Turkey until she negotiates a peace settlement of her own. If that be the case, if the Treaty establishes peace between Canada and Turkey, Canada obviously accepts all the implications and obligations involved by the return to a state of peace; and she therefore cannot argue that other obligations contained in the Treaty are not binding upon her. That is the constitutional position; and though, of course, no purely constitutional argument effectively disposes of Mr. King's case, it is equally certain that Mr. King deceived himself in believing that it was possible for Canada somehow or other to disinterest herself completely in the peace settlement with Turkey. Yet he went so far as to put upon the British Government, by implication, the contention that Canada was not seriously concerned, and seemed to act upon the view that Canada had no need of judging the matter for herself at all.

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In principle the two schools represented by Mr. McNeill and Mr. Mackenzie King have nothing in common, they are at opposite poles; but in practice, like the negative and positive poles of an electric circuit, they play into each other's hands and produce a common current of political opportunism and *laissez faire*. How deep their real divergence is may be gleaned from the history of the great treaties during the last four years.

II

THOSE Treaties, as we have seen, pledged all their signatories to maintain the new dispensation, by force if necessary, against any forcible change. The pledges given were contained, roughly speaking, in two instruments—the Covenant of the League of Nations and the special Treaty of Assistance to France signed by Great Britain and the United States.

The life of the latter has already been described. It was short. The United States did not ratify it, and it never came into force. Few people realised at the time that the course taken by the United States had also been taken by two out of four of the British Dominions, and those two the nearest to the European scene; but, for the British Empire, the non-approval of Canada and South Africa had an even greater significance than that of the United States.

The parallel but much wider obligation contained in the Covenant of the League of Nations was embodied, so far as it involved a liability on the part of the signatories to resort to war, in Articles 10 and 16 of that instrument. Article 10 reads as follows:—

The members of the League undertake to respect and preserve as against external aggression the territorial integrity and existing political independence of all members of the League. In case of any such aggression or in case of any threat or danger of such aggression the Council shall advise upon the means by which this obligation shall be fulfilled.

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The text of Article 16* is longer, but need not be quoted in full. It subjects any Member of the League resorting to war in breach of the Covenant to a complete severance of trade and financial relations, and all forms of intercourse, with other Members of the League. This sanction the other Members are to apply, if necessary, by force of arms. The Council of the League is empowered to recommend what naval, military or air force each Government is to contribute "to the armed forces to be used to protect the covenants of the League." It is evident that the chief liability which the British Empire incurs under this Article is to be called upon to impose a naval blockade.

It is important to observe that under Article 10 the League can only "advise," and that under Article 16 it can only "recommend." The Council, moreover, can neither advise nor recommend, unless it is unanimous. It has, however, been generally held that the technical opening thus given to any Member of escaping from its liabilities under these Articles should not be allowed to weaken the moral obligation of honouring its signature to the Covenant. It would be much better that the obligation should not be contracted at all than that Members should seek to evade it by diplomatic or legal subterfuges when an emergency arose.

Such was the view taken, very fairly, by the Senate of the United States. The reservations under which a majority of the Senate, on March 19, 1920, finally consented to the ratification of the Treaty of Versailles—which, of course, included the Covenant of the League—contained two dealing directly with Articles 10 and 16 of

* Four amendments to Article 16 were adopted by the Second Assembly in 1921. The most important of these was to supersede the second paragraph of the Article, which deals with the contribution of armed forces to protect the covenants of the League. The general effect would be to modify the form of the original text without materially altering the substance. None of these amendments have, however, been ratified by a sufficient number of States to bring them into force. The original text which we have summarized therefore stands.

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the Covenant. These two reservations, 2 and 11, read as follows :—

2. The United States assumes no obligation to preserve the territorial integrity or political independence of any other country by the employment of its military or naval forces, its resources, or any form of economic discrimination, or to interfere in any way in controversies between nations, including all controversies relating to territorial integrity or political independence, whether members of the League or not, under the provisions of Article 10, or to employ the military or naval forces of the United States, under any Article of the Treaty for any purpose, unless in any particular case the Congress, which, under the Constitution, has the sole power to declare war or authorise the employment of the military or naval forces of the United States, shall, in the exercise of full liberty of action, by act or joint resolution so provide.

11. The United States reserves the right to permit, in its discretion, the nationals of a covenant-breaking State, as defined in Article 16 of the Covenant of the League of Nations, residing within the United States or in countries other than such covenant-breaking State, to continue their commercial, financial, and personal relations with the nationals of the United States.

The effect of these reservations was widely misunderstood or misrepresented at the time. They were taken as a repudiation on behalf of the American Senate of all responsibility under the Covenant of the League; but in truth they only made that responsibility subject to American constitutional law by declaring that in no event could American military or naval forces be employed in discharge of it without the consent thereto by resolution of the Congress of the United States. It was frequently said at the time that these reservations sprang solely from a determination on the part of the Senate to allow no encroachment by the President on the constitutional right of the Congress to declare war. The jealously guarded balance of power between the Executive and the Legislature which is one of the chief features of the American Constitution was no doubt in the mind of many Senators and played an important part; but it is clear from the debates that the Senate was also anxious to provide that no foreign or international body, such as the Council of the League,

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should have any moral claim to over-ride the sovereign rights of the people of the United States. In other words, the Senate evidently felt that, in spite of the purely advisory powers accorded by the Covenant to the Council of the League, there was implicit in Articles 10 and 16 of the Covenant a moral obligation to honour the territorial and other guarantees established under the League by contributing, in the words of Article 16, "to the armed forces to be used to protect the covenants of the League." It was therefore determined to state in unmistakable language that the moral obligations of the American people could be subject to no interpretation other than that of their own constitutional representatives.

The resolution of ratification containing the reservations was carried by a vote of 49 to 35. A vote of two-thirds of the Senators present, or 56, was constitutionally necessary to make the resolution effective; it was therefore, in effect, defeated by 7 votes. Among the minority of 35 were 22 Democratic Senators who followed President Wilson's lead in declaring that the reservations provided, "not for the ratification, but rather for the nullification of the Treaty." Had these only preferred the Treaty, even with reservations, to no Treaty at all, the resolution of ratification would have been carried by 71 votes to 13.

It is one of the saddest ironies of the long period of disillusionment into which the world was cast by the Senate's decision that the complete elimination of all American participation in the League and the European settlement was due in the main to whole-hearted supporters of the League of Nations who could not understand that, for its own sake, it must not demand too much. President Wilson, stricken but heroic in devotion to his handiwork, believed that after the defeat of the resolution with reservations, "the door," as he then wrote, "will probably be open for a genuine resolution of ratification." But the door remained closed.

The League is now entering upon a critical period, in

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which Articles 10 and 16 will once more be put to the test of Parliamentary criticism and national scrutiny amongst the peoples of the world. It will be well for it if all its advocates remember that the greatest weakness from which it suffers to-day was caused by too rigid and absolute an insistence by its American supporters upon its moral claims over the discretion of the sovereign component States.

That the American Senate was not alone in sensitiveness upon the point of moral obligation under Article 10 of the Covenant has since been shown by the attitude of Canada towards that Article. At the meeting of the League Assembly in 1922, Canada tabled an amendment to Article 10 adding at the end of the sentence empowering the Council to advise Members as to the means by which their obligation should be fulfilled the words, "*taking into account the political and geographical circumstances of each State*;" and appending the following new paragraph:—

The opinion given by the Council in such cases shall be regarded as a matter of the highest importance, and shall be taken into consideration by all members of the League, which shall use their utmost endeavours to conform to the conclusions of the Council, but no member shall be under the obligation to engage in any act of war without the consent of its Parliament, Legislature or other representative body.

In substance, this amendment is indistinguishable from the American reservation to Article 10,* though the substance is to some extent camouflaged by diplomatic phraseology and protestations of regard for the League. It recalls the agreeable antithesis of form and substance familiar in the *Polite Letter-Writer*—"Profoundly regretting that I am thus obliged to put my own discretion above yours, which I so highly respect, I am, Sir, none-the-less, Your obedient servant, etc." On these terms, declared the critics of the amendment, it was not of much avail to be the "obedient servant" of the League.

* See Reservation 2, page 503.

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In point of fact, the criticism passed upon the amendment by other Members of the League, though by a decided majority unfavourable, revealed an interesting divergence of opinion even amongst those Members who agreed with each other in opposing it. Some said that it was unnecessary as simply restating a generally acknowledged fact, while others considered that it definitely weakened the Article. The two points of view seem to show that the Article itself is differently interpreted by different Members—in itself a strong argument for the amendment. It was generally held, however, that an “interpretative resolution” would be preferable to an actual amendment; and at the Assembly meeting last year the following text was recommended:—

It is for the constitutional authorities of each Member to decide, in reference to the obligation of preserving the independence and the integrity of the territory of Members, in what degree the Member is bound to assure the execution of this obligation by employment of its military forces.

The report* of the British Delegates to the Assembly contains a passage of some importance on the antecedents of the resolution. “The third paragraph of this text,” they write, “was originally drafted in the following form:”

It is, however, the function of the constitutional organs of each Member to decide *whether the circumstances do give rise to* the obligation of preserving the independence and the integrity of the territory of Members, *and* in what degree the Member is bound to assure the execution of this obligation by employment of its military forces.

“This draft appeared to us, as it did to certain other delegations, to show a dangerous tendency towards lessening the force of the obligations imposed by Article 10 by allowing of discretion on the part of individual Governments, not only as to the action to be taken to carry out their obligations, but as to the actual existence of an obligation in any particular case. We, therefore, proposed

* Cmd. 2015, 1924, pp. 5–8.

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“the amended form shown above, which met with widespread acceptance and was not opposed by the Canadian delegation.”

To the writer of this article, the original Canadian formula seems both clearer and more satisfactory than the amended one; for if the existence of the obligation in grave cases involving armed support of the League is not left to the judgment of national Parliaments, but reserved entirely for that of the Council of the League, then the only discretion left to national Parliaments must be as to whether they will honour or dishonour the obligation which the Council has declared to rest upon them. It is difficult to see how international confidence and straight dealing can really be promoted by an “interpretative resolution” establishing such a discretion as that; and it is indeed evident that the amended formula embodies, as amended formulæ so often do, not a clear interpretation of a doubtful point, but a compromise between two incompatible interpretations.

The amended resolution, supported by all the British Empire delegates and by France, but violently opposed by Persia and Panama, was ultimately put to the vote. Panama, with twelve other States, abstained from voting. Twenty-nine States voted Aye. Persia alone voted No. In accordance with the rules governing the Assembly, the resolution was defeated by this single hostile vote, but, as the British Report wisely remarks, “though of no binding effect, it will no doubt in practice have a great influence on the conduct of Members.”*

There the matter rests; but the argument which ended in the amendment of the resolution goes much nearer to the root of it than the discussion as to whether the resolution as ultimately recommended should be passed or not.

* It is interesting to note the States which followed Panama in abstaining. They were Colombia, Costa Rica, Czecho-Slovakia, Esthonia, Finland, Hayti, Latvia, Liberia, Lithuania, Poland, Siam and Venezuela—all States more likely to need support than to provide it.

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For after all, the point of supreme importance is, "who defines and fixes the moral obligation?" If the League requires its Members to accept the verdict of a tribunal consisting of A, B, C, D, etc., as to whether a moral obligation rests upon any of them or not, it is not really of any moral value to A that he can escape the obligation in one of two ways, either by voting against B, C, D, etc., in the Council, so that their joint verdict is not unanimous, or else by refusing to give any practical effect to the obligation which has been declared by all, including himself, to rest upon him. The advocates of an unamended Article 10, of course, realise this; and they want the full measure of the bond given in the Covenant. But it is at least doubtful whether, in taking this absolute view, they are not likely, like the supporters of the League in the American Senate, to do it more harm than even its bitterest opponents.

It is, therefore, as it seems to us, unfortunate that the Canadian amendment to Article 10 was not supported in its original form by the British Empire as a whole. But neither the form of the resolution, nor the fact that the resolution was only a substitute for a full-blooded amendment on the lines of the reservation originally favoured by the American Senate, can alter the fact that the New World within the British Empire is being pressed by democratic sentiment towards insistence on Parliamentary and popular control over all the obligations in which the nation may be involved. Though Canada took the lead in this direction, she undoubtedly represented a growing wave of opinion in Australia and South Africa; and it is highly significant that, in spite of grave French opposition at the outset, the Canadian view was perforce supported by the British representatives at the last Assembly as well as by all the other representatives of the British Empire.

In an era in which the progressive peoples claim irresistably to control, not only indirectly through their Ministers, but directly through the representative institutions to which Ministers are responsible, in what conditions and

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for what causes they shall go to war, no other course was in reality practicable. The whole trend of history since the summer of 1919 has proved that the fundamental conception of a world-wide guarantee on which the peace settlements of 1919 were based is in fact illusory. The free and untrammelled nations upon whom the guarantee really depends will have none of it. In this respect English opinion has been moving steadily in the same direction as that of the Dominions. There can be no doubt that the stand originally taken by the American Senate has proved prophetic and widely representative.

It is all the graver therefore that an entirely contrary movement has been concurrently supported and even led by British statesmen, who, under the pressure of diplomatic emergency, have allowed themselves to drift into the comfortable but dangerous fallacy that the guarantee of the British Empire can be parcelled up on the limited liability principle into continental zones. We must examine this contrary policy as briefly as possible before endeavouring to point the moral which results.

III

THE first obligation undertaken in this contrary sense by a British Government is contained in Article 18 of the Straits Convention annexed to the Treaty of Lausanne, the relevant part of which reads as follows:—

The High Contracting Parties, desiring to secure that the demilitarisation of the Straits and of the contiguous zones shall not constitute an unjustifiable danger to the military security of Turkey, and that no act of war should imperil the freedom of the Straits or the safety of the demilitarised zones, agree as follows:—

Should the freedom of navigation of the Straits or the security of the demilitarised zones be imperilled by a violation of the provisions relating to freedom of passage, or by a surprise attack or some act of war or threat of war, the High Contracting Parties, and in any case France, Great Britain, Italy and Japan, acting in conjunction, will meet such violation, attack, or other act of war or threat of war,

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by all the means that the Council of the League of Nations may decide for this purpose.

It is not necessary, in order to make the bearing of this engagement plain, to go into any detail upon the tangle of diplomatic arrangements which have at different times governed passage through the Straits between the Mediterranean and the Black Sea; nor need the actual merits or demerits of the Lausanne arrangement as a guarantee for the "freedom of the Straits" be brought into question here. All that matters for the purpose of this argument is that Britain insisted at Lausanne on freedom of passage for all ships of commerce and a limited number of ships of war, provided Turkey herself were at peace. (If Turkey were at war the whole arrangement would be upset.) To guarantee this freedom, Britain demanded the demilitarisation of certain zones on both sides of the Straits, including Constantinople. The Turks pointed out very cogently in reply that such demilitarisation must weaken the defence of Constantinople, which, though no longer the capital, is still the pride and the jewel of the Ottoman Empire. The general guarantee of the League of Nations under Articles 10 and 16 not proving satisfactory to them, they were further offered the special Four-Power guarantee contained in Article 18, the effect of which Lord Curzon decried as follows:—

Finally, in order to remove all possible apprehension that the régime which we propose to establish will be abused to the disadvantage of Turkey, we have added a specific guarantee under which the security of Turkish territory and the Turkish capital is abundantly assured. Not only will Turkey be left with her own means of defence for her Asiatic shores; not only will substantial Turkish forces be stationed at Constantinople; not only will Turkey, so soon as she enters the League of Nations, share in the general guarantee provided by Article 10 of the covenant; but under the additional guarantee which we propose to attach to the Straits Convention *she will be given an absolute assurance regarding her future security* and be able to devote her undivided attention to the economic reconstruction and progress of her own dominions.

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The Turkish delegates were not entirely convinced by these assurances, but they ultimately, under protest, accepted them. After some debate in the British Parliament, which produced the statement by Mr. Mackenzie King in the Canadian Parliament to which reference has already been made, the Treaty together with the Straits Convention has now been ratified by the British Government, and binds the whole Empire.

On this procedure there are grave comments to be made. In the first place, the Four-Power Pact manifestly represents a departure of policy in a sense directly contrary to that which prompted the Canadian amendment to Article 10 of the Covenant. Mr. Ramsay MacDonald, when defending the engagement in the House of Commons, was at some pains to show that it only formed part of our general engagement under the League of Nations, and that we were therefore provided with the means of escape from any serious liabilities which it might involve, should such liabilities prove inconvenient. He said:—*

My hon. friends below the gangway, like myself, regard all these guarantees with a great amount of suspicion. I am not sure that we shall always be able to keep out of them, but we shall certainly always approach them with a suspicion that will compel us to keep out, if circumstances will allow. Do let my hon. friends remember that the Council of the League of Nations can only act unanimously, and upon that Council we sit. The Council of the League of Nations cannot come to a conclusion without the consent of the representatives of Great Britain. The Dominions may be separate, but in that decision the Dominions have to take their share.

To this there is only one answer to be made—that it reads very oddly by contrast with Lord Curzon's language to Ismet Pasha, and that if we are in truth to accept Mr. Ramsay MacDonald's interpretation of our pledge, we have no right to represent it to the Turks as an adequate compensation for the weakening of the defences of Constantinople.

* House of Commons, Official Report, April 1, 1924, pp. 2069-70.

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The whole debate, indeed, demonstrates the undesirable equivocations by which these joint assurances and guarantees tend to be characterised. Of the British Empire we would wish it to be said that its yea is yea, and its nay nay. The world cannot be made safer for democracy by formulæ regarding security meaning different things to those who bestow and those who receive the assurances which they purport to contain. In this vital matter the New World has a clearer and cleaner vision than the Old ; and it is disquieting that the same British Government which supported the Canadian amendment to Article 10 should have pursued this utterly inconsistent and indeed contrary course of policy in the negotiations at Lausanne.

For this reason the contrast between the procedure adopted at Lausanne and that adopted previously at Versailles and Washington deserves particular attention. All the other Peace Treaties, and also the Washington Treaties, were signed separately on behalf of the Dominions and India by their own plenipotentiaries. The Treaty of Versailles and the Washington Treaty for the Limitation of Naval Armaments, which both contained obligations for the future, were moreover negotiated in consultation with a complete British Empire Delegation, the chief members of which all had full powers on behalf of their respective Dominions. The British Empire Delegation in Paris also discussed the 1919 Treaty of Assistance to France ; and to that Treaty, which the Dominion representatives did not sign, was attached the clause quoted earlier in this article, exempting the Dominions unless and until the Treaty should be approved by their respective Parliaments.

The method of negotiation and signature adopted in the case of the Treaty of Lausanne, and more particularly of the Straits Convention, which committed the Empire to a serious obligation, was very different. The negotiations were conducted by English plenipotentiaries alone. The Treaty and the Straits Convention were made inseparable by a special article in the Treaty, so that one could not be

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ratified without the other ; and neither was provided with the usual clause of exemption for the Dominions unless and until they should be approved by the Dominion Parliaments. It naturally and inevitably followed that the Dominions were committed to both Treaty and Convention by the single English signatory who represented the British Empire at the final meeting of the Lausanne Conference.

The significance of this change of procedure from the precedents established in Paris and at Washington emerges graphically from a table in parallel columns of the signatures appended on behalf of the British Empire to the three instruments :—

Treaty of Versailles (with Covenant of the League of Nations)	Treaties of Washington	Treaty of Lausanne (with Straits Convention)
D. Lloyd George	Arthur James Balfour	Horace Rumbold
A. Bonar Law	Lee of Fareham	
Milner	A. C. Geddes	
Arthur James Balfour	R. L. Borden	
George N. Barnes	G. F. Pearce	
Chas. J. Doherty	John W. Salmond	
Arthur L. Sifton	Arthur James Balfour	
W. M. Hughes	(for South Africa)	
Joseph Cook	V. S. Srinavasa Sastri	
Louis Botha		
J. Chr. Smuts		
W. F. Massey		
Ed. S. Montagu		

The consequences of this change of procedure both in negotiation and in signature deserve careful attention in this country. Canada, though she is technically bound by the Treaty, has declared that she accepts no obligations under it. What this means in practice is that, if Britain has to defend the demilitarised zones round Constantinople and the Straits, Canada will not regard herself as bound to participate in British action, although she, like the rest of the Empire, must suffer many of the consequences of the state of war in which Britain will be involved. In South

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Africa there has been no debate; but no sensible person can doubt that the Nationalist party, if it is returned to power at any time, will endorse the Canadian attitude. The Australian Labour party takes the same standpoint. The net result of the procedure adopted at Lausanne is therefore this—that if Britain is at some future date called upon to honour the undertaking given in the Straits Convention, two or three Dominions will be placed in the dilemma of finding themselves involved in a state of war by an obligation which their Parliaments have never endorsed, or else of declaring their neutrality and thereby detaching themselves from the Empire. That is the consequence of the departure from the Paris and Washington precedents sanctioned at Lausanne. It has been brought about on the one hand by the failure of British Ministers to realise that the Dominions cannot be excluded from complete association with British policy in great negotiations without endangering the moral unity of the Empire in some future emergency, and on the other by the failure of Canadian and other Dominion Ministers to realise that they cannot in reality disinterest themselves in such negotiations as those conducted at Lausanne without jeopardising either their national liberties or their partnership in the Empire.

So far as the Straits Convention is concerned, it is earnestly to be hoped that the present equivocal position may be adjusted by future arrangement with Turkey and the other signatories; but the moral needs to be emphasized none the less, because the British Government and Parliament are soon to deal with an even graver departure from the precedent set in Paris and Washington, the Treaty of Mutual Assistance which is now being pressed upon all Members of the League of Nations.

Roughly summarised, the provisions of this draft Treaty are as follows. Its aim is to produce a general feeling of security which will promote an immediate limitation of armaments—an aim with which there must be universal sympathy. The methods suggested for attaining this

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aim, are, however, more disputable. Under it the High Contracting Parties “jointly and severally undertake to furnish assistance” in accordance with the Treaty “to any one of their number should the latter be the object of a war of aggression.” In the event of war, the Council of the League is to determine within four days which of the combatant States has been guilty of aggression, and the parties to the Treaty are bound over to accept its ruling. The Council is then further empowered to act as follows:—

(a) Decide to apply immediately to the aggressor State the economic sanctions contemplated by Article 16 of the Covenant. . . .

(b) Invoke by name the High Contracting Parties whose assistance it requires. No High Contracting Party situated in a continent other than that in which operations will take place shall, in principle, be required to co-operate in military, naval or air operations;

(c) Determine the forces which each State furnishing assistance shall place at its disposal;

(d) Prescribe all necessary measures for securing priority for the communications and transport connected with the operations;

(e) Prepare a plan for financial co-operation among the High Contracting Parties with a view to providing for the State attacked, and for the States furnishing assistance the funds which they require for the operations;

(f) Appoint the Higher Command and establish the object and the nature of his duty.

Finally it is provided that the Treaty shall come into force

In Europe when it shall have been ratified by five States, of which three shall be permanently represented on the Council;

In Asia when it shall have been ratified by two States, one of which shall be permanently represented on the Council;

In North America when ratified by the United States of America;

In Central America and the West Indies when ratified by one State in the West Indies and two in Central America;

In South America when ratified by four States;

In Africa and Oceania when ratified by two States.

The Treaty also contains a provision (Articles VI, VII, and VIII) permitting the existence between parties to the Treaty of “complementary defensive agreements,”

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which may be put into immediate execution, without awaiting the decision of the Council of the League, should the emergency arise against which the parties concluded them.

We do not propose to deal here with this last provision (though it manifestly means that war will be fully launched before the machinery of the Treaty comes into effective operation) nor with the enormous difficulties which the Council must overcome in deciding within four days what State is really the aggressor. To take one example only of the latter difficulty, which State was the real aggressor, Germany or Russia, in August, 1914? Neither was directly concerned in the original dispute, which arose between Austria-Hungary and Serbia. Both took immediate steps for military intervention. Which was the first offender? After twelve years, in which every relevant document has been published, the verdict as between Russia and Germany is still hotly debated. How could the Council have determined it in four days?

Apart from these peculiar difficulties, there are also others, such as the determination of the Higher Command. It took three and a half years to secure agreement upon a united command on the Western front between Allies who were engaged in a common struggle for all they valued in their civilisation. The Council therefore must be confronted with a thorny task in "appointing" a joint Higher Command at the very outbreak of hostilities. And as for "financial co-operation," the unrecognized war-debts left by the last war must prove lions in the path of all future attempts to allocate financial responsibility over the heads of national Parliaments.

These practical difficulties, though they seem very sharply to endanger the working of the Treaty, are not in principle the most serious objections to which it is open from the standpoint of the British Empire.

From that standpoint, the Treaty contains the elements not only of danger, but of disruption; and it runs directly

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contrary to the moral pointed by the history of all the expedients adopted since the Armistice to secure effective co-operation between the Old World and the New for the maintenance of European stability. It is indeed the most marked example yet afforded of the contrast between European thought and the standpoint of the over-sea democracies, and as such it is the greatest challenge yet presented to the unity in foreign relations of the British Commonwealth.

For, in the first place, it deliberately over-rides the democratic demand embodied in the Canadian amendment to Article 10 of the Covenant, that the national Parliament shall be the final arbiter of the obligations which rest upon each nation. In this respect, the language of the Treaty is peremptory, where that of the Covenant is merely suggestive and provisional. Under it the Council of the League "decides" (Article IV), "determines," "prescribes," and "appoints" (Article V), where the Covenant only "advises" and "recommends." How can such language be reconciled with the moral claim of every living national Parliament to watch over the lives and resources of those whom it represents?

In the second place, it parcels up by continents the obligations resting upon the British Empire, ignoring altogether the fact that if one nation in the Empire is at war, the others must also be at war, whether or not they consent, and whether or not they actively participate. The most striking example of what this means is to be found in the form of action which Britain is most likely to be called upon to adopt, the naval blockade. For if we impose the blockade, Dominion trade is arrested by the same process as our own, and Dominion ships become liable to counter-attack by the blockaded enemy. If any one still harbours the idea that the effects of the naval blockade can be confined to a single continent, they must surely have forgotten the events of 1914-15, when the imposition of our blockade in Europe brought us at once into very critical

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antagonism to the trading interests of the United States. It would be serious enough that we should risk for the sake of a blockade the hostility in some future emergency of the United States; it is difficult to imagine how a policy pregnant with any such possibility can really advance the cause of world peace. But it must also be remembered that the trade of the Dominions with Europe will grow rapidly as soon as normal conditions are restored; and that as the years go by, the imposition of a European blockade without their consent will grate against their interests and susceptibilities almost as seriously as against those of the United States.

In the third place, the Treaty deliberately sets aside a practice which we believe essential to Imperial unity, namely, the joint and interdependent approval by all the nations of the Empire of any treaty which may involve any part of the Empire in an obligation to go to war. Such obligations inevitably create a bias which determines the course of foreign policy from year to year; and if there be different obligations in different parts of the Empire, there will also be different interests on critical questions, and different forms of bias affecting the conduct of Ministers and the trend of public opinion in increasing measure as the years go by.

The most dangerous difference of bias would arise from a failure to recognise that, if the Empire is to exercise a united influence for peace and stability, regard must be had by British Ministers to the fact that, while proposals like the Treaty of Mutual Assistance, which would make Britain part of the European balance of power, are attracting more and more attention in Europe, opinion in the Dominions, as shown by the Canadian amendment to Article 10 and by the whole process of events since 1919, is demanding that those nations shall be committed to no naval and military liabilities which would bind or hamper the complete discretion of the national Parliaments in any emergency which might arise. The whole Empire is moving

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away from the European standpoint, and nearer that of America.

The tendency of British Ministers to take Imperial co-operation for granted, and of Dominion Ministers to disinterest themselves in what British Ministers may do, are both of them movements away from the close diplomatic co-operation established after war. While they temporarily play into each other's hands, they are in reality sowing the seeds of very grave disunion. That is the moral of the latent differences of view unexpectedly revealed by the references in the British and Canadian Parliaments to the Treaty of Lausanne. British Ministers must take that moral to heart, and with it the whole movement of opinion over-sea since the Paris Conference dispersed in the summer of 1919, if they are to discharge with wisdom and right judgment the trust which is in their hands.

IV

THE mists indeed have lifted from the choice of paths before us; but in this country we are far from certain which path to pursue. The problem may be stated in three simple points.

1. It is argued that there will be neither peace nor reason nor any reduction of armaments in Europe unless Britain incurs a definite naval and military obligation to protect and maintain a new European settlement. How far is it in reality an interest of the British Empire to incur any such European responsibility?

2. If the policy of forming part of the European balance of power be recommended on European grounds, how far are British Ministers entitled, and how far will they be wise, to pledge the Empire to warlike intervention without assuring themselves in advance of the approval of the Dominion Governments and Parliaments?

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3. Should the British Empire pledge itself to the use of the naval blockade except on conditions permitting of consultation and agreement with the United States before any blockade is carried out?

Peace is indeed one of the central aims of British foreign policy, and it is unquestionable that the foundations of peace would be more truly laid if all the victorious European Allies could be persuaded to follow the lead of the British Empire and the United States in a definite reduction of armaments. But it is far from clear that the British Empire would really advance this cause by making itself part of a new European balance of power; and it would certainly not advance it by risking its own solidarity or creating any serious ground for a clash of interests between itself and the United States.

For centuries past, moreover, it has been against the fundamental principle of British policy to form part of the European balance of power. And that tradition is strongly reinforced in this century by the fact that British policy is now required to represent the interest and the sentiment, not merely, as in past centuries, of an island in the Northern European seas (albeit with a world-wide responsibility for communities not yet of age), but also of an oceanic Empire formed of full-grown nations in four continents. For that reason the march of oversea opinion since 1919 must be a factor of the first importance in determining the course which we are now to pursue; and the moral which it points is unquestionably towards maintaining a disinterested and discretionary position, outside all European groups, but ready to use our influence in Europe as each emergency arises in whatever way seems most likely to serve the cause of conciliation and treaty faith.

To the League of Nations, all the British democracies desire to give sincere and generous support. They have been its mainstay for five years, and they are bound to it by an instinctive even more than a reasoned faith. But the

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League of Nations will gain nothing in the end by demanding more than the instinct of the oversea democracies, favourable though it be, can concede to any international authority with claims to over-ride their sovereign national rights. A united British Empire within the League will be a pillar of the League. A disunited British Empire would before many years bring the League in ruins to the ground.

The breadth of view which the maintenance of Imperial unity imposes upon British Ministers is also required of them by the fact that in essentials foreign policy is now subject to the democratic demand for Parliamentary control. It cannot be wise or reasonable that Parliamentary supervision, increasing in this country, should not also be recognised as the right of the democracies oversea. If peoples now claim to be supreme over their own destinies, they must, if they be free nations in any real sense of that term, also control the undertakings which are made in their name, particularly if such undertakings contain a moral obligation in certain eventualities to go to war. It follows that the oversea democracies must never, so far as we can prevent it, be confronted with the sudden alternative of declaring their neutrality in a British war, and thus seceding from the Empire, or of being involved in that war perforce, whether they approve it or not.

It does not follow that foreign policy should be conducted simultaneously by several Governments. That is so absurd an idea as to need no criticism. Some Government of the Empire must take the responsibility of conducting policy from month to month on matters that affect the Empire generally. In present conditions, and by the agreement of the Dominions, the British Government alone can carry that responsibility, particularly in European affairs. But the normal conduct of policy from month to month is one thing; and the contracting of engagements which bind the Empire in circumstances which no human wisdom can forecast, is another thing. It is in regard to such engagements that British Ministers

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must never forget that they are acting, not only for the democracy which they directly represent, but for five other democracies which must in future control their own destinies in the great issues of peace and war as fully as they have long controlled them in all questions of domestic national development.

Bismarck once observed that long-standing treaty obligations are not practicable as between democracies, because democracies are not *bundfähig* or marriageable. Though spoken in disparagement, the saying is profoundly true; and it is no disparagement to democracy for those who understand what true democracy means. In democracies statesmen cannot effectively commit their own generation, much less future generations, to undertakings entailing a moral obligation to go to war. They cannot, in other words, negotiate with the lives of men now living, still less with the lives of men unborn. Democracy since 1919 is setting its face yearly with greater force against any engagements which may impair its absolute discretion to act or not to act, when action involves the lives of its own sons.

Only a doctrinaire would attempt to lay down absolute and rigid rules on even great questions of this kind. *Salus populi suprema lex* is a maxim that applies to foreign as well as domestic affairs. But guiding principles are not rigid rules; and we repeat, with all the emphasis which we can lay upon it, that the first principle of British statesmanship must be to avoid, by every possible means, the occurrence of conditions in which the Dominions may have to choose between the alternatives of declaring their neutrality in a British war or of honouring an obligation to go to war which they have never endorsed. To bar this lion from our path, we must avoid with equal care any academic parcelling up of the Empire's obligations by geographical zones; for in a world which becomes more closely knit in trade and finance with every passing year, no statesman can undertake to localize even the range

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of hostilities, when war once breaks out, much less financial and commercial effects.

It will, therefore, never be sufficient for British Ministers to have the formal assent of the Dominion Governments to their conduct of negotiations in which a liability to go to war may be incurred. We have seen in the history of the Lausanne Treaty the dangerous result of assuming concurrence where concurrence is not real; and even graver negotiations lie ahead in the shape of France's demands for security in return for a settlement by mutual consent between the Allies and Germany. It may be that no British Empire Delegation will ever be persuaded to undertake again the obligations towards Europe which were undertaken in 1919. But however that may be, there is only one constitutional method in negotiation which can safeguard us against the danger of disruption over obligations to go to war; and that is the method adopted at the Paris and Washington Conferences of securing for all critical negotiations a full British Empire Delegation in which each of our democracies can speak with its own voice and concur or not concur with the rest as its own national interest and sentiment may decide.

It may sometimes be a cumbrous and slow-moving method, but it is the only one by which unity can be maintained. Our experience since the Armistice proves, moreover, to the hilt that while other methods produce disunion, this method not only avoids disunion but leads to effective co-operation and positive results. The views of different Dominions were notoriously divergent on the main Pacific problem that confronted the Washington Conference, but the British Empire Delegation there, under Lord Balfour's chairmanship, ultimately solved the problem without a dissentient voice. Unity is our greatest asset, in peace no less than in war; and it should be the touchstone of every policy by which our statesmen may seek to guarantee the peace of Europe or of any other continent, or ocean, in the world.

IRELAND AS IT IS

The following article is from the same Irish pen as the previous accounts of the situation in Ireland which have appeared in THE ROUND TABLE under the above title.—EDITOR.

I AM disappointed—slightly disappointed in the Government and very much disappointed in the Irish people.

My chief cause of discontent is that in this month of May, 1924, the bulk of the people of Ireland are as unsound in their economic ideas as they were in May, 1920. They are still led away after false gods. They still think politically. They still believe that a change of Government will reduce prices, and that there is a primrose path to prosperity. They are apparently as ignorant of the elementary doctrines of political science as they were four years ago, and, what is worse, they have not yet learned the lesson that by work, and by work alone, a man or a nation must live. I had hoped that ere this it would have been borne home to my fellow-countrymen that if a Government is to exist it must govern, and that change of one form of government for another cannot of itself induce prosperity. I may be misreading the situation; I sincerely trust I am; but I am drawn to the conclusion that two-thirds of the population of the South of Ireland are still thinking as they thought from 1900 to 1921, and have still some confused idea that the abolition of the oath or even of the Governor-General would, without any effort on their part, lead to complete prosperity with lower rates, taxes, and food prices. Where I chiefly blame the Government is that they are still remote. They are so immersed in the task of governing that they do not realise sufficiently the necessity of economic education. Take any meeting-place

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of men in Ireland and consider what is their view on any issue raised, and what is the dividing line. Is a candidate for Parliament elected because he is a Free Trader or a Protectionist? Is it because he is a sound economist? Is it because he is prepared to introduce beneficial legislation? In almost every instance the answer is in the negative. He is supported or opposed because of his particular brand of politics—Republican or Free State.

A county or a rural council is divided into two camps for the same reason, and no matter what the question to be debated, it seems almost impossible to get away from this misleading issue. The farmers' unions, which ought to be the most powerful bodies in a country whose wealth is 75 per cent. agricultural, are likewise rendered almost futile by the introduction of politics. The rent issue and the relationship of landlord and tenant was at one time of vital importance to Irish agriculture. With the introduction of Land Purchase its importance waned, but it was still a handy weapon for the old Nationalist party in the British House of Commons. They accordingly kept it in the forefront as a political issue. To-day it is by far the least of the problems which affect the farmer, and yet the farmer appears to be unable to get away from it. Rates are 200 per cent. over pre-war level; labour is at least 70 per cent. over; machinery about 100 per cent. over; transit charges on most railways 100 per cent. over; cost of living 75 per cent. over—rent is 25 per cent. *under*—and yet farmers, if they are not talking of whether this or that form of government is the better, will talk of the rent issue and the rent issue only. They should be one of the strongest, if not the strongest, party in the State and the Dail. In reality they are the weakest, and simply because their leaders do not educate and instruct them on the true issues, with the result that they either abstain from voting or vote on the purely political issue. I know, of course, that in a newly-formed State, with an anti-constitutional party ever ready to overthrow established conditions,

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it is difficult to get away from this question. It must be got rid of, however, if the established conditions are to continue. The Free State Government cannot remain in power simply by being a Free State Government. They must educate their electorate, must exemplify the barrenness and futility of the Republican programme, must show how it can produce no material well-being and may lead to economic disaster.

I yield to no one in my admiration of what has been done by the present Government. They have produced order from chaos, have given Ireland an opportunity of prosperity which two years ago seemed beyond the realms of possibility; but they must beware lest their very zeal for work be their own undoing. It is difficult for a Government, which has to enforce taxes from citizens who had previously evaded payment, to retain their popularity. It is doubly difficult when the aforesaid citizens do not understand the elementary principles of state-craft and when there is an anti-Government party always ready to fan the spark of discontent to a blaze with the Republican bellows. The only way that the Government can hope to exist is not to defend but to attack. Attack the ignorance of the country, go down amongst the people and say what they are doing and why they are doing it. Without disrespect to the Government I would like to say that I fear they are allowing themselves to be driven rather than leading; there seems to be always a fear that something may crop up which will give the Republicans new capital. There is a little of what I can only describe as camouflage, much as I dislike the word. A lack of readiness to admit frankly the real facts. Ireland is a member of the Commonwealth of Nations which forms the British Empire, with the King as its head. I sometimes think there is a tendency to endeavour to cloak that fact as if it were a disgraceful secret, and I maintain that this policy is playing into the hands of the Republicans. I suggest that it would be better boldly to face that fact and go on to show how we

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may become one of the most powerful of the constituent elements in that Empire. We have far too many idealistic doctrines and not enough hard facts. The Government has a definite constructive policy and programme; the Republicans have none. They simply cry: "Up the Republic," and never explain how the ordinary citizen will be any better off under their proposed régime. The ordinary citizen, not having learned to analyse any doctrine and having always been taught to believe anything which is shouted at him with sufficient frequency, repeats: "Up the Republic," without ever stopping to consider what his fate would be under such a form of government. The demagogue standing on the ruins of a building which his followers have destroyed proclaims that a Republic means Utopia. He does not produce any reasoned argument, any economic policy, but, as it is said often enough, the man in the street who finds that times are hard and taxes heavy begins to believe it, particularly as no one else is there to tell him differently. That is where I think the chief Government danger lies. We are quick enough as a race to absorb new ideas, but, just as a child needs an alphabet book before it can learn to spell, so many of our people need an elementary treatise on economics (if possible with coloured illustrations) before they can distinguish between facts and fancies. Our present Government has apparently no idea whatever of the value of advertisement, and I know no people who are so easily swayed by political advertisement as the Irish. Oh, for someone with personal magnetism and the gift of words to bear the fiery cross of endeavour throughout the country and rouse it from its apathy! Someone to tell the truth—that we will never be a nation till we work, till we produce more and better goods than our rivals; that until our exports at least equal our imports we cannot expect to exist, much less live; that Monarchies or Republics do not of themselves bring prosperity or riches in their train; that Ireland has now her future in her own hands, room

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to develop, freedom to expand, opportunity to grow rich. Someone to show the farmer that as long as his cow can only produce 300 gallons of milk in the year, while the Danish cow, costing no more to feed, produces 600 gallons, Denmark will be more prosperous than Ireland, though they have a King and we have none. Someone to show the producer that combined selling, and the consumer that combined buying, will increase profits and diminish expenditure; someone to prove that co-operation is not a dream of enthusiasts but a practical working scheme; above all, someone to tell them to think, to analyse, to differentiate between constructive and destructive criticism and action; that grumbling does not help and that not every change is beneficial.

That is what I believe must be done before we really begin to awaken, and what makes me pessimistic sometimes is that, believing what I do, I cannot at the moment see who is going to do it. Our educated classes are sadly to blame; with a few notable exceptions neither the learned or commercial classes make the slightest effort to assist the Government by speech or action. It is lamentable to see in election after election less than 50 per cent. of the electorate voting. It is equally grievous to hear men, whose very existence is bound up with the State, capable of only the gloomiest forebodings and without a constructive idea. I do not deny that there is much reason for their unwillingness to take part in public life. Any attempt of recent years to be of genuine assistance to your country was frequently followed by material loss if not personal violence. Sacrifices which are made for the public weal are too frequently forgotten and the sufferer dubbed a fool. Yet unless public spirit conquers these perils I fear the future is not particularly rosy.

For, so the Ark be borne to Zion, who
Heeds how they perished or were paid that bore it?
For, so the Shrine abide, what shame—what pride—
If we, the priests, were bound or crowned before it?

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A little of the spirit typified in Kipling's words would do much to revivify and reunite our country. In this connection I may say that it was particularly unfortunate that the Business-men's party should have been attacked in the Dail as they were quite recently. The second reading of the new Bill for the unification of railways had been moved by the President and the principle of the Bill was criticised by several deputies, including those representing trade interests. This drew from the President a reference to the Business-men as "pieces of antique furniture" and a suggestion that much of the disorder of recent years was attributable to their party. I feel sure that what was said was unconsidered and largely due to the fact that the President, in common with the other members of the Government, is overworked to an appalling degree. Any man who is overstrained will, in a fit of nervous irritation, say what he never even thought of in normal moments. It was none the less an unfortunate incident, occurring as it did just at a time when the State demands that *all* her sons should think and speak and be alive to economic conditions. The Government can do much to foster our interest in our affairs by being more frank in their reasons for their policy and actions. In order to be strong it is not necessary to be autocratic. The representatives of democracy should always be ready to explain to even the dullest of their electors the why and wherefore of their actions. A democratic Government should never treat with contempt their representative Assembly. Never having been an active politician, I speak with much diffidence, but I would suggest that the present Government would have put itself in an immensely stronger position in the Dail and the country if it had, when any crisis arose, put all its cards on the table, and having explained the position, then stated the decision. The decision was too often stated first, and the reasons dragged forth piecemeal afterwards until what was really the wise and courageous course appeared a subterfuge and a trick. If the defendant in a

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trial were permitted to state the plaintiff's case one could hardly expect the jury to have a clear understanding of the rights and wrongs involved in it. Another thing I do not quite understand is why certain essential legislation is delayed, while day after day in the Dail is wasted over what the ordinary taxpayer regards as wholly immaterial to his welfare. What I have in mind are the Bills relating to agriculture which, it is whispered, have been in preparation for months, if not years. If the farmers will not grade their butter and eggs they must be made to do so. If the dairyman and cattle-breeder will not voluntarily give up the practice of breeding from a "scrub" bull, they must be forcibly prevented. Acts of Parliament for these purposes would do an immensity of good to agricultural interests. Would the three days spent in a full dress debate over the words "Great Britain and Ireland" in an obscure treaty not have been better spent in passing such measures as these? Again, this absurd issue of "England" is conducted to the front of the stage, while the true interests of Ireland are told to hide in the wings. Can no one see, and can no one say, that words do not matter; that our dignity does not depend on our name; that to be a great country, no matter how called, we must be educated, must have a correct appreciation of values political and commercial and must be solvent. It is the Government's privilege to act as helmsman, to keep the ship on her course despite squalls or even gales. To do that there must be, in addition to a skilful helmsman, a willing crew, and that crew will not be willing unless they know what port the ship of State is steering for and why. The strong, silent man theory is impracticable at the present stage in Ireland. There is one cheering thought, and that is that we have time to think and write of these problems. The shootings and burnings have stopped, the law is functioning again, the normal life of the country is proceeding. That is a blessing that we probably do not sufficiently appreciate; we certainly do not sufficiently thank the Government for it.

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This curious result ensues that as disorder diminishes the task of Government becomes more difficult. In 1922 all we wanted was strength, a definite control and crushing of the disturbers of our peace. Now, being relieved of the dread of destruction of life and property, but being still impoverished thereby, we look round for someone to blame, and who more suitable than the Government which saved us! If my criticisms hitherto seem carping and ungenerous my excuse must be that I feel so deeply the immediate need of the nation for economic education, thought and interest in public affairs; and I dread lest a Government which has done so much may fail by the very pressure of its responsibilities to abolish the old standards of thought and attract its electorate with a new educational, economic, and political atmosphere.

Any survey of Irish affairs, however cursory, would be incomplete if some reference were not made to the Boundary question.* It is with the greatest hesitation that I approach this thorny question. Much has been said and written on one side or the other, much feeling has been aroused and many divergent views have been advanced. I do not propose to examine either the wording of the Treaty or its legal effect. My view is that the Free State Government should boldly state that for the present they waive their claims to have a Boundary Commission appointed. My reasons for this view are:—No matter what Commission is appointed and what boundary is established, it is a boundary and a division between North and South. The greater the amount of territory which is embodied in the Free State as the result of any Commission, the greater the bitterness and bad feeling which the inhabitants of the remainder feel and the more lasting their exclusion. Even if the greatest hopes of the Free State are realised, and all Tyrone and Fermanagh are included in the Free State, there will still be excluded Derry,

* A note on the Boundary Question, together with a map, will be found at the end of this number.

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Antrim, Down and Armagh. The boundary between that excluded territory and the remainder of Ireland will be made permanent or virtually so, and the possibility of a united Ireland put back a century. Had the Treaty been accepted unanimously by the South in 1921, the North would have joined us ere this. As it is, many of its business men and non-politicians have in the last few months come to realise that in a united Ireland lies the chief hope of the future. The politicians, it is true, are as vocal as ever, but there is in many minds a great desire for union in some form. Force on this Boundary Commission, and I say again, no matter what the result, you stifle for all time the possibility of that desire finding expression. The hands of the Orange die-hards are strengthened and partition is made permanent. I often hear it said that the Northern Government, by gerrymandering the local government elections and by their inflammatory speeches, are themselves endeavouring to force on this issue. Admitting that ; what then ? Are we going to play into their hands ? Every man who has a position in the Northern Government, of course, wants to consolidate the ground he has won, and by far the best way to do that is to put the Free State Government into the position of holding a pistol at the head of the North and endeavouring to force them to do now a part of what they would have done voluntarily in a few years. Inflame the people, get back to the old no surrender slogans, "Ulster will fight and Ulster will be right," "Home rule means Rome rule," etc. etc., and the holders of office in the North can sit back and smile, secure in their offices for years to come. I said earlier in this article that I thought the Free State Government sometimes were inclined to play down to Republicanism. I am convinced that by demanding this Commission they are unwittingly playing down to Orangeism. If Mr. Cosgrave to-morrow said :—"We abandon the claim for a Commission, neither Republican threats nor Orange violence will force us from our course. The only boundary we want

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is the Atlantic Ocean, and we know we can only attain that by showing the North that it will pay them to join us, and we hope to show them that within three years' time." If, I say, that were said, I believe it would carry the country ; no one but would realise the wisdom of such a course. It would confound the Republican and defeat the die-hard. It might not be politics, but it would be statesmanship. Politics will try to pinch the last ounce out of our treaty with England, politics will inflame our Press and our people, obscuring their vision by their passions until they cannot see that by demanding a Commission they have themselves become partitionists ; politics will beat the drum in Ulster and deaden the voice of moderation. Politics may destroy us but they will never save us. When we have put our own house in order, when income tax is lower here than in Northern Ireland, when trade is better and business more prosperous, then no Boundary Commission will be necessary. Until that time a Commission will only embitter and estrange our fellow countrymen.

UNITED KINGDOM

I. CURRENT EVENTS

Industrial Troubles

ELSEWHERE in a separate article we review the progress of political events as they exhibit the performance and the promise of Mr. MacDonald's administration. The political record is in the main inconclusive. The industrial record is not less so. It would be stating facts, but stating them unfairly, to say that almost every week since a Labour Government took office, the country has been embarrassed by some grave industrial disturbance, actual or impending. Labour, with its new responsibilities thick upon it and its political majority still to win, is sensitive to the imputation. The effect of Labour being in office upon the industrial situation is considered elsewhere. It is enough to say here that so far the balance has been fairly evenly preserved between the restraint imposed by the knowledge that Labour is, politically, on trial and whatever encouragement the first taste of power may have given to its militants. The industrial record of the present year, then, is bad, but probably no worse and no better than we should have seen without a change of Government. The symptoms of unrest were visible months ago. The change of Government has had less to do with it than the turn in trade. On a falling market, wages suffered generally. It bore with special severity on wage-earners directly exposed to foreign competition. The "sheltered"

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trades—to give them the appellation which Mr. Baldwin has popularised—were able to offer a more effective resistance to economic pressure. The result has been to leave in industry glaring and provocative inequalities of reward for labour. While they exist, the promise of industrial stability cannot be great. When the curve of trade at last began its slow ascent, they whetted the determination of the miners, for example, to recover lost ground. At the same time, the miners, having before their eyes the exemplary earnings of the unskilled but sheltered, are the less ready to accept, as the measure of their wage, the capacity of the mining industry to meet it.

The miners—to take first the most considerable of current disputes—have pressed their claims, under the leadership they have enjoyed so far, with pertinacity, but also with discretion. The new Secretary of the Federation, in succession to Mr. Frank Hodges, Civil Lord of the Admiralty, is a representative of the "forward" school from South Wales, and avows his warlike purposes. It is early to say what effect the change may have on the important stage which the dispute has reached. Two things counsel caution. The reluctance of the Government to attempt the imposition of the miners' demands by law upon the industry is manifest. All the mining areas, as can be explained later, have not the same interest in pressing their official claim to that extremity. Having given the three months' notice due for the termination, on April 14, of the agreement which has ruled wages in the industry since 1921, the miners met the mine-owners in negotiation at the beginning of March. The miners demanded a minimum wage 40 per cent. above the 1914 wage *plus* an increment corresponding to the increased cost of living. The owners offered a wage 10 per cent. less than their demand, and a "subsistence" wage, payable to the worst-paid men, which would in fact have exceeded the demand. The men further asked for a revision of the ratio of standard wages to standard profits, and of the ratio in which the

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surplus, left after these standard charges had been met, was divisible, in such a way as to give 88·5 to themselves and 11·5 to the owners out of the whole amount. The owners offered 87 and 13. Fuller publication of the accounts was conceded. It should be observed in passing that the public, and even the miners themselves, find the interpretation of these national percentages in terms of actual or probable earnings a task they are glad to leave to experts. Public opinion, a valuable force in simpler questions of industrial controversy, is mystified from start to finish by the complexities of the wages system in the mines.

The owners' offer was substantial, though its precise effect on wages was disputed. The more prosperous districts would have closed with it. A conference of delegates, however, refused it as inadequate and turned again to Parliament. A Minimum Wage Bill, introduced by a private member, had been sacrificed reluctantly to the exigencies of the Parliamentary programme. The miners now requested the Government to bring in a measure of their own to replace it. For a time, it seemed likely that the Government would comply. Then it drew back from a very unpromising and troublesome commitment hardly within its present strength. Mr. Shinwell elicited from the leaders that they were still open to an industrial settlement and undertook to mediate between the parties. The Government promised an inquiry if he failed. The resumed negotiations led to an improved offer from the owners. This the delegates resolved to submit to a ballot of their members. The result of the ballot, declared on April 12, showed a narrow majority for rejection. 322,392 voted for acceptance, 338,650 against. South Wales, Lancashire and Scotland, the districts most extreme in their views and worst served by the agreement, carried the day against the Midlands, Yorkshire, Durham and Northumberland. Yorkshire indeed voted down by a considerable majority the recommendation of its own leaders. The voting explains the real difficulty. The

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miners' claims are based on the needs of the majority districts. There is no disputing the insufficiency of the wages earned by the worst-paid workers in those coal-fields. Nor is it disputed that a large number of the collieries that employ them would have to close down if the miners' claims were admitted or enforced. In the eastern districts, represented in the minority, a number of the collieries could probably satisfy the demands in full. Owners and miners both base themselves chiefly on the poorest mines. The men, with representatives in the Cabinet and sufficient members in the House of Commons to constitute a whole wing of the Labour party, look to Parliament ultimately to give the poorer districts a share in the profits of the more prosperous under a pooling arrangement. The owners resist a project which means nationalisation. For the present, however, the men's immediate aim is to bring to bear the pressure of a Minimum Wage Act. In that they have the express approval of the Labour party in Parliament.

The ballot was not a strike ballot. As strike action in any case requires a majority of two-thirds, it seems to be ruled out in advance. Armed with the authority given them, the leaders called on the Government to redeem the promise of an inquiry. At the end of April a Court under the presidency of Lord Buckmaster sat to investigate and report on the matters in dispute and to compare miners' wages with those earned before the war, having regard to the increased cost of living, and with the rates ruling generally in industry at the present time. The business of the Court, it will be seen, was to ascertain facts, not to make recommendations. It sat at the end of April to hear the highly complicated detail of both cases and incidentally to receive some fresh demands from the miners' side. Its report, issued on May 10, followed the terms of reference very closely. It confirmed the broad features of the two cases described above. Its nearest approach to a recommendation was the hint that fresh negotiations between the

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parties promised the best results. Proposals for a closer working between richer and poorer districts it regarded as a "political question" which it was not free to enter upon. The miners, while not concealing their disappointment with the report, acted on it. Negotiations with the mine-owners were resumed. In a short time an agreement, subject to the approval of the conference of miners' delegates, was reached. The owners have bettered their terms again. The minimum wage is to be $33\frac{1}{8}$ per cent. above standard, and the men are to have 88 per cent. of the surplus proceeds. Special treatment is accorded to the worst-paid workers. The industry and the country are therefore to be congratulated on the averting of what would have proved a calamitous strike for all concerned. It must not be taken that the miners' organization has scrapped its political ambitions, despite the disappearance of the Minimum Wage Bill and the failure of another private Member's Bill for the nationalization of mines and minerals. But for the present it is enough that the 1921 agreement, as amended, is to have a further trial. Mr. Shinwell meanwhile has been cross-examining the coal merchants. Here, as elsewhere since the war, it is thought that the middleman's profit bulks too largely in the retail price.

The question of the mines, their organisation and ownership, touches the political fortunes of Labour and may well in another stage become the ground for a decision affecting the whole system of British industry and the nature of British enterprise in the future. Other industrial conflicts in the period under review may be summarised in less detail. While negotiations were in train for the revision of wages in the shipyards, an unauthorised strike broke out at Southampton at the beginning of March and persisted with great bitterness for nearly two months. Here, too, the disparity of earnings between skilled men in the yards and unskilled men outside, as, for example, those in municipal employ, largely explains the repeated failures of the unions concerned to restore the discipline which they had failed

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to insist on in the first instance. One union went the length of expelling its Southampton members. The employers refused to enter a conference before the strike ended. They threatened a national lock-out, which, after several postponements, was actually in operation before the strikers returned to work. The transfer of the *Mauretania* to Cherbourg for the completion of her reconditioning withdrew the trump card of the strike. As soon as a settlement had been reached, national negotiations were re-opened and the question of an increase in wages referred to arbitration.

The demand of the London tramwaymen for an increase of 8s. a week led to a sudden strike on March 21. The 'busmen were brought out at the same time in support. A Court of Inquiry was promptly set up, and reported on March 24 that the men's demands were justified and that the tramway undertakings were unable to meet them. It advocated action by Parliament to co-ordinate the traffic of London and to mitigate competition, which has overreached itself to the detriment of profits and wages and to the congestion of the main streets. After some days' delay the dispute was ended on terms somewhat below the men's demands and with the promise of legislation which the Government is engaged in fulfilling. Employers and employed in the building industry have been in conference for some time on the demand of the latter for a wage increase of 2d. an hour. The employers have offered $\frac{1}{2}$ d. A ballot of the men has given their leaders authority to re-open negotiations and, if they fail to obtain satisfactory terms, to declare a strike. While the discussion of the men's claims was in progress, an anticipatory, unauthorised and entirely indefensible strike broke out among the workpeople engaged on the British Empire Exhibition at Wembley. This was a mere stand-and-deliver strike, under Communist inspiration, three weeks before the Exhibition opened, designed to exploit the anxiety of everyone concerned to have the Exhibition as ready as possible

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by the opening day. After three days of confusion the union regained control. The Prime Minister later described this strike, and justly, as of the kind certain to bring discredit on Labour. After the stoppage, however, the men responded excellently to an appeal from Mr. J. H. Thomas urging them to do their utmost to make up for time lost.

This brief chronicle of the industrial experiences of the quarter omits some minor strikes and is incomplete in its tale of wage claims pending. It is sufficiently full to give an impression of the unrestful state in which British industry, though not altogether lacking in other signs of returning vitality, finds itself at present. One event, it may be hoped, presages a wiser spirit in industrial relations. Employers and employed in the engineering industry have instituted a joint investigation of the best means of procuring stability so far as lies within their control. The industry has reason to seek it. The earlier promise of improvement has entirely fallen away. The upward movement of prices has not been maintained and the present outlook is unpromising.

The Budget.

Revenue in the year 1923-1924 exceeded the estimate by 18 millions. Expenditure fell short of it by 30 millions. 48 millions, in addition to the sinking fund already provided for, were thus applied to the extinction of debt. In his speech introducing the Budget, Mr. Snowden estimated that since 1919, the total reduction of the National Debt, external and internal, amounted to over 650 millions. The accounts for the current year, on the basis of last year's taxation, promised a surplus of 38 millions. Mr. Snowden disposes of all but 4 millions of this expected balance by way of remitted taxation. The consumers of tea, cocoa, coffee and sugar will profit to the extent of 24 millions in a full year. The Entertainment tax on cheaper

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seats is abolished or reduced. The "McKenna duties" on motor-cars, clocks, pianos, etc., are abolished. The Corporation Profits Tax and the Inhabited House Duty disappear. Minor concessions are made to the payer of income-tax. In a full year—not, of course, in the current year—the estimated cost of these changes is some 21 millions. When we add that no express provision is made in the Budget for expenditure on the new housing scheme, with which Mr. Wheatley is now engaged, and other commitments of Labour's social policy, it will not be surprising that speculation has already run ahead from this Budget to the next. The present Budget, while it contains something for everybody, alters the ratio of taxation between the indirect and the direct taxpayer to the further disadvantage of the latter. What is to be the solution in the coming year, when the full cost of the present concessions and of a developed programme of social legislation fall to be met? Similar questions have been asked about previous Budgets. They have been satisfactorily answered hitherto by unexpectedly large increments of revenue and savings on expenditure. Mr. Snowden, too, while believing that he can budget more closely than his predecessors were able to do in times of greater unsettlement, allows for expanding revenue. Still there is in sight in next year's Budget a balance of 6 or 7 millions of expenditure which would not be covered by revenue on this year's scale. To that must be added the unknown costs of a far-reaching policy of social reform. Such calculations as these underlie the suggestion referred to on another page that perhaps the true purpose of Mr. Snowden's Budget, so devised as to be politically impregnable, is to clear the decks for the "first Labour Budget" of a year hence.

The Wembley Exhibition.

The word Wembley, little vigour or beauty as it may possess of its own, will serve to classify 1924 among the

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dates which, like 1851, we have no difficulty in remembering. What is to be seen at Wembley is as vigorous as could be wished and not a little of it has beauty too. The courage which conceived of an undertaking on this scale and carried it to completion in unpromising times is its own recommendation to success. Whatever the difficulties and anxieties of statesmanship may be, there is a convincing look of confidence in this epitome of life, work and trade within the Commonwealth. It was, perhaps, something more than confidence which assured the expectant public that the Exhibition, surpassing previous exhibitions in most other respects, would also surpass them in punctuality. Only a miracle could have made it ready for the opening day. But there was more than enough for a day's sightseeing even among steam rollers and scaffolding. By the time this number of the ROUND TABLE appears, visitors to the Exhibition will have nothing to complain of unless it be the limitations of the human body.

Space forbids any comment in detail, nor is it necessary to describe here what the newspapers have lavishly described and photographed. The diversity of the Commonwealth could not be more attractively, faithfully, and in some ways more startlingly pictured than it is at Wembley. There are those who complain that imagination is not the stay-at-home Englishman's strongest qualification for membership in the romantic enterprise which his fathers set on foot. They will have reason to be glad of this masterly visualisation of history and geography which has been set down in the suburbs of London. They will also have heard with satisfaction that it is to be the objective during the year of thousands of schoolchildren from all over the country. There are those, too, who will suspect that an exhibition is a flaring thing, an Empire Exhibition especially. They need have no forebodings. They will find that Wembley has combined cheerfulness with dignity. Not the least gratifying thing to record of it is that it has surpassed expectations, not in substance only, but in form.

The Labour Party and Agriculture

II. THE LABOUR PARTY AND AGRICULTURE

SPEAKING at a recent meeting of the Farmers' Club, the Vice-Chairman of the Linlithgow Committee, Mr. Hurd, described all three parties as laboriously groping for a remedy for the difficulties of agriculture, and applied to them, amid laughter, the nursery rhyme: "Three blind mice, See how they run!" He went on to say that there could be no dramatic moment "when some great man, a political leader, will announce a solution for the difficulties of British Agriculture, and all be well." The prime business of Parliament was to clear away the obstacles in the farmer's and farm-labourer's path in working out their own salvation.

While this is—not perhaps without reason—the considered opinion of most farmers, it was not to be expected that the Labour party would take a similar view. The latter might agree that past legislation had failed; but future legislation—Labour legislation—would not be handicapped by the preconceptions of the old economic and social system. A committee of the Independent Labour party, under the chairmanship of Mr. Ernest Hunter, the able secretary of the I.L.P. Information Committee, was accordingly appointed to prepare a report embodying a comprehensive Socialist agricultural policy. This report, the product of "more than a year's hard work," was approved by the Annual Conference of the I.L.P. at York on April 22 last. It has since that date been published as an appendix to a longer document, described as "an explanation and amplification" of the report itself; the two documents together forming a pamphlet entitled *A Socialist Policy for Agriculture*.*

Before examining this policy it is well to ask what binding force it has upon a Labour Government. A dis-

* Published by the I.L.P. Information Committee, 11 Adam Street, Strand, W.C.2. Price sixpence.

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tion must, of course, be drawn between the practical policy of such a Government and the "book Socialism" of the I.L.P. But the distinction is not too easily drawn. The Prime Minister, addressing the York Conference as a member of the I.L.P., said that "he could not assure them that the Labour Government would always do what they wanted it to do." Nevertheless, he did not repudiate the description of his Government as a Socialist Government, though he preferred the epithet of Labour to that of Socialist because of its sentimental associations. Mr. Clifford Allen, the Chairman of the Conference, in his opening address, supported on the platform by several members of the Government, was more explicit. The I.L.P. was, he said, organised for propaganda, and the Government for government, but they were "two instruments in one movement"; he urged the Party to "give our Government opportunities to work out the detailed application of our programme." It was, moreover, made clear at the Conference that the policy embodied in the report would be used as political propaganda in the agricultural constituencies. In the absence of contradiction it must be concluded that it represents the policy which a Labour Government in possession of an absolute majority would attempt to carry out, and points the direction in which the present Government is expected to move.

The Agricultural Report has to be taken in conjunction with the land Policy, formally adopted at the same meeting. "A Socialist policy," says the report, "must provide for the nationalisation of the land. . . . To provide the alternative for the present system of management by private owners, the agricultural industry must be furnished with a guild structure." The land Policy must, therefore, wait for the agricultural policy; but, as the latter is framed to lead up to the former, it will make for clearness if we consider the land Policy first.

The Socialist land Policy, then, lays it down that all land and capital should be communally owned. The

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transition from private to public ownership is to be affected "with as little cost as possible to the community." It is, however, recognised that "pending the development of public opinion in favour of the Socialist ideal" it may be necessary to use the method of acquisition by purchase as a temporary expedient. The purchasing fund is to be derived from five sources: taxation of land (site) values, revenues of State-owned land, death-duties, taxation of increment values, and income tax (Schedule A). Nothing is said of the purchase price; but it is suggested that a proper method of payment would be "the issue of land-stock bearing interest at gradually diminishing rates which would finally terminate." It is not stated whether buildings and improvements will be paid for. The land value tax is to be "regarded as a means of collecting the economic rent for the community." From the agriculturist's point of view, however, the tax does not much matter, since land in cultivation which has no building value is to be exempt from the tax (not, of course, from nationalisation). All land acquired by the State is to be managed by a Minister of Agriculture and Land, with power to use local authorities, county agricultural committees, and other public bodies as agents.*

The Socialist Policy for Agriculture, while it looks forward to the national ownership of all land, is designed to come into operation under the existing economic system, and provides the machinery for transforming the structure of the industry by degrees. In the words of the report "it brings the land at once under public management, and provides for its nationalisation." The policy, as stated in

* *New Leader*, April 4, 1924; report of proceedings at York in *The Times*, April 23. According to the report in the *Manchester Guardian* of the same date, Captain Reiss, in introducing the Land Policy (which exists only in skeleton form), explained that a longer and more detailed report would be forthcoming later.

The reconstitution of the Land Valuation Department, promised by Mr. Snowden in his Budget speech, may or may not be a first step towards the full policy.

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the longer of the two documents which compose the pamphlet already mentioned, does not differ materially from that of the shorter report. Our *résumé* follows the longer document, which is the more reasoned and in some respects the more moderate statement of the two.

It opens with a short introduction affirming the existence of a world-wide agricultural crisis, due to the drop in world-prices, to under-consumption caused by low wages and unemployment, and to the ruin of Central Europe. It points out the importance of arresting the decline of arable farming in the interests of the urban workers, whose employment and standards of living are threatened by the drift of workless labourers into the towns. "It should be the steady object of a national policy to stimulate the production of food at home."

Section I analyses *The Decline of British Farming*. *Laissez-faire*; the encouragement of small-holdings (an "economically retrograde" policy); starvation of research; lack of capital and credit; the small average size of farms; * the backward state of co-operation; high profits of distributors; unintelligent landlordism; depression of labourers by the tied cottage system; these are the chief causes adduced. The section concludes:

First and most urgent among our motives for action is the necessity of raising the rural worker above his present level of poverty and dependence. Our proposals involve drastic interference

* See THE ROUND TABLE No. 51, pp. 554 and 555. It will come as a surprise to many to find Labour advocating the large farm. The reasons cited are purely economic. There is some evidence for a contrary view. Dr. A. G. Ruston, of the Agricultural Department of Leeds University, from an analysis of the accounts of 52 Yorkshire farms of all sizes and types, costed through his department, for 1922, drew the following conclusions: "As far as our results go, it would certainly appear as if the most productive type of farm, and the one from which the best economic returns may be expected, is one of approximately 150 acres. The farm of about 150 acres left an average profit of £3 10s. 4d. an acre; those of 250 acres a profit of 4s. 11d. an acre; small holdings an average loss of 17s. 5d. an acre, and large farms of over 300 acres an average loss of 19s. 2d. an acre." (*Journal of the Farmers' Club*, Part 3, April, 1923, p. 40.) But it must be admitted that the basis of this analysis is not wide enough to support a general conclusion.

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with the accepted rights of property and with the traditional individualism of farmers. Farmers, however, if they call for help, must be prepared to accept control; our study has been to make it as little bureaucratic as possible.

Section II is entitled *Economic Reorganisation*. An Agricultural Bank is to be set up for the supply of credit and capital to co-operative societies and to individual farmers, "as long as such farmers remain."* But the chief new engine of prosperity is a central importing agency, or "Chartered Board of Supply." This Board

must not be subject to the hampering bureaucratic trammels of a Government in its daily routine. It should be as free to manage the details of its own trading operations as a private concern would be. On the other hand, the broad outline of its policy, its estimates and the calculations upon which they are based, must be submitted for approval to the Ministry of Agriculture. . . . It would be entrusted with a monopoly of the importation of wheat, wheat flour and meat. . . . It would aim at long term contracts with large groups of producers abroad and in the Dominions.

The Board is to estimate the average world-price for three or five years ahead, and then to fix either a single selling price for each of its own imports, or an upper and lower limit of price. The resulting stabilisation of prices will, it is suggested, give security to the farmer; who will also be assured of selling his wheat, since only enough imported wheat will be released to the millers to make up the deficiency in the British harvest. More than this, the vast operations of the Board will, it is anticipated, mean an immense economy; and the profits realised thereby will be used in the development of agriculture and for rural housing and education. It is argued that occasional bad years will be more than compensated by the continuing character of the transactions in which the Board will be engaged; and that, even if the world-harvest were to fail and the losses of the Board had to be made good by the Exchequer, that would be better than the existing system,

* The words placed in inverted commas are taken not from the published pamphlet, but from Mr. Hunter's speech at the York Conference.

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under which the loss is borne by those least able to meet it. It is further argued that the scheme is the only answer to the tendency of the producers to combine together.

A department of the Board (or a similar detached Board) will conduct the business of the wholesale supply of milk and milk products, after the existing combines have been bought out by the State, and will monopolise the importation of milk products. The retail milk trade will be municipalised.

Section III treats of *Farming as a National Service*.

The ideal is that the industry itself . . . should manage the land which the nation will own. Before this can be done the industry must be organised and educated to exercise its function. . . . One cannot create a guild by Orders in Council. The immense transition has to be made as rapidly as possible, from a small-scale capitalist to a large-scale co-operative industry. The inner change in the farmer's outlook is as necessary as the outward change in the ownership of his acres.

The method recommended is the resurrection of the County Agricultural Committees. These are to consist in three equal parts of nominees of the Farmers' Union, and the Labourers' unions, and of "experts" nominated by the Ministry of Agriculture—the last third to include two or three nominees of the County Councils. The main functions of the Committees are "to promote better husbandry, to act for the Ministry as the local authority for the management of agricultural land, and to promote every form of agricultural co-operation." They are to have power to dispossess inefficient occupiers and landowners,* to veto all changes or renewals of tenancy, to impose or object to conditions in a tenancy, and to farm or let for farming the land taken over from dispossessed occupiers. Ultimately they will become the direct managers of all agricultural land.

* "The failure of the occupier will be held to imply also a failure of the owner to exercise his function of land-management." (*A Socialist Policy for Agriculture*,¹ p. 18.)

The Labour Party and Agriculture

The County Committees will be represented on separate National Councils of Agriculture for England, Scotland, and Wales. The functions of these three super-Councils are not defined. They are to elect a single smaller advisory Council, which will have the right of seeing agricultural Bills and the Budget of the Ministry in draft, and of publishing its observations. At the head of the whole structure is the Ministry—"the directing brain of the industry"—with power to dissolve a County Committee and to replace it by the Ministry's own officials.

Section IV is devoted to *The Workers' Conditions*. It recommends for England and Wales the restoration of the Wages Board and of the County Committees with the full powers which they possessed under the Corn Production Act. A national housing scheme must provide "for about 200,000 new cottages in England and Wales, and about 75,000 in Scotland." An end must be put to "the great evil of tied cottages." Electric light and water must be supplied in the villages.

Section V contains a number of miscellaneous recommendations. Land Courts in every county are to fix fair rents, hear compensation cases ("when a tenant's rights are in question") and decide all questions arising out of compulsory purchase. Other paragraphs deal briefly with game, research, technical education, electrical power, transport, rating, and the retail trade. Space prevents further account of the proposals under these heads; they are of a very general character.

Such, in bare outline, is the policy to which Labour hopes to convert the agricultural constituencies. It will be observed that, while subsidies and tariffs are explicitly rejected, the operations of the "Board of Supply" involve a very thorough-going measure of protection. Another comment which may suitably be made here is, that the insistence on co-operation hardly seems compatible with the suppression of private farming. Co-operation as it is understood in the countryside is a safeguard to private

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farming ; in the report it appears as a stage in the transition from private management to guild management. That private farming is intended to disappear there can be no question. But not all at once. Some hot-heads at the Conference could not see why the farmer should be allowed even a minority representation on the Committee, which is to tell him how to farm his land. Mr. Hunter explained the position. "After all," he said, "at the present time the farmers were the people who had practical experience of working the land, and until they had a much more extended system of agriculture and the control of the community was much greater, the Socialist State would be bound to take the farmers into consideration."

The constructive proposals of the present Government are, at the time of writing, only two in number. The first is the plan of encouraging farmers' co-operative societies by means of loans through the Ministry of Agriculture—agreed to with the Supplementary Estimates. The second is the Agricultural Wages Bill, of which the text was published on April 15.

Mr. Buxton's co-operative loan scheme is designed to carry out the recommendations of the Committee appointed in December 1922 by the then Minister of Agriculture to enquire into the Distribution and Prices of Agricultural Produce, and presided over by the Marquess of Linlithgow. It is therefore in no sense a specifically Labour proposal ; but it is in conformity with the Labour policy of stimulating co-operation. The Ministry will lend, up to £10,000, half the amount necessary to extend and improve the premises and plant of societies already engaged in the sale, preparation and manufacture of farm products ; or half the amount necessary to start a new society. A standing Advisory Committee at the Ministry will deal with applications for loans. Advisory marketing officers, attached to the Ministry, will give expert advice on the formation and management of the societies. Bacon factories, milk-collecting depots, and creameries were stated by Mr.

The Labour Party and Agriculture

Buxton to be the three kinds of enterprises he had chiefly in mind. Larger sums than £10,000 may be advanced to big undertakings under the Trade Facilities Act.

These proposals were well received in the House of Commons ; but it is too early yet to say what influence they will have on the co-operative movement, and through that on agriculture. The Linlithgow Committee are careful to say in their final report (p. 33) that "co-operation is emphatically not a panacea for all the woes and ills that beset agriculture to-day." The Labour Committee evidently take a much more optimistic view, though they too would no doubt fight shy of the word "panacea." The chief criticism made in debate was that the proposals would do little to help the very branch of agriculture which is in the greatest need of help—arable farming. The debates (February 28 and March 4) traversed much of the ground covered by the Hunter Report. One instructive divergence of view presented itself. Sir Leslie Scott supported co-operation as "the only way of keeping the small man on the land." Mr. Edwards, the Labour member for South Norfolk, spoke in the same sense. The Hunter Report, on the contrary, while it favours co-operation, is opposed to small holdings and small farms.

The Agricultural Wages Bill is definitely a Labour measure, and bears every sign of being a first step along the route marked out by the Hunter Report, which says that "the first aim must be to bring about an immediate increase in the labourer's wages" and that the needs of the labourer "must be regarded as a first charge on the industry."

The Bill sets up an Agricultural Wages Board for England and Wales, and an Agricultural Wages Committee in each county or group of counties. The committees are to fix minimum rates for time-work, and (if they think it necessary) for piece-work as well. Special rates may be fixed for special classes or areas. Infirm or disabled workers may be permitted to work at lower rates. All rates must be confirmed by the Wages Board, which may request the

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Committees to fix, cancel or vary any rate, and can override them, if they refuse. The Minister may direct the Board to reconsider any rate.

The Committees are to consist of employers and workers in equal proportions, with a chairman appointed by themselves and a secretary appointed by the Minister. The Board is to be composed of the same elements in the same proportions, *plus* nominees of the Minister up to one quarter of its total strength. It is left to "regulations" to settle how the remainder of the Board, as well as the Committees, are to be appointed.

Officers are to be appointed with wide inquisitorial powers, to secure the observance of the Act. An employer, or his agent, who is summarily convicted of paying less than the minimum rate, may be fined £20 and £1 for each day on which the offence is continued after conviction; and whether he is convicted or not, the Court shall order him to pay arrears of underpayment for the previous six months. The employer must keep records of wages paid, and can be fined for not doing so. For hindering an officer, or refusing him information, or for giving him false information, the penalty is a fine of £20, or imprisonment up to three months, or both.

These are the chief features of the Bill as it stands. It has already excited warm opposition. Criticism is directed upon the bureaucratic organisation, which gives overriding powers to a Government Department; upon the injustice of weighting the farmer with an increased wage-bill, without assisting him first to find his own feet; and upon the elaborate machinery provided for inspection and punishment. The Hunter Committee, it may be noted in this connection, reported that, according to evidence received by them, while the Wages Board was in being, the principle of the "guaranteed week" was not always observed.* Only an official inquiry can show whether there was so much evasion as to justify the provisions of the new Bill.

* *A Socialist Policy for Agriculture*, p. 22.

INDIA

THE NEW LEGISLATURES

I. ATTITUDE OF THE SWARAJ PARTY

THE meetings of the new Legislatures, central and local, were awaited with great interest by all shades of political opinion in India. For the first time since the passing of the last Government of India Act, a considerable proportion of the electorate had recorded its vote. Moreover, the successful candidates in many cases were men who had come to great prominence in the public life of the country through their association with Mr. Gandhi's movement of non-cooperation. And while the Swaraj party had made it plain in a manifesto published last autumn that they were still non-cooperators to the extent of desiring to wreck the constitutional system into which they were seeking entry, the upshot of the elections seemed to cast doubt upon the practicability of their programme. In one Province only did they possess an absolute majority in the Legislature. Elsewhere, although they had been successful in displacing their Liberal opponents, they had to reckon with Independent and Landlord elements in strength greater than their own. Indeed, in the Punjab, Madras, the United Provinces, Bihar and Orissa, and Bombay, the Swarajists could only reckon upon a minority of the elected members. In Bengal, their position was somewhat stronger, for Mr. C. R. Das' draft Pact encouraged prospects of a coalition with certain

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Independent elements, principally Mahomedan in complexion, which would secure them a majority in the House. In the central Legislature the Swarajists counted some forty-five adherents in the Lower House; a figure which brought them only to an approximate equality with the Conservatives, the officials and the nominated members taken together.

The Swarajists gave early proof that where circumstances were in their favour, they proposed to indulge in wrecking tactics. In the Central Provinces, after having demonstrated their unwillingness to accept office as Ministers, the leaders of the party proceeded to vote down every Government measure indiscriminately. They also carried a vote of want of confidence against the Ministry; following this up at a later stage by the refusal of supplies and the fixing of ministerial salaries at the ridiculous figure of Rs. 2 per annum. As a result of these tactics, they have compelled the authorities to take over the administration of the transferred subjects to the extent necessitated by irreducible provincial requirements, and have accordingly virtually terminated the Dyarchal system. Elsewhere, however, as we shall have occasion to see, their success has been less striking; and the fact that they have been compelled to base their tactics upon the support of other blocs has been responsible for a modification of their original programme. This will be more clearly apparent, from a brief recapitulation of the course of events in the Central and Provincial Legislatures during the first session of the new Councils.

The Central Legislature

II. THE CENTRAL LEGISLATURE

OF the two bodies which together make up the embryo Parliament of India, the Council of State, owing to its longer life, has persisted unchanged. But in the Lower House, where, in point of fact, popular interest and popular attention are more largely centred, the recent elections have produced some striking alterations. The Liberals and Moderates, who had been responsible for launching the new constitution, were not of the type from which Indian political opinion selects its popular idols. In the new House there was a powerful phalanx of those distinguished leaders whose daily activities are so dear to the vernacular Press. There was Pundit Madan Mohan Malaviya, the veteran antagonist of Government on many fields; there was Pundit Motilal Nehru, for long a leader in the non-cooperation camp, and now the accepted spokesman of the Swaraj party. There was Mr. Patel, a life-long supporter of the Congress, whose uncompromising opinions have endeared him to the hearts of the younger generation. There was Mr. Bepin Chandra Pal, a survivor from the days of the anti-partition agitation in Bengal. There was Mr. Jinnah, perhaps the most prominent Mahomedan politician in India, who, despite his dislike of non-cooperation, had hitherto rigorously held himself aloof from the new constitution. To these must be added a comparatively small number of the men who had made their name in the first Assembly, such as Mr. Rangachariar, Dr. Gour and Sir Shivaswami Aiyer, and certain distinguished representatives of special interests, of whom the most notable was perhaps Sir Purshottamdas Thakurdas. But a remarkably large proportion of the new House consisted of young men, some of whom seemed from their appearance to have left college but a few years ago. By profession, the second Legislative Assembly, like the first,

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was a gathering of lawyers. So far as could be ascertained at the time of its opening, the Swarajists numbered some forty-five votes, as against forty-six Conservative and nominated members, and about thirty-eight Independents.

III. LORD READING'S SPEECH

ACCORDING to precedent, the Viceroy addressed a joint session of the Council of State and of the Legislative Assembly prior to the commencement of ordinary business. Since Lord Reading's speech has been reported in considerable detail by the daily Press, it will be unnecessary to refer to it at any length in this place. It is necessary, however, in view of what follows, to remind ourselves that the Viceroy laid down in emphatic terms the proposition that the policy of reform in India was the policy of the British nation and not of any party. He referred to the disposition, existing in some quarters in India, to believe that the hand of the British Parliament could be forced by creating a situation which would cause that body to act contrary to its better judgment. Lord Reading warned the Assembly in the clearest terms that the only action which could prevail with the British people was that based on reason and justice. The successful issue of reforms, he said, could not depend solely upon the intentions of His Majesty's Government and of the Government of India. It must depend largely upon the people themselves and upon the conduct of the Legislature. He concluded his speech with an appeal for mutual understanding and good-will.

Formation of the Nationalist Party

IV. FORMATION OF THE NATIONALIST PARTY

AS has already been indicated, the Swarajists entered the Montagu-Chelmsford Councils with a clear-cut policy in their minds. Failing immediate constitutional advance of a kind satisfactory to themselves, they were pledged by their election manifesto to obstruction and deadlock. But their strength in the Legislative Assembly was not such as to enable them to carry out their intentions, unless they could secure a sufficient number of allies to form a majority in the House. From the Conservatives and from the officials they could hope for little. They therefore naturally turned to the Independents. They found their opportunity in the fact that a resolution had been tabled by a distinguished Independent, Mr. Ranga-chariar, recommending the Governor-General-in-Council to take steps to revise the Government of India Act in such manner as to secure for India full self-governing Dominion status within the Empire, and Provincial autonomy in the Provinces. While this resolution, which commanded the support of a considerable number of Independents, was not sufficiently radical to commend itself to the Swarajists, it did, none the less, provide a bridge between the two groups. Accordingly, between February 3 and 7, a series of conferences were held at which both Swarajists and Independents were present. It was quickly found that there was universal approval of the proposition that full responsible government should immediately be established in India, with the reservation that matters falling within the provinces of the Army, foreign relations and the Indian States, should for the moment at least be excepted. A sub-committee consisting of three Swarajists and three Independents was appointed to consider the details of this demand; with the result that by February 6 a coalition of some seventy members had been formed. It was agreed that if the

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Government made no satisfactory response to the resolution demanding immediate constitutional progress, a joint policy of obstruction would be initiated by the combined forces of the Swarajists and the Independents. A formal declaration to this effect was drawn up. It was signed by each member of the new group. At first sight it may well seem somewhat strange that the Independents, who comprised a considerable proportion of men holding views by no means extreme, should have been content to bind themselves, as it were, to the tail of the Swarajist chariot. It seems clear that the Independents were animated by three considerations. In the first place, they were as keenly interested in immediate constitutional advance as were the Swarajists themselves, and were naturally anxious to enlist the aid of the compact and well-disciplined Swaraj bloc in carrying the day against possible official opposition. In the next place, the majority of them strongly disapproved of the wrecking tactics outlined in the Swarajist manifesto of last autumn; and being firm in the conviction that the new Labour Government would before long take some important step to advance Indian constitutional liberties, they believed that their close alliance with the Swarajists might serve to prevent or at least to postpone such disastrous happenings as those which were occurring in the Central Provinces. Finally, they realised that they held the balance of parties, and they believed that as a price of their aid they would be able to control to a considerable degree the attitude of the Swarajists on the floor of the House. Moreover, while they did not believe in wrecking tactics, they saw no harm in pursuing a policy of "no supplies without redress of grievances" and obstruction of the Parnellite kind. In all this, as was subsequently apparent, they reckoned without their host. They stipulated that obstruction should never be launched unless it was agreed to by three-fourths of the new party. They did not, however, foresee that the notable discipline of the Swarajists would practically ensure a command of the necessary majority in

The Position of Government

any meeting hastily summoned; nor did they reckon upon the strength of the Swaraj organization outside the Assembly, which was shortly employed for the disconcerting purpose of putting steady pressure to bear upon recalcitrant Independent members by means of public meetings, newspaper criticism, and other manifestations of popular displeasure within the very constituencies for which these members sat. It must be placed to the credit of certain of the more far-sighted Independents, notably Sir Purshottamdas Thakurdas and Mr. Bepin Chandra Pal, that they firmly refused to compromise their future action by setting their hand to the pledge which united for a specific, if curiously elastic purpose, the somewhat heterogeneous members of the new group which became known as the "Nationalist party."

V. THE POSITION OF GOVERNMENT

WHILE the Opposition was being thus skilfully built up, Government could do little to strengthen its own forces. It was plainly necessary to take up a definite attitude of some kind or other in regard to the demand for the grant of Dominion status. But the matter was after all one for Whitehall rather than Delhi to decide; and when the Labour party had assumed office scarcely a few hours since, it was not easy for the Government of India to discover precisely where it stood. This much at least was certain. Whatever announcement could or could not be made within the next few days, it would obviously be inadequate to satisfy the demand of the Opposition. For, as we have seen, both Independents and Swarajists stood solidly united in their desire for an immediate and radical change in the constitution; and however much they might differ among themselves as to the measure and manner of immediate advance, they would obviously agree in rejecting as inadequate any concession which seemed to the Govern-

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ment of India to fall within the realm of practical politics. The position of the Administration was, it is true, strengthened at this moment by its action in releasing Mr. Gandhi in deference to medical opinion. But this of itself went no very long way, inasmuch as the number of resolutions tabled for discussion which demanded this step, produced a suspicion that it was being taken only under popular pressure.

VI. THE DEBATE ON CONSTITUTIONAL ADVANCE

THE pivotal episode of the session was the debate on Mr. Rangachariar's resolution, and the amendments thereon. As a result of the ballot, this resolution should have been moved on February 4; but as neither the Government nor the Opposition were ready to take up the matter so early in the session, it was postponed by mutual agreement till February 8. As ultimately discussed, it occupied three whole days, being successively adjourned to February 13 and 18. By February 8, however, the attitude of both sides of the House was clearly defined. The Nationalist party, while not calling upon Mr. Rangachariar to withdraw the resolution in the form in which he had tabled it, had agreed to throw their weight in support of an amendment standing in the name of Mr. Motilal Nehru. This amendment called for the convening of a round table conference to draft a scheme for full responsible government in India. The scheme so formulated was to be submitted to a newly elected Assembly for its approval, and thereafter to be presented to the British Parliament for embodiment in a statute. The attitude of Government, which had by this time received instructions from Whitehall, was defined with equal clearness. Sir Malcolm Hailey, Home Member and Leader of the House, announced that the transference at an early date to the Indian Legislatures of the responsibility for the government of India at present exercised by the

The Debate on Constitutional Advance

British Parliament, was not contemplated. It was not to be supposed, he said, that the British people would be lightly inclined to consider changes in a scheme laid down only three years ago, which had been carefully devised with a view to the progressive realization of responsible government. The authorities would undertake an official examination of the defects of the present delicate machinery. These defects it would be their aim to remove either by expansion within the Act, or even conceivably by changes in its structure. He made it clear that if the enquiry revealed the possibility of advance within the four corners of the existing constitution, recommendations to this effect would be made. On the other hand, if no advance was possible without an alteration of the constitution, the question of further progress must be left as an entirely open and separate issue. The Government of India would ask the Secretary of State to allow the fullest public discussion of any proposals which might be formulated when these conclusions were presented to Parliament.

As the debate proceeded it became clear that there was no possibility of *rapprochement* between the official and non-official sides of the House. The mover of the original resolution argued that while Army affairs and foreign and political relations should at present be excluded, the Indian Legislature should be entrusted with complete responsibility in matters of domestic concern, including law and order. Mr. Rangachariar expressed himself as being indifferent to the precise manner in which the change was brought about, he did not mind whether the machinery employed was a Royal Commission or a round table conference. But when after the conclusion of the mover's speech, Sir Malcolm Hailey announced the official standpoint, it was plain that even the more moderate minded of the Independents were deeply disappointed. Full advantage of Government's failure to meet non-official opinion was taken by Mr. Motilal Nehru when he moved his amendment. He did not ask for responsible government

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to be handed over, as it were, tied up in a bundle ; he was only concerned to ensure that a round table conference, or some such body upon which Indian opinion was represented, should be summoned to revise the Government of India Act. He stated that he and his party had come into the Councils to co-operate with Government, at least within the walls of the Chamber ; but if Government refused to listen to them, they would continue as non-cooperators.

During the three days devoted to the discussion of the resolution, speaker after speaker, on the non-official side, emphasised the unanimity with which all sections of politically minded India combined to demand immediate and substantial political advance. Some of the most impressive appeals came from such men as Sir Shivaswami Aiyer, who, while dissociating themselves from the motion to call a round table conference, dwelt upon the hostility now manifested by the people of India towards the Administration, urging an immediate change in the existing constitutional machinery before this hostility spread into an irrational hatred of all things British, such as would work irreparable damage to the Indo-British connection. On the non-official side the only dissentient voices were those of certain representatives of minority communities. These speakers, for the most part Musulmans, urged that the settlement of communal differences must precede further constitutional advance. Particularly interesting was the contribution of Captain Hira Singh, a representative of the martial classes. This distinguished officer stated that the Indian Army could for the present at least be controlled by no other agency than the existing higher command. Until such time as his countrymen were able not only to fill high administrative positions in civil life, but also to control the complicated and powerful machine of the Army, he regarded further advance in the direction of complete self-government as being attended with the gravest risk.

Speakers on the Government side did not fail to take advantage of the discrepancy between the Swarajist

Subsequent Conduct of the Nationalist Party declarations outside the Council, and their conduct since they had become allies of the Independents. So damaging was this attack that Mr. Patel was stung into a clear declaration that the Swarajists had never accepted the preamble to the Government of India Act, making the British Parliament judges of the time and measure of Indian constitutional advance. But official criticism missed some of its effect from the fact that the Independents and the Swarajists were well aware of their own fundamental differences. The Nationalist party had been constituted to operate within the House, and within the House only. The Independents were therefore unconcerned with the policy of the Swarajists and were not to be detached from the Nationalist party by any exposure of the true aims of their temporary allies. Further, Sir Malcolm Hailey's able attempts to demonstrate the impossibility of granting full responsible government to India when such grave questions as the position of the Indian States, the communal differences now rending India asunder, the problems of defence and the position of minorities, all remained unanswered, produced but little effect upon the voting since Mr. Motilal Nehru rejoined that these were precisely the questions his proposed round table conference was to investigate. Mr. Rangachariar finally withdrew his resolution in favour of Mr. Motilal Nehru's amendment, which was carried by 76 votes to 48, practically all the elected members of the House entering the lobby in its support.

VII. SUBSEQUENT CONDUCT OF THE NATIONALIST PARTY

THE effect of this debate upon the subsequent course of the session was very marked. The Independents and such Liberals as were present in the new House were profoundly disappointed. They had confidently reckoned on some concession far more dramatic and far more satisfactory to political India than the official enquiry into the

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working of the present constitution which was the utmost measure of immediate advance that His Majesty's Government was prepared to sanction. For the remainder of the session, the Independent section of the Nationalist party was very largely dominated by the Swarajists, whose admirable party discipline was successful in securing a working majority in the party conclave, and whose efficient whips were successful time after time in bringing the hesitants to heel. These achievements must be pronounced the more remarkable since they were accomplished in the face of considerable difficulty. On February 19, the very day after the triumphant carrying of the self-government resolution, the unity of the party was threatened by a resolution moved by an Independent Mahomedan member to secure higher proportional representation for Mahomedans upon the central and Provincial Legislatures, and in the cadres of the various Government services. A proposition appealing so directly to communal sentiment might well have imposed a fatal strain upon party discipline, and it was only the personal appeal of Mr. Motilal Nehru that secured the postponement of the discussion *sine die*. There was a further and a graver obstacle to be surmounted by the Swarajist leaders. Mr. Gandhi, whose slowly returning health was naturally accompanied by a reviving acquaintance with the intricacies of current Indian politics, had expressed himself in a published letter as adhering to his original plan of a triple boycott. It was therefore necessary for the heads of the Swarajist party to approach him directly with the request that he would at least allow them for the present to continue as members of the central and local Legislatures, pending his final decision upon the considerations which, they alleged, had induced them during his incarceration to depart from his expressed behest. Mr. Gandhi, influenced by the fact that he was still far from being in health, agreed; but subsequent to the termination of the session, the discussion between the Swarajist leaders and himself has been resumed; and

The Sikh Situation

at the moment of writing it is still impossible to say whether the party will be allowed to remain within the Legislatures, while retaining for themselves the prestige attaching to those of his followers whose conduct meets with his approval.

For the moment, however, the danger was averted, and Swarajist leaders in the Assembly soon found it possible to advance upon less delicate ground. They were successful in defeating Government upon a motion to facilitate the return to India of Mr. B. G. Horniman, who had been deported some time previously by the Bombay Government. They were also successful in carrying a motion for the appointment of a committee to investigate the grievances of the Sikh community.

VIII. THE SIKH SITUATION

FOR some time the Sikhs have been in a disturbed condition. Within the last three years a bitter quarrel has sprung up between different sections of the community regarding the possession of the many shrines of the Sikh faith which are freely scattered over the Punjab. For the most part these shrines have been for generations in the possession of followers of the earlier Gurus, who constitute a community which differs but little from those who profess orthodox Hinduism. The followers of the later Gurus have constituted themselves into a reforming sect, whose professed aim it is to dispossess the occupants of the shrines for the benefit of the community at large. Upon the policy of the reformers the non-cooperation movement has exerted great influence; so much so indeed that they adopt the method of dispossessing the hereditary incumbents of the shrines by nominally "peaceful" mass pressure rather than have recourse to the processes which the ordinary law affords. Disorders have arisen, and Government has been compelled to intervene. A violent and unscrupulous

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propaganda has by now convinced the majority of the Sikh community, whose sympathies are with the reformers, that Government is acting in a manner hostile to the progress of the Sikh religion. Fuel has been added to the flame by the abdication last year of the Maharaja of Nabha, who was regarded as a friend by the reformers, consequent upon a quarrel with his neighbour, the Maharaja of Patiala. By way of showing their disapproval of the share which they imagine the authorities have had in the Maharajah's abdication, bands of Sikh reformers have been in the habit of invading Nabha territory—now under an Administration—for the alleged purpose of worshipping at the shrine of Jaito. In order to safeguard local peace and order, the Nabha State authorities have imposed certain conditions as to the number of persons who may enter Jaito, and as to the duration of their stay. In February the reforming Sikhs attempted to try conclusions with the State by marching into Jaito several hundreds strong. Unfortunately, the demonstrators were joined by a large and disorderly mob, whose conduct was so threatening that the State authorities were compelled to open fire, causing casualties reckoned at some 20 dead and 30 wounded. Needless to say, this occurrence excited much feeling in India, and in the Assembly both Swarajists and Independents alike joined in denouncing Government, whose mal-administration, it was urged, had rendered the tragedy possible. Owing to the rules of business which govern the discussions of the Legislative Assembly, direct cognisance could not be taken of the Jaito affair, which occurred in Indian State territory; but the feeling aroused thereby was unquestionably of service in further consolidating the diverse elements of the Nationalist party.

The Financial Statement

IX. THE FINANCIAL STATEMENT

CONSIDERING the temper of the non-official side of the House, due first to the general disappointment at what was regarded as the unsatisfactory response of Government to the demand for constitutional advance; and, secondly, to the realization that the Nationalist party possessed a clear majority over all other sections of the House, the treatment accorded to the Budget, though regrettable, is scarcely surprising. It was plain from the first that the Budget would not be considered upon its merits, but would be treated merely as another opportunity of voicing popular dissatisfaction against Government policy. Curiously enough, the Budget, when presented on February 29, proved to be the most satisfactory which had been shown for several years. The figures for 1923-1924 showed virtual equilibrium, while for 1924-1925 a surplus of 3 crores and 36 lakhs was estimated. The Finance Member himself favoured the utilisation of this surplus first to reduce the salt tax from Rs. 2.8 to Rs. 2 per maund of 82 lbs., and secondly to reduce the contribution payable to the Central Government by Madras, the Punjab, the United Provinces and Burma, by 80, 38, 30 and 2 lakhs respectively. The relief thus afforded to these Provinces would, it was hoped, enable more funds to be devoted to nation building departments, such as education, public health, and the like, upon the fostering of which the success of the reforms so largely depends. But, the Finance Member continued, the Government of India were prepared to leave the final decision as to the disposal of this surplus to the Assembly, who might choose whether they would indulge in the luxury of a salt tax reduced to the low figure of Rs. 1.4, or whether they would prefer a salt tax at Rs. 2 together with relief to the Provinces.

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X. LORD OLIVIER'S STATEMENT

THREE days before the presentation of the Budget the new Secretary of State for India had delivered an important statement in the House of Lords, which finally crystallised the attitude of the non-official members of the Assembly towards the Budget. The general tone and temper characterising Lord Olivier's speech were not such as to commend it to non-official opinion in India. Further, a somewhat unguarded reference to the salt tax, and an erroneous account of the circumstances in which the Maharajah of Nabha quitted his throne—both subsequently corrected and explained—provided opportunities for non-official exploitation which caused some consternation to the Treasury benches. But despite the obvious friendliness inspiring the Secretary of State's remarks, his insistence upon constitutional and ordered progress in Indian affairs, coupled with his plain adherence to the attitude already taken up by His Majesty's Government, further increased the disappointment of the Independent members. During the first week in March a number of meetings of the Nationalist party were held, as a result of which the majority came to the conclusion that the response made by the Government of India and His Majesty's Government to the demand for constitutional advance was unsatisfactory. The Independent members of the Nationalist party now awakened to the fact that they were committed, regardless of their individual convictions, to a policy of obstruction. The compact Swarajist vote in the party conclave enabled the leaders of the Swarajists to dictate the policy and conduct of the whole Nationalist bloc.

The Fate of the Budget

XI. THE FATE OF THE BUDGET

THE general discussion upon the Budget, which is the first stage of its consideration by the Assembly, was marked by an avoidance of the main issue, which was the disposal of the surplus. As in previous years, the majority of speakers concentrated upon the Army estimates, which were ably explained and defended by the Commander-in-Chief. There were also vehement denunciations of the "iniquitous" salt tax; and a demand that both relief to Provincial contributions and a reduction of the salt tax to the figure of Rs. 1.4 should be secured by greater economies in the spending departments. The Swarajists took practically no part in the general discussion. They seemed content to leave speech-making to the Independents. On March 9 they succeeded in committing the entire Nationalist party to a rejection of the Budget, and accordingly on March 10 Mr. Motilal Nehru moved the omission of the first grant which the Assembly was called upon to vote, namely, that dealing with customs. The refusal of supplies, he said, was a legitimate method of drawing attention to national grievances, and had nothing to do with the wrecking tactics of the non-cooperators. The Treasury benches endeavoured to show that such refusal of supplies was not only entirely unjustified by the circumstances, but was also a hollow mockery, since the non-official side of the House knew full well that the consequences of such ill-advised action would not fall upon the country, but would be obviated by the powers possessed by the Governor-General. Nevertheless, the demand under Customs was rejected by 63 votes against 56; and the Nationalist party followed up its success by throwing out the demands in respect of income tax, salt and opium. On the next day, doubtless as a consequence of pressure from the luckless Independents, Mr. Motilal Nehru

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announced that the Nationalist party would no longer pursue their procedure of obstruction. Accordingly for the rest of the week the discussion pursued its ordinary course, the only considerable reduction which was made being one of twenty-five lakhs in the railway budget as a protest against certain features of the administration in that department. But on March 17 the party again became active. Once more unwilling Independent members ranged in line. The unprecedented step was taken of refusing leave to introduce the Finance Bill, despite the fact that the majority of the demands for expenditure under the different departments had already been accepted by the House. Next day, March 18, the Bill was re-presented to the Assembly in a form "recommended" by the Viceroy. It was considerably emasculated, containing only those provisions which were judged by Lord Reading to be essential for carrying on the administration of the country. The salt duty was reduced to Rs. 1.4 per maund, and with the exception of the imposition of a duty on materials for match manufacture—required to safeguard the revenue—the financial provisions remained the same as last year. The Assembly repeated its former exploit and again refused leave to introduce the Bill, which thereupon went to the Council of State. The "elder statesmen" waxed sarcastic at the expense of their unpractical colleagues in the Lower House, and although the non-officials considerably outnumber the officials, the Council passed the Finance Bill with one single dissentient vote.

XII. CONCLUSION OF THE SESSION

THE last important debate of the session took place on March 20, when a motion was put forward for the repeal of certain laws and regulations conferring special powers upon the Executive. The moment chosen was somewhat unfortunate; since there has been a lamentable

Conclusion of the Session

recrudescence of the anarchical movement in Bengal—as evidenced by the murder of an unoffending European in mistake for a police officer, and the discovery of a bomb factory—and a recent prosecution in connection with alleged Bolshevik conspiracy. None the less, the Assembly manifested its distrust of the Executive by passing the resolution.

Shortly after this the House adjourned until May, when there will be a short special session to consider the report of the Tariff Board in connection with the demands for protection made by the iron and steel industry.* Probably there will be no non-official business on the agenda, and hence but little opportunity for the carrying of resolutions against Government. There are distinct indications that the Nationalist party is breaking up. Many of the Independents appear to believe that they were exploited in the last session by the firm and skilful tactics of the Swaraj bloc. Moreover, there has recently been announced in the Press the constitution of a new party, already said to number 28 votes, which is definitely opposed to the obstructionist tactics pursued by the Swaraj leaders. In which connection it is as well to remember the possibility that the Swaraj party may in the near future be confronted with the alternative either of departing from the Councils or of cutting themselves off from Mr. Gandhi. They have set a remarkable example in the way of party discipline, and in the ruthless pursuit of well-defined ends. Whether they have served the real interests either of their party or of their country is a larger question, upon which readers of this narrative will doubtless come to their own conclusions.

* The Tariff Board has reported in favour of discriminating protection for goods actually produced in India. Their proposals, which generally are limited to three years, would involve duties and in some cases bounties for a specific period, and also power to Government to meet the danger of foreign steel entering India at abnormally low prices. A Government Bill to give effect to this scheme has been published. (See *The Times*, May 15).

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XIII. THE PROVINCIAL LEGISLATURES

THE achievements of the Swarajists in the Provincial Legislatures have been far less notable, with the single exception of their triumph in the Central Provinces. Of this a brief account has already been given. In the Punjab, in Madras, in Bombay and in Bihar and Orissa, there has been comparatively little out of the ordinary to attract the attention of the chronicler of current events. The Swarajists have made some strong speeches, but have been powerless either to obstruct or to form stable coalitions with their colleagues. In the United Provinces the landlords, who hold the balance of power, have not been above enlisting Swarajist support against the Government in matters directly affecting the interests of their own order. But they have done this deliberately, and are far from allowing any liberty to their allies. In Bengal, on the other hand, the Swarajists have formed a coalition which has given them a majority inside the House; and despite the warning addressed to them by the Governor, Lord Lytton, have succeeded by one single vote in refusing to grant salaries to the Ministers. They have also taken the politically dangerous step of reducing the grants for certain of the transferred subjects in such manner as to make the dismissal of several hundred Indian subordinate officials of the Education and Health Departments almost inevitable. It is not improbable that this will provoke a reaction against them.

India. April 1924.

CANADA

I. CURRENT POLITICS

THE opening of the third session of the present Federal Parliament found the King Government confronted with a rising tide of difficulties and perils. The Speech from the Throne contained evidence of a strategy planned to cope with the most imminent danger, defeat in the House of Commons, where the meagre majority of last session had completely disappeared. It offered a legislative menu obviously designed for the satiation of Progressive appetites, in the shape of a pledge of reduction in the costs of the implements of production, a programme of new branch lines for the Canadian National Railways, and an electoral reform by the introduction of the alternative vote, as well as pious aspirations concerning the St. Lawrence Waterway and other policies dear to the western heart. The debate on the Address produced the inevitable three weeks' spate of oratory, the only excuse for which is that, since the vast spaces of Canada prevent members of Parliament investigating in person the special problems and conditions of distant localities, this formal debate constitutes a sort of brothpot into which a large volume of educative information can be poured with some profit both to Parliament and the general public.

Up to the Easter recess comparatively little progress has been made with the general legislative business. The programme of the new C.N.R. branch lines, which the Senate rejected last year, has been revived in the form of

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26 separate Bills; even in their preliminary stages they have been subjected to stern dissection by disciples of economy in the Commons and only the most essential will survive the pruning-hook of the Senate. The Redistribution Bill has been consigned to the tumultuous depths of a special committee, where a prolonged battle over the readjustment of divisional boundaries and the relative size of rural and urban electoral units is inevitable. In a country where an abundance of Scots' blood ensures both a taste for and skill in ecclesiastical polemics, peaceful passage for the measure embodying the plan for the union of the Presbyterian, Methodist and Congregational churches could not be expected; but the Government have wisely washed their hands of it and relegated it to the private Bills committee, where a stubborn Presbyterian minority hope to emulate, if not improve upon, the exploits of the "Wee Frees" in Scotland twenty years ago.

Concerning the problem created by the failure of the Home Bank and the vigorous campaign of its depositors for reimbursement out of public funds, which produced one heated debate, the Government have also temporised by appointing the Chief Justice of New Brunswick as a special Commissioner to investigate the causes of the *débacle* and allocate responsibility. There have been the normal quota of debates initiated by private members for the furtherance of their favourite ideas and the amelioration of special grievances, but they have been more than normally profitless. A resolution moved by Mr. J. S. Woodsworth, a Labourite and a very able parliamentarian, in which he urged that Canada should seek full formal equality in constitutional status with the Mother Country, found all the three party leaders markedly unsympathetic. Otherwise, except for the Prime Minister's *obiter dicta* about the Treaty of Lausanne, some remarks by Mr. Graham on the Imperial Conference and a speech from Mr. Neill, an independent member from British Columbia, demanding that Parliament should immediately follow the heroic

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example of the United States Congress in regard to Japanese immigration, the references to Imperial and international problems have been negligible. However, consent to a discussion upon the Treaty of Lausanne has now been wrung from Mr. King, and some sort of post-mortem upon the Imperial Conference cannot be avoided.

There had been, after the opening day, a general recognition that the Budget was the real climacteric of the session; complaints of the business community that the uncertainty about the tariff situation was hurtful to trade brought about its early production on April 10. The Budget speech, in the absence of Mr. Fielding, whose return to active public life is no longer anticipated, was delivered by Mr. Robb, the Minister of Immigration. The Budget which he produced bears many *stigmata* of political parentage. By utilising some windfalls and by the very transparent device of segregating the finances of the State railways and meeting their deficit mainly by guaranteed railway bonds, Mr. Robb was able to claim a surplus of some 20 million dollars, although sterner purists in accountancy would probably have insisted upon the admission of a deficit of about the same amount together with a saddening addition of at least 40 million dollars to the total national obligations during the past fiscal year. However, on the strength of this nominal surplus and certain modest economies in the estimates, the Government have proposed a relief of taxation estimated at 24 million dollars. It will be achieved mainly by reductions in the Sales Tax, the general rate of which now falls from 6 to 5 per cent., and by cuts in the tariff whereby the duties on the implements of production used in the farming, fishing, mining and lumbering industries are reduced on the average by one-third. There are administrative and other changes of a trivial character but there is no relief for the income-tax payer.

It was noticeable that Mr. Robb made the strange omission of offering no forecast of the financial results of

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his Budget. It will, however, succeed in its primary object of consolidating a parliamentary majority behind the Government for the rest of the session. The Progressives do not accept it in full satisfaction of their fiscal demands, but they welcome it as convincing proof that the Government is now amenable to their pressure and can be driven to further concessions next year. On this point their calculations may go astray. If, as some portents indicate, revenues decline and windfalls, like the war balance received from the British Treasury, are not available, a serious deficit will loom up; and the Government will probably prefer to plunge into the maelstrom of a general election in the autumn rather than face the disastrous unpopularity which another Budget, imposing fresh taxes, would entail.

Behind the Budget can be discerned a political strategy generally credited to Mr. Ernest Lapointe, who, with the elimination of Sir Lomer Gouin, has established himself as the leader of French-Canadian Liberalism. The calculation is that while a policy of tariff reform may cost the Liberals many industrial seats, the Progressives, faced by a rising tide of protectionist sentiment and anxious to conserve the ground already gained, will abandon their aspiration to become a nation-wide radical party and decide to fight in the Liberal uniform for a common cause. The vision is of a renovated and reinvigorated Liberal party, deriving its basic strength from Quebec and the prairie provinces, held together by a common fear of the domination of Ontario and in a lesser degree by a common devotion to the doctrines of particularist nationalism. It is widely believed that Mr. King's strange performance in connection with the Treaty of Lausanne was a nationalist gesture, planned to provoke Mr. Meighen into hostile criticisms which would provide material for limning the Conservative party in French Canada as the servile tool of British Imperialism. On no other theory can the Prime Minister's avowal of an intention to re-

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pudiate plenipotentiaries whom he had definitely endorsed be explained.

But the proponents of this strategy choose to forget that Quebec is temperamentally the most conservative province in Canada. Certain unpleasant revelations about the financial vagaries of members of the late Progressive Government in Ontario have made it reasonably certain that in the next Parliament the Progressive party will be a purely western group. Any union between their radicalism and the brand of Liberalism represented by politicians like Mr. Taschereau, the Prime Minister of Quebec, and papers like *Le Soleil* would be a veritable marriage of June and December; it might be successful, but the chances of an opposite outcome would be very great. Moreover, the most significant development of the session has been the growing uneasiness of many Quebec Liberals. They are wondering whether the time has not come to check tendencies now apparent, before they are confronted with the choice between a Conservative leader whom they dislike and a radical programme which they abhor. If Sir Lomer Gouin were not in indifferent health and tired of politics, he could to-day head a most formidable insurgency at Ottawa on the tariff issue; for Quebec is now preponderantly protectionist in sentiment, partly through the rapid growth of industrialism and partly as a natural corollary of the nationalist spirit. Although the Budget showed them a studied mercy, the industrialists of Quebec share the growing fear of their brethren elsewhere that the whole fabric of protection is in peril, and their pressure upon members for industrial seats will probably bring some French-Canadian reinforcements to the small group of protectionist Liberals from Ontario, whose revolt is expected. But the mutiny, in the absence of a lead from Sir Lomer Gouin, will not spread far and the Government can rely upon a very large majority for a Budget which has the unique merit of pleasing all three major parties. The Liberals rejoice that their parliamentary position is forti-

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fied ; the Conservatives see great gain in their reacceptance by the industrial interests as the sole *bona fide* champions of protection ; and the Progressives welcome the postponement of the hazards of an appeal for renomination to constituents who regard a seat at Ottawa as a sort of Nobel prize, never to be held a second time. Its main merit, however, is that it promises to advance another stage the process of resolving the confusion which the war brought to the politics of Canada.

II. THE ST. LAWRENCE DEEP WATERWAY

MOUNTAIN ridges separate the central portion of the continent of North America from the Atlantic and Pacific Oceans, and most of this central portion drains either northwards through rivers with inaccessible mouths in the Arctic and in Hudson Bay, or southwards into the Gulf of Mexico through the Mississippi which, for much of its course, winds between low-lying banks and is generally swift, shallow and variable in flow. The narrow basin of the St. Lawrence lies athwart the east half of the continent and is separated by a low divide from the basin of the Mississippi on the south and by a somewhat higher one from the Hudson Bay drainage area on the east and north. In its upper part lie the Great Lakes, occupying together one-quarter of the total area of the basin above the outlet from Lake Ontario, and below that point the river proper flows in a rocky channel with, for part of its course, ample depth for almost any vessel afloat. By reason of the great reservoir capacity the variation in flow is very small ; as one jealous engineer has said : " No work of man has ever approached or will approach such perfection of regulation."

The Great Lakes and the upper part of the river form the boundary between Canada and the United States ; the lower river, from a point sixty miles above Montreal, lies wholly within Canada. Up to Quebec the river is navigable

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without improvement for ocean-going craft, and the ship channel to Montreal makes that city—1,100 miles from the sea—accessible to almost all vessels but the *Olympics* and *Leviathans*. Immediately above Montreal are the Lachine Rapids, where the river falls over the last of the three rocky ledges which intersect its course within the next 110 miles. The series of rapids at each of these ledges are navigable downwards by certain types of craft ; canals permitting boats to move upward past some of them were built as early as 1783, and more than 40 years ago Canada completed a system of canals giving access to Lake Ontario for vessels of 14 foot draught. In 1887 Canada also provided a canal of like depth between Lake Ontario and Lake Erie, and the channels between the latter lake and Lake Huron and the channel and canals between Lakes Huron and Superior, built and improved partly by Canada and partly by the United States, have more lately provided for vessels of a draught of 21–23 feet. The further deepening of these is not difficult. Before the war Canada commenced, and has since its conclusion continued, the construction of a new canal between Lakes Erie and Ontario ; this will, when completed, pass vessels of a draught of 25 feet and is so constructed as to permit of its being further deepened by dredging only. When this canal is opened, the depths of water limiting traffic between Lake Superior and the sea will be those in the St. Lawrence canals.

The reconstruction of these has been long discussed, but during the war public attention in the United States was for the first time concentrated upon it. The great iron and steel industries of the central States, the motor-car manufacturers in Detroit and elsewhere, and the vast packing and food-exporting enterprises of Chicago, found themselves hampered by the inadequacy of the railways and the congestion of Atlantic ports. A Great Lakes Tidewater Association was formed and an intense agitation for the improvement of the St. Lawrence was set on foot. This gained in strength during the boom after the war, which

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found the railways more helpless than ever. It extended to the western States where the grain farmers wanted relief from high freight rates, and obtained support from users of electric power in New York and New England, although this was counter-balanced by opposition from the ports of Boston, New York, Philadelphia and Baltimore. Ontario's demand for more hydro-electric power, the aspirations of the navigation and shipbuilding interests in Toronto and elsewhere and, in the west, a very mild enthusiasm diverted from the Hudson Bay railway project, provided Canadian backing for the pressure from the United States. In 1920 the question was referred to the International Joint Commission, a permanent body composed of three Canadian and three American members, to which, under the Waterways Treaty of 1909, any subject of joint interest to the two countries may be referred by agreement between them. At the same time there was formed a special joint engineering board composed of one Canadian and one United States engineer, and this board made detailed studies of the river while the International Joint Commission was holding protracted hearings throughout Canada and the United States.

In 1921 the engineers reported to the Governments and submitted to the Commission their recommendations for the construction of new 25 foot canals round the two lower series of rapids, which lie wholly in Canada, and for the damming of the river itself to flood out the upper series, which occur where the river forms the international boundary. They estimated the cost of the works at \$252,000,000, including the development at the dams of 1,500,000 electrical horse power, of which Canada and the United States would each be entitled to one-half. After alternative plans had been submitted to it by interested parties, the Commission unanimously recommended the negotiation of a treaty for the improvement of the river and gave general approval of the scheme submitted by the government engineers, but suggested that before

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any work was undertaken the plans should be further considered by an enlarged joint engineering board. It did not discuss the mode in which the capital expense should be met, but proposed that the annual charges for the navigation works should be borne by the two countries in proportion to the export and import traffic of each through the waterway, that each should develop separately its own share of the electric power, and that the jurisdiction of an international administrative body should be limited to those works on the international section of the river which could obviously not be entrusted to the sole administration of either country.

The United States quickly pressed for further action, but Mr. Mackenzie King's Government had been too short a time in power to be ready to make so important a departure, and proposed a delay. The subject was again brought forward by the United States last November and the enlargement of the engineering board has since been agreed upon, although the terms of reference to it have not yet been settled. When the Canadian Government stated its intention to constitute a committee to consider the general aspects of the proposal, the United States indicated that it would appoint a like committee and suggested that the two committees should hold joint meetings to settle these terms of reference; but Canada refused to concur in this proposal, saying in effect that to give international functions to the committee it intended to appoint would be inconsistent with its purpose, which was to consider whether the project was one in which Canada should join. The United States has since appointed a committee, with Mr. Hoover at its head, to forward the negotiation of a treaty. The only Canadian committee so far set up is an interdepartmental one, but the constitution of a more broadly based committee has been foreshadowed.

The project, as sketched by its supporters, strikes the imagination. Already ocean vessels penetrate farther up the St. Lawrence than any other river in the world except

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the Amazon. A vessel ascending to Duluth through 2,300 miles of inland navigation (of which 900 miles is through the lakes) would be 1,200 miles from Montreal and about the same distance by land from the nearest port on the open ocean. The waterway would, it is said, almost double the number of North American ocean ports and would bring the shipping of the high seas to the quays of many cities already great: Toronto (population, 550,000); Buffalo (525,000); Cleveland (800,000); Toledo (250,000); Detroit (1,000,000); Milwaukee (500,000); and Chicago (3,000,000), not to speak of Fort William, Port Arthur, Duluth and many other shipping points not without importance, but of smaller population. In an elaborate report prepared at the instance of the Great Lakes Tidewater Association, and highly praised by the International Joint Commission for its completeness and accuracy, it is said that 41,000,000 of the inhabitants of the United States would be beneficially affected by the reduced expense of shipment through the waterway to and from North European ports, and nearly 30,000,000 by the reduction in freight rates to and from ports in South America. A substantial water-borne traffic between lake ports and ocean ports in North America is also anticipated in the report, and it is estimated that, within five years from the completion of the waterway, the export and import traffic to and from United States ports upon it would amount to 20,000,000 tons a year, or almost as much as now passes through either the Suez or the Panama canal. No computations have been made of corresponding Canadian traffic, but if Mr. Hoover's very optimistic estimate that there would be a saving of ten cents a bushel on export grain from the head of the lakes is even approximately possible, the Canadian traffic in grain alone would make a very substantial addition to the prospective tonnage. It is claimed that the saving in freight charges would alone more than justify the expenditure involved, and, moreover, that the power developed could readily be sold at a price sufficient

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to cover the annual charges on all the works on the river, even without the imposition of tolls.

On the other hand, opponents of the project ridicule the idea that any such returns are even remotely realisable. They emphasise the failure of the existing canal system to attract even those ocean-going vessels capable of using it, and deny that its being further deepened would increase its attractiveness. They contend that additional grain traffic, which they incline to regard as alone of much importance, would not be diverted to the new route, and point out that, since before 1915 the rate on grain from Fort William to Montreal was little more than six cents a bushel and sometimes less, a saving even of five cents a bushel is a wild dream. They doubt the advisability of a partnership with the United States either in the waterway or in the development of power, claiming that Canada has no market for more than half of her share of the power and that its development will merely stimulate United States industries. They point to the claim of the State of New York and the Province of Ontario that they and not the Federal Governments are entitled to the power capable of development on the St. Lawrence, and argue against the possibility of the latter's being permitted to appropriate the proceeds of its sale to meet the cost of improvements in navigation. Montreal also has its special ground of objection: it prefers to remain at the head of navigation, and dislikes the prospect of becoming a way port even if the traffic passing through it is enormously increased.

Apart from a certain jealousy of the United States which has appeared more than once in Canadian political history, opposition to the project in Canada derives some of its force from the unfortunate experiences of the country in relation to the construction of railways, since these, undertaken in an optimistic spirit, have imposed upon the revenue a heavy burden, proximate relief from which is rather hoped for than expected. It is therefore not surprising to find in the United States a warm approval of the

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project and a keen desire that the negotiations should move rapidly forward, while the general attitude in Canada is comparatively cold and hesitating.

There is, moreover, a connected problem upon which there is in Canada but one opinion, which has been represented strongly to the United States. In 1901 the Chicago Sanitary District applied to the United States Government for leave to divert water from the south end of Lake Michigan into the Mississippi basin, and obtained a permit (said to be of doubtful validity and only temporary in duration) to divert some 4,000 cubic second feet. A greater amount was, however, diverted—only partly, it is said—for the purpose of dealing with the sewage of Chicago, and really in part for the development of hydro-electric power. The diversion has been increased until it is now said to amount to from 8,000 to 10,000 cubic second feet, and it has had serious effects upon the water levels of Lake Michigan and the lower lakes, as well as of the St. Lawrence river. The right of the Sanitary District to make the diversion is now before the Supreme Court of the United States in an action for an injunction brought by the Federal Government. Several of the States bordering upon the lakes are exhibiting the keenest interest, but Bills have recently been introduced into Congress to give statutory authority for a diversion up to 10,000 cubic second feet. This proposal has been the subject of protests by Canada. Here the diversion is looked upon as illegal, and its continuance further chills the Canadian attitude towards the project of improving a waterway adversely affected by it.

III. PROHIBITION TO-DAY

DURING the past year further evidence has become available of a marked reversal of opinion in Canada upon the liquor question. Regulation of the sale of liquor is a provincial matter, and the close of the war found all

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the Canadian provinces, with the exception of Quebec, under strict prohibition laws, which, if not universally observed, did prescribe for the community a rigid régime of temperance. The returning army, accustomed to slake its thirst in pleasant French and English taverns, did not take kindly to prohibition; and provincial politicians, wrestling with annual deficits, began to cast envious eyes upon the huge annual surplus which the Quebec Liquor Commission was yielding to the local treasury, for Quebec had adopted a government monopoly of the sale of liquor. With the anti-prohibitionists in Canada, Quebec was accorded a reputation for sanity and toleration which did something to offset the unpopularity aroused by the province's imperfect sympathies with the national war effort. The harvest to the provincial treasury has indeed been rich; on a total sale of \$65 million, profits amounting to \$12 million have been realised in the last three years; and of this sum it is calculated that thirsty Americans were responsible for 80 per cent. At any rate, the largest sales have been made in such of the 82 government stores as are adjacent to the American border or near the railway stations in Montreal and Quebec. The Quebec Liquor Commission claims that it is selling liquor at prices ranging from 15 per cent. to 40 per cent. cheaper than if the trade had been privately controlled, and certainly wine is to-day ridiculously cheap in Quebec. The recent Franco-Canadian trade treaty reduced the duties so that the cheaper brands of claret can now be secured at 50 cents a pint and good burgundy at \$1.25. Local residents are therefore drinking wine instead of the more expensive spirits; these, however, are on great demand by visitors, who seek liquor in its most potent form.

Naturally the bootlegger of the New England States finds the stores of the Quebec Liquor Commission a very useful reservoir of supplies, and its special label is now regarded in those regions as a sort of guarantee of quality. Opinions upon the merits of the Quebec system are divided. The prohibitionist points out that the "wetness" of

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Montreal has made it the magnet for a host of undesirable characters drawn from the underworld of the great American cities and has aggravated the problem of maintaining order and morality. The anti-prohibitionist rejoices in the evidence that bootlegging is an extinct profession within the province and blind pigs have ceased to exist. There have been charges of serious manipulation of the activities of the Commission for the benefit of political favourites; but if any administration of this character were completely free from such episodes, its record would be beyond praise, and such political manipulation as has occurred in Quebec has not so far been on a serious scale. It has unfortunately been otherwise in British Columbia, the first province to renounce prohibition; there the local provincial Government has indulged in brazen attempts to bolster its fortunes with the aid of the Liquor Commission, and the administration of this body has, it is alleged, been so corrupt that there is a serious growth of sentiment in favour of restoring prohibition.

During 1923 the opinion of two of the prairie provinces upon the question of prohibition was tested by a plebiscite. Manitoba, in July, and Alberta, in November, decided by very substantial majorities to abandon prohibition in favour of a system of government control. But each of these provinces also decided against the restoration of wine and beer licences to private individuals. The Manitoba system has now been in operation several months and, whatever its effects upon temperance may ultimately be, its financial results have already gladdened the heart of the provincial Treasurer. But they are smaller than was anticipated. The Commission provided alcoholic supplies on the theory that everybody who voted for their restoration would be prepared to consume them, but the actual consumption up to date is less than half the estimate. The presumption is that a great many electors voted against prohibition from a dislike of its results rather than any personal desire for alcohol.

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The Alberta plan, which has now been embodied in legislation, represents the fruit of the experience of the other "wet" provinces. It copies the permit system which was introduced in British Columbia and Alberta. The permits will be available (for a fee of two dollars) to individuals over 21 years of age who have resided a month in the province; special permits will be issued to druggists, doctors and dentists. The system will be managed by a non-political commission, which will determine the location of the State stores, the appointment of official vendors, the importation of liquors and the granting of licences and permits. Licences will be granted to clubs for the sale of beer for consumption on the premises, and brewers will be given the right to sell and deliver beer to the holders of permits and to clubs. There is a long list of prohibitions and all advertisements of liquor are banned, while part of the profits are to be allocated to the municipalities.

This system will be given a careful trial and, unless political corruption creeps in, it ought to prove a satisfactory solution of the liquor problem for such provinces as adopt it. Heartened by their successes in Manitoba and Alberta, the opponents of prohibition have been laying their plans to regain other lost territory, and in Saskatchewan the Liberal Government has responded to their pressure by arranging for a plebiscite on July 16. But it will not allow the voters the same latitude of decision as in Alberta, where they had four alternative questions to answer; the paramount question in the Saskatchewan referendum will be "Are you in favour of prohibition in Saskatchewan?" The Conservative Government in Ontario undoubtedly received the "wet" vote at the election last year, but in view of the deep-rooted temperance sentiment in the province it is moving very cautiously in the direction of a plebiscite. For its expenses it has induced the Legislature to vote half-a-million dollars, but its leaders are pledged to await definite proof of a public demand for a

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referendum, which, however, the friends of alcoholic freedom will not be slow to supply. For the "wets" Ontario may be a more difficult terrain than the western provinces, but their hopes run high. At any rate, real estate operators on the shores of rivers and lakes which form the international boundary between Ontario and the United States are beginning to capitalise the prospect of a heavy influx of American visitors to a more humid air and to depict in glowing colours the contingent attractions of summer homes in Ontario.

Statisticians and commentators of opposite faiths have produced a veritable literature of interpretation of the results of the different liquor systems now in operation. When the prohibitionists produce figures in proof of a marked decrease of crime and poverty under prohibition, anti-prohibitionists counter with data about the alarming growth of the drug traffic and the shrinkage in immigration from the British Isles. A satisfactory verdict upon evidence which is often of a directly conflicting character is very difficult to reach. But it seems reasonably probable that, unless the State systems now established in four provinces prove dismal fiascoes, within five years prohibition will not survive anywhere in Canada save in its smallest province, Prince Edward Island. In the other provinces there will be different transatlantic versions of the Gothenburg system, and no serious restrictions upon the right of free private consumption.

From this situation may flow some interesting results. It will establish a very marked differentiation in an important social habit between the people of Canada and the citizens of the United States, for there is no serious prospect that the eighteenth amendment to the American constitution will be rescinded in the near future. Canada may then become a more popular goal for British immigrants, whose lukewarmness for her attractions has in recent years been ascribed to an apprehension of a climate where alcohol was not available as a fortification against the

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notorious rigours of winter. A warm preference will certainly be developed among the upper classes of the United States for Canada as a holiday ground, and more and more the Dominion will come to fill the same rôle for the United States in this connection that Scotland fills for England. Furthermore, once the provincial authorities in Canada assume responsibility for their domestic liquor trade, they will be forced to take precautions that the supplies which they provide are not utilised to nullify the laws of the United States. For the promotion of more effective arrangements to suppress liquor smuggling across the international boundary, conferences between officials of the Ottawa and Washington Governments have lately been taking place, and the Canadian authorities are guaranteeing their cordial co-operation in all reasonable measures.

Different attitudes towards the liquor problem may produce recurrent frictions between the two countries; and, if in the coming years a larger number of influential Americans are likely to make personal acquaintance with Canada as the result of her more liberal liquor laws, yet the unbending prohibitionist opinion in the United States will continue to visualise their northern neighbour as a reservoir of bibulous iniquity with which too close political and economic relations should not be encouraged. In certain quarters there have been secret forebodings that in western Canada a psychological condition was maturing which might be the prelude to a movement for absorption in the United States. But if Canadians persevere in their present anti-prohibitionist mood, dislike of prohibition will be a strong counter-agent to the material allurements which advocates of absorption might set forth.

Canada,
April 23, 1924.

AUSTRALIA

I. THE NEW STATES MOVEMENT

IF a political cartographer from Mars had produced a map of Australia in 1788, he would have shown it divided into two almost equal parts by the 135th degree of longitude. The eastern half was New South Wales, which then represented British Australia. The western half, unclaimed at first by Great Britain, was annexed in 1829, the boundary of New South Wales having been pushed westward to the 129th meridian in 1825. Western Australia has remained territorially as it was then proclaimed. All the other Australian States have been created by carving tracts of territory out of New South Wales. Tasmania (1825), South Australia (1834), Victoria (1851), and Queensland (1859) were all formed in this way. Since 1859 no new States have been formed in Australia. The twentieth century ushered in, among other things, the Commonwealth of Australia. It was never contemplated that the system of States existing in 1901 should be rigidly stereotyped, and provision was made in the Constitution for the creation of new States. But that Constitution being definitely federal and not unitary, it was only to be expected that it should provide that no new States could be erected by the Commonwealth without the expressed approval of the Parliament of the State or States affected.

Western Australia and South Australia were founded as

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experiments in colonisation in unoccupied lands. But Victoria and Queensland were split off from New South Wales after colonisation, and because their inhabitants resented the control of the Mother State and desired self-government. With negligible exceptions, no further manifestation of this desire for separation occurred in Australia. The community's taste for political experiment was apparently being satisfied with the business of achieving federation. But since 1901, the idea of new States has slowly been developing. Hushed for a time by the war, activity in this direction has been revived since 1918, not only in New South Wales, but also in Queensland and Western Australia. The Riverina movement has for its object the erection of part of southern New South Wales into a new State. In central Queensland and in northern Queensland there are definitely organised separation movements, and in Western Australia there are three agitations—in the south, the north, and the goldfields—to secure independence from the Government which, at present, centres in Perth. But of all these movements for separation, or decentralisation, as they are called, that in the northern part of New South Wales is much the most vigorous and important. It probably owes its pre-eminence to its more thorough organisation and to the heavier political calibre of its leaders.

In the main, the grievances of the separatists in all these localities are very similar. There are complaints of neglect by the State Parliaments and of the fostering of city as opposed to country interests; grumblings about inadequate railway and transport facilities in return for a disproportionate revenue alleged to be furnished by the disgruntled districts; laments about a centralised city bureaucracy unable if not unwilling to explore country grievances; protestations that the whole movement is above party politics; and rhetorical appeals to the sacred heritage of self-government. The material basis of these grievances is twofold—the character of the existing railway

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systems and the distribution of population in Australia. The railway systems of all the States, except Queensland, are examples of centralisation. This feature is more marked in New South Wales than anywhere else. There are in this State over five thousand miles of railway which serve only two terminal seaports within a hundred miles of each other. This makes for the general grievance that traffic is forced over long distances to the capitals, entailing heavy freights which might be avoided if more direct lines to the sea coast were built. This railway policy is partly the result, and partly the cause, of the striking concentration of 43 per cent. of the Australian population in the capital cities.*

It is not, therefore, surprising that agitations for decentralisation should have sprung up in Australia, and it is, indeed, a healthy sign. Local grievances should be remedied by local organisations. If they can be, and are not, local patriotism will decay and the basis of existing society will be imperilled. When, however, the advocates of decentralisation in Australia advance the proposition that the only way to remedy their discontent is to create new semi-sovereign States, their arguments must be examined. Let us consider the specific movement for a new State in northern New South Wales, the leaders of which are generally regarded as being the chiefs of the whole separatist agitation.

This movement protests that the Government has neglected the north, permitted Sydney to dominate the State, and distributed the revenues unfairly as between city and country. New railways, schemes of water conservation, hydro-electric projects have been shelved by

* The figures for the separate States are :—Sydney (N.S.W.), 43 per cent. ; Melbourne (Victoria), 50 per cent. ; Brisbane (Queensland), 28 per cent. ; Adelaide (South Australia), 51 per cent. ; Perth (Western Australia), 47 per cent. ; and Hobart (Tasmania), 24 per cent. The closest approach to this in Europe is Copenhagen with 20 per cent. London contains just over 12 per cent. of the population of England.

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successive Governments in Sydney. Moreover, the general administration has piled up a huge debt, a disproportionate part of which has had to be carried by the northern people, considering the return they receive. Most of these charges are difficult to deny. The present Premier of New South Wales admits that "there are good grounds for discontent." But even if the whole charges be admitted, there still remains the business of finding a remedy. Dr. Earle Page, now Federal Treasurer, is the acknowledged leader of the New State Movement. He insists that the movement is not a new one, but that it is merely "a resumption of the normal process of political development." It will be observed that Dr. Page is not immune from the tendency prevalent among public men, to clothe an aspiration in terms of a law of progress. His main contention is that a complete severance of the north from New South Wales in order to form a State of about 80,000 square miles with a population of about 500,000 would secure economy in administration, attract population, and by developing the territory increase production. It is not easy to follow the logic of this. It is all very well for Dr. Page to say that a smaller State will be more economically administered than a large one. But, if it is to be a new State, there will be two semi-sovereign States to administer instead of one. There does not seem much ground for belief that their total expenditure for administration will diminish. In 1901 the Commonwealth and the States paid 48,000 civil servants (exclusive of Parliamentary, defence and railway staffs) the sum of £6,400,000. In 1921 the number had increased to 71,200 persons receiving nearly £17,000,000. Would the creation of more new States check this growth of expenditure on administration?

As to the development of the area in question, it may be doubted whether enough trial has been made of the machinery provided by the N.S.W. Local Government Act, which allows municipalities and shires to combine

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in forming a County Council to undertake works which are beyond the scope of smaller bodies. Indeed, the Clarence River County District has been formed, within the area of the proposed new State, in order to carry through an important hydro-electric scheme. If this succeeds, it would seem to suggest that the full panoply of a new State is superfluous for the economic development of the north. If it fails, Dr. Page must show reasons why the imposition of Parliamentary institutions upon the district will redeem that failure.

Under the stress of criticism of this nature, the ideas of some prominent New Staters are being modified. Dr. Page himself has recently remarked that he should prefer new States to be called provinces, and their governing bodies Councils. Others say bluntly that the end of the movement is to be one Parliament for the whole of Australia, with efficient localised centres of provincial government. This foreshadows the idea of centralisation with devolution of local powers to local authorities. And this, in its turn, leads the whole movement dangerously near the bog of party politics. For the Australian Constitution is definitely federal in character, and the only attempts to make it unitary have come from the Labour party. Yet the majority of the New Staters, being country folk, are suspicious of the Labour party, which, they say, governs always with its eye on the industrial population of the capitals and neglects the country. It has happened, therefore, that when this aspect of the matter has been discussed at various conferences of New Staters, there has always been a majority against the adoption of unification as the general policy of the movement. The most recent official pronouncement from the north was that the County Council idea, though useful, would not provide sufficient machinery for the development of the area which the New State desires. It was felt that the creation of County Councils erects a third taxing authority in these areas without allowing corresponding remission of taxation paid

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to the State. Nor is there any guarantee that the profits from enhanced land values, created by works undertaken by such councils, will be available for developing the area benefited by such works. In view of all this, the onus lies on the New Staters to say exactly what they do want in the way of self-governing powers.

At an All-Australian New States' Conference held at Armidale (N.S.W.) in June, 1923, the following seven planks were adopted as the official platform of the movement.

1. That the Federal Constitution be so amended as to eliminate the State Parliaments as the necessary consenting authorities for the creation of new States, such authority to be exercised by the Commonwealth Parliament which may take a referendum either in a defined area or in the whole State concerned.
2. It shall be mandatory for the Commonwealth Parliament to take action under clause No. 1 within six months after the presentation of a petition signed by 20 per cent. of the electors on the Commonwealth roll for any area not less in extent than the then smallest existing State.
3. The boundaries of new States to be defined on the basis of community of interest and geographical convenience.
4. Each new State to be established on the basis of a separate constitution drawn up by an elected convention consisting of representatives chosen by the Commonwealth electors of the area embraced by the boundaries defined by a commission appointed by the Commonwealth Parliament, such constitution to be ratified by that Parliament.
5. All railways inter-State in character to be governed by a statutory commission comprising an equal number of Commonwealth and State representatives with a Commonwealth Chairman.
6. The senatorial representation of each State to be equal in number, and the senators to be elected on a basis of proportional representation.
7. The number of members in the House of Representatives in each new State to be determined in the manner provided in the representation Act.

But this programme does not make matters much clearer. The first four planks simply state the methods that should be adopted to give effect to the New State agitation. The

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fifth is a general statement about inter-State railways. Only the sixth and the seventh deal with the constitution of the new States to be formed, and they merely indicate the number of representatives the new States shall have in the central Federal Parliament. There is nothing authoritative here to signify whether the New Staters would be satisfied with extended powers of local government and finance over a wide area, or whether they insist on inheriting the plenary powers of the now existing States of the Commonwealth. Until these questions are plainly answered it is difficult for the average citizen to determine his attitude to the whole movement.

Meanwhile the matter has been brought a step further into practical politics by moving its discussion from country conferences, composed of enthusiastic supporters, into the more critical arena of the New South Wales State Parliament. In September, 1922, after a long debate, the Lower House agreed to communicate to the Federal Government its opinion that the creation of a new northern State should be taken into consideration by a Federal Convention "summoned for the purpose of reconsidering both the present boundaries of the States and the distribution of the legislative powers between States and Commonwealth." This motion was the first step towards exploring the constitutional machinery for setting up new States. By passing it the New South Wales House had simply suggested that a Federal convention should be summoned to discuss the matter. Mr. Bruce, the Prime Minister, replied to the effect that the machinery already existed for the creation of new States. If, therefore, the New South Wales Parliament would affirm that it was desirable to create a new northern State, and would also settle the questions of boundaries and allocation of assets and debts, the Commonwealth Government, subject to the concurrence of the Federal Parliament, would take steps to give effect to the wishes of New South Wales. The result of this is to lay upon the New South Wales Parliament the

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duty of determining whether the new State should be created. At the request of the northern movement the Premier, Sir George Fuller, has now agreed to appoint a Royal Commission to inquire into the whole question of new States in New South Wales, reporting upon the proposed separations in regard to boundaries and to sharing of debts and assets.

There for the present the matter rests. In some quarters it is thought to be extremely unlikely that the New South Wales Parliament, especially the Upper House, will consent to any division of the existing State. Others cynically declare that the appointment of a Royal Commission means the permanent shelving of the whole agitation. Others, again, think that the northern movement for separation will collapse when the Government of the day succeeds in redressing the grievances felt in the north. But whatever may be the outcome of this particular inquiry, it is to be hoped that the wider issues raised by the whole separation movement will not be merely buried in the voluminous report of a commission. The agitation has revealed the fact that Australia, with her seven sets of Legislatures, is not achieving satisfactory government for a great number of her people. The question raised by the New Staters' movement has been whether government, in certain of its aspects, cannot be brought nearer to the governed. The solution suggested by Dr. Page and his followers is the erection of smaller new States, with plenary powers, within the present federal sphere. There are many who, though they are in sympathy with the demand for the redress of a country grievance, do not accept this solution. They look rather to an amendment of the Federal Constitution in order to give to the Commonwealth many of the powers now exercised by the States, and to contrive that it should devolve upon provincial areas, powers and resources sufficient to enable them to accomplish their own development. Which of these schools commands the allegiance of Australia it would be idle to

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say at present. But plainly the question is ripe for discussion*

II. AUSTRALIAN FINANCE

IN Australia, as in other countries, there are some financial clouds upon the horizon. We have seen such clouds in past years, and they have gradually dissipated without doing much harm. Those now visible will no doubt pass away presently, but, in the meantime, competent handling of the situation is demanded. The broader features of the position may be summarised as follows :—The cost of living has fallen comparatively little since the war, as evidenced by the retail price index number, which stood at 1,113 in 1914, and rose to 1,753 in 1920. In 1921 and 1922 it fell slightly, but to-day it is not far from the peak of 1920. The cost of building is still high, leading to a growing scarcity of housing accommodation at reasonable rentals. Governments, Federal and State, have made heavy claims upon local money supplies, with a resultant starvation of commercial and industrial needs. There has been some accumulation of imports in first hands, leading to a heavier demand for banking accommodation, while the materially reduced purchasing power of money since 1914 tends in the same direction. To these difficulties are now superadded those of the exchange position.

* Since the foregoing was written, the Executive of the New States' movement has definitely announced that the Federal Government has promised to bring in a Bill next session which will transfer the power of making new States directly into the hands of the Commonwealth without any reference to the Parliaments of the State or States who are affected by the subdivision. If this is to be done, the whole discussion of the subject will be undertaken not in a special convention, such as has been suggested, but in the Commonwealth Parliament. Should the Bill receive the assent of both Federal Houses, it will then be necessary to refer it to the people by referendum, as it will embody an alteration of the Constitution. This method may be more expeditious than that of a convention, but it is doubtful whether the discussion of the whole question will be as dispassionate and thorough as it would be in a convention.

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Only two or three years ago the banks were short of funds in London, but fairly supplied in Australia, with the result that it was both difficult and expensive to remit Australian money to London. To-day the exact converse applies. The banks are short in Australia, but are credited with holding fairly ample funds in London, with the result that it is difficult and expensive to move big sums from London to Australia. The existing situation is due in considerable degree to heavy governmental borrowings in the London money markets in the last year or two. It is necessary to refer to the exchange situation because the present excessive scramble by Australian Governments for funds cannot be cured by borrowing in London, this because such borrowing creates credit balances in London, and for the time being it is impracticable to buy remittances to Australia in big volume. In banking and business circles blame is attributed to Australian Governments, Federal and State, for their failure to exercise more rigorous economy since the Armistice. There exists a general feeling that, had stricter economy been enforced, the burden of taxation might by this time have been materially reduced. The Federal Treasurer, for instance, has an unexpectedly large revenue surplus in hand, due to heavy customs receipts; but it is understood he regards this as a temporary phase, and he does not consider it wise to base upon it more or less permanent tax reductions. He may regard it as wiser, for instance, to reduce Federal debts. Federal income tax, by the way, yielded some 7½ millions in 1917–1918, and about 13 millions in 1922–1923; and there are the various State income taxes in addition.

Whether enough allowance is made for the difficulties of Governments is not easily determined. One or two of the Ministries have only recently come into power, and they are the inheritors rather than the creators of the over-heavy loan expenditures on public works. It would be poor economy, for instance, to leave costly works incomplete, for that would not only postpone the period of earning, but

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would involve rapid deterioration. Every Government not unnaturally strives to avoid heavy dismissals of employees, and so the big expenditures continue without much reduction. Considering the serious difficulties which confront Treasuries, there exists a wide belief that Governments should have made their departmental administration in some directions more efficient, and in total less costly; also that, had the awkward task of economising been faced with greater determination from the end of 1918, a very materially lessened rate of expenditure would have been established by to-day, coupled possibly with appreciable tax reductions, and this without involving wholesale dismissals of employees at any stage.

So much for generalities. The Treasurers of Australia met in May, 1923, when they decided that, after the end of 1923, no more internal loans were to be issued carrying freedom from Federal and State income taxes. After 1923 all loans were to be subject to both taxes. This because in Australia, as elsewhere, it was strongly felt that it was very undesirable to increase those investments which would pay no future income taxes. Yet if Treasurers do not make their loan terms attractive to large investors, the subscription lists may fall short, especially because of a growing desire on the part of business people to keep their funds for expansion purposes. The Treasurers' resolution promptly set up a double scramble for funds. State Treasurers got in all the money they could before the end of the year, at $5\frac{1}{2}$ per cent., free of both income taxes. At the same time the Federal Government had to meet a maturing loan of $38\frac{3}{4}$ millions in September, 1923. They too combed the highways and byeways for money, but in the event, notwithstanding all the drumming, public subscriptions fell short by some $6\frac{1}{2}$ millions. Finally the Federal Treasurer had to cover the shortage, and this was accomplished by utilising Treasury balances in hand.

The commercial and industrial world began to feel

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rather acutely the heavy withdrawals of market funds into comparatively unproductive governmental channels. There followed a greatly increased pressure upon the banks, who are experiencing difficulty in meeting the demands of the market. Banking averages recently published show a heavy increase of advances, inadequately balanced by increased deposits, with the general result that the ratio of banks' legal tender to liabilities has fallen in the last three years from about 27 per cent. to just over 18 per cent. In this there is nothing seriously alarming—since 18 per cent. is not unsatisfactory, viewed in comparison with other countries. The immediate difficulties of the Federal Treasurer have not ended with the redemption of the September, 1923, loan. In May next he has to meet, or renew, the soldier gratuity bonds aggregating about $19\frac{1}{2}$ millions. Under the circumstances, another internal Commonwealth loan has just been placed upon the market. At a Treasurers' Conference recently concluded, special arrangements for that purpose were made. The State Treasurers agreed that the field should be left wholly to the Commonwealth Government until the gratuity bonds are out of the way. The Federal Treasurer promptly announced the issue of the above internal loan at par—total not stated, interest 6 per cent., free of State income tax, but subject to Federal income tax, period 3, 5 or 10 years at buyer's option. To this loan the Australian public has been once more urged to subscribe. Meanwhile the State Treasuries cannot be entirely starved of loan funds, and by arrangement they may continue to sell bonds "over the counter" each within his own section—6 per cent. interest, maximum period 10 years, free of State but subject to Federal income tax. The State Treasurers are not to employ special propaganda designed to increase the volume of these sales.

From the foregoing details one or two important considerations emerge. It will be noticed that the Treasurers have raised their interest rate by $\frac{1}{2}$ per cent., partly to

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attract funds, and partly to compensate for the re-imposition of Federal Income taxation. A reflex result is increased overdraft rates all round, and already some of the institutions are taking action. Another consequence will be that investing houses, mainly insurance companies, will again be asked for subscriptions to Government loans, and they will be increasingly unable to support the mortgage investment field as they used to do before the war. What exactly the Treasurers have agreed, about the urgently desirable co-ordination of future borrowing, is not known. Clearly something should be done, and this quickly, to overcome the present cut-throat competition for money, the medley of interest rates and loan conditions, and the clashing of redemption dates. In the market of to-day there is in any case no avoiding higher rates of interest on renewals, which impose an added burden upon industry, without bringing in any additional capital. That the position is fairly serious may be readily gathered from some details. During the next six years Australian loans will mature totalling 385 millions, of which 280 millions are internal, and this quite independently of new loans for developmental purposes. New South Wales alone contemplates 11 millions of loan moneys for public works during 1924. The Australian interest burden has grown out of reasonable proportion to increase of population and development of natural resources. In 1913-14 the Commonwealth and State interest bill was roughly 12 millions. In 1922-23 it was nearly 41½ millions. War accounts for a considerable part of the increase, but the other part is too large, and it is clear we cannot with safety maintain the pace.

On the other hand, if there are clouds upon the horizon, there are also patches of blue. A "Bawra" distribution has just been made to graziers, of 5¼ millions, and there still remains a residue in the "Bawra" wool pool for final distribution at a later stage, when realisations are completed. Several of the wheat pools are being cleaned up, with

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money distributions to farmers. Furthermore, the latest Federal loan, while in one sense it will withdraw funds from the market, will present this mitigating feature: some of the bonds will be renewed, and to the extent that the Government has to redeem in cash, that cash will be released to Australian bondholders, and will thus revert to the market. The exchange difficulties, briefly described earlier in this article, should gradually clear away owing to the steady stream of imports from abroad which reduce bank balances in London and add to their resources in Australia; but this desirable correction pre-supposes that Australian Governments will not nullify the imports with fresh heavy borrowings in London. Banks in Australia have been charged with maintaining too wide a margin between their buying and selling rates, roughly 30s. per cent., and it is to be hoped that this feature may be modified in the early future. Our two greatest export commodities are selling well—wheat at fair prices and wool at prices quite unprecedented in our wool annals. Australia stands supreme in respect of good merino wool, while the present fine range of prices (with cotton in short supply) seems reasonably assured. The 1923-24 clip is likely to yield some 45 to 50 millions of money. Wool is to-day the sheet anchor of Australian prosperity. Finally, the drought, recently overshadowing New South Wales and Queensland, seems at last to be passing away.

It will be seen then that there are several compensating features. The difficulties, to which reference has been made, are to a very large extent the aftermath of the war. Further, we are realising more and more that no nation works within a water-tight compartment; and Australia must regard with grave concern the economic disorganisation and distraction of Europe. But notwithstanding all the difficulties, there is no reason for pessimism. Australia has emerged triumphantly from many periods of stress in the past, and with reasonable production and economy, both public and private, there is no ground to suppose that

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she will not emerge successfully from the troubles of to-day.*

III. AUSTRALIAN OPINION ON THE BRITISH LABOUR GOVERNMENT

BROADLY speaking, political opinion in Australia falls into three sections—the definitely Labour section, the definitely anti-Labour section, and a middle floating mass which changes its political alignment from time to time and is, on the whole, eclectic and critical. The two former sections become vocal in the party Press, but, owing to Australia's lack of detached critical journals, the third section has no regular literary organs of expression, and its views must be collected from occasional letters and articles in the Press, from reported speeches, and from conversation.

The anti-Labour Press of the Australian capitals reacted to the cabled accounts of British Labour's advent to power with criticism that ranged from a gentle monitory note of disappointment to a high shriek of anger. The Sydney and Brisbane papers were much more lugubrious and intemperate than were those of Melbourne and Adelaide. Thus, on January 23, 1924, the *Sydney Telegraph* complains that "to put England under the rule of a scratch Soviet Government, with Europe on the hair trigger, suggests the recklessness of lost men," while the Melbourne *Argus* merely voices its fears of Labour's unfamiliarity with administration in general and with the Exchequer in particular. On the same day the *Sydney Herald* bemoans

* Since this article was drafted, the "Notes Issue Board," which has the statutory duty of regulating the issues of notes, has made the following announcement: To assist the demand for increased currency, especially to complete the wool export season, the Notes Issue Board has declared its intention to hand to the banks a sum of about £4,200,000 in notes. This sum represents an obligation of the Federal Government to the banks—claimable by the latter at any time—and the Notes Issue Board has now discharged that obligation.

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that "to no one with a sense of pride in British political history and traditions could a plunging of the country into the depths of the socialistic morass be regarded lightly," while the *Adelaide Register* bluntly says that "the prophecy of Mr. Churchill—that the enthronement of Labour would be a national misfortune, comparable to a defeat in war—is not in the least likely to be realised."

Perhaps the milder tone of the Press in the Southern capitals reflects the fact that the fight with Labour for the State Legislature has never been so exacerbated there as it has been in Sydney and Brisbane. Subsequent comment has been more temperate. After all, it is said, the Government is only a stop gap, its moderation is ensured by the political situation and the personnel of its Cabinet, and it had better be given a fair trial. Britain is regarded as being due for a period of Labour Government, and it is hoped that this dose may be a prophylactic against future revolutionary infection. Also there is a feeling that the baby is too young to be smacked, whatever may be thought of its accoucheurs. Mr. Thomas's remarks about the Empire have been generally approved, though there were doubts at first as to the outcome of Mr. MacDonald's gestures to France and Russia.

The Labour Press also swells a somewhat confused chorus. For the most part it is frankly jubilant, running to cartoons depicting a young Russian moujik, with a high forehead and top boots, shaking hands with John Bull, while a moustached figure, labelled Ramsay MacDonald, smilingly presides at the introduction, and an old lady, labelled "Tory Press," faints in the background. But here also there is a very general recognition that Labour is only governing "by permission," and that no radical advances can be expected from it. The more outspoken Labour papers, however, sharply criticise Mr. Thomas for his utterances about the Empire, calling him "an apologetic revolutionary." And there is a quite definite opinion that Mr. MacDonald is in power because the British capitalists

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wanted a reopening of trade with Russia, and they knew that a Labour Government was the quickest means to that end.

As to the middle floating mass of opinion which would not label itself Labour nor anti-Labour, it may be said that it is, on the whole, favourable to the new British Government. It is interested to see what Labour will make of a European situation which has puzzled the older parties. It is attracted by certain aspects of Labour's programme. And it would like to see Labour get a sporting run for its money. There is, moreover, a general feeling that the two older parties in Britain should come together to form a united party in opposition to Labour, although it is recognised that this would entail a movement of the left wing Liberals into the Labour fold. It is curious to note that the tariff question, which was the main issue between the historic English parties at the last election, was exactly the dividing line between the old parties opposed to Labour in Australia. Beginning as a third party, both in State and Commonwealth, Australian Labour has gradually passed into the position of official Opposition, has fused its opponents into a single party, and then fought that party for office. In 1904 our first Federal Parliament Ministry was in a strikingly similar position to the present British Government. Labour had 24 supporters, the Protectionists 27, and the Free Traders 24 in a House of 75. The Protectionist Government was displaced, and Labour took office by the grace of the Free Traders. Like Mr. MacDonald, Mr. Watson went outside the Labour party in the formation of his Ministry. This Labour administration lasted four months, and Labour did not again become the Government until it had, by its opposition, succeeded in fusing the Free Traders and Protectionists into one party. Since then, generally, the political parties have been Labour and anti-Labour, which are the real political forces in this country, although the present differences between the Nationalists and the Country parties seem to indicate that

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Australia will experience for a while a period of three party politics. It is, therefore, not unnatural for Australians to wonder how long it will be before what seem to them to be the two real forces in British political life will emerge—on the one hand, a party aiming at a new method of international control and an altered distribution of wealth and power, and on the other, a party defending with considerable strength and intellect the system which its supporters know and desire.

Australian opinion on Labour's attitude to foreign policy is not generally well informed, mainly because Australians have had little experience of the political difficulties of this aspect of government. Labour in Australia has never had to face the question of foreign policy. Nor, for that matter, has any Australian party really faced it. The tentative excursions of Mr. Hughes into that field were not the outcome of a considered party policy but rather the individual reactions of a patriotic, though autocratic, politician. The Federal Labour leader, Mr. Charlton, attempted to define his party's attitude to Imperialism in August last. He blessed the idea of disarmament, favoured the development of aircraft and submarines for Australia's defence, was contemptuous about the proposal to have an Australian Minister for Foreign Affairs in London, opposed the raising of forces for service outside the Commonwealth, and condemned any participation in the suggested Singapore base. This is not very helpful. The fact is that Australian Labour has never had to handle foreign affairs, and the word "Imperialism" to it suggests "dollar diplomacy," economic expansion to suit the capitalist contractors, "red-rubber," and the like.

Press criticism has been confined to the British Government's overtures to France and Russia and to the question of the Singapore base. Very general approval has been expressed of the tone and manner of the opening negotiations with France and Russia. With regard to the Singapore base, the majority of opinion in Australia, certainly

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the majority of Press opinion, is plainly at variance with the proposal to drop the Singapore scheme. This opinion is based on the view that the resultant naval isolation of Australia and New Zealand would constitute a menace to these countries. It is held that it is better to bargain for conciliation of possible enemies while the Imperial fleet is at its highest pitch of mobility and effectiveness, than to face them with the reduced naval strength which the abandonment of the Singapore scheme will entail. On the other hand, the Labour Press and Labour opinion generally take the view, expressed by its Federal leader, Mr. Charlton, that the time has come to distrust the old maxim that preparedness for war is the greatest surety for peace. They argue that a plea for disarmament is much more likely to be convincing if it is accompanied with a tangible evidence of sincerity of purpose, such as is furnished by Mr. MacDonald's proposed action in regard to Singapore.

Australia.

April 1, 1924.

SOUTH AFRICA

I. THE DISSOLUTION

THE dissolution of the House of Assembly came with dramatic suddenness. There had not been wanting for some time critics and advisers of the Prime Minister who had urged an appeal to the country before the expiry of the term for which the House was elected. They argued that it was good tactics to let the Opposition have an opportunity of making good their criticisms on the Government by taking responsibility—if the electors should so decide—for carrying on the Government of the country while it was still struggling with its difficulties and depression rather than wait till the tide had begun to turn.

These criticisms and arguments, however, were understood as having been dismissed (if they were ever considered) by General Smuts. No pronouncement was made by him, but it was generally understood and stated by those in the counsels of the South African Party that the election would not take place till the latter part of 1925 at the earliest.

To explain such a sudden departure from what was regarded as a generally accepted policy it may be desirable to look at the strength of the Government party in the House of Assembly. After the general election of 1921 the members of the House of Assembly were divided as follows :—

South African Party	..	79	Labour	..	..	9
Nationalists	..	45	Independents	..	..	1

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This gave the Government a clear majority over all parties of 24. As a result of applications to the Courts, however, alleging informalities in the conduct of the election, two seats which had returned South African Party members were awarded by the Court to their opponents, in one case a Nationalist and in the other a Labour man. This brought the Government majority down to 20 or, if we deduct the Speaker and the Chairman of Committees, to 18. The present position of parties in the House is :—

South African Party	..	72	Labour	..	..	13
Nationalists	..	47	Independents	..	..	2

Which, again allowing for the Speaker and the Chairman of Committees, leaves the Government with a majority of 8.

A majority of 8 over all parties must be regarded in these days as quite satisfactory from a practical point of view and, as a matter of fact, it is only on rare occasions that the Government majority in actual divisions has not been well above that figure. The decision to dissolve, therefore, does not rest on any want of ability to carry on the Government business. It must, in our opinion, be sought rather in the morale of the party and the general condition of the country.

The party which supports a Government through a long period of unpopular taxation and retrenchment is exposed to very strong disintegrating forces. The Ministers have a share in framing the decisions. They are face to face with the conditions which seem to them to call for the particular action taken. The private member, however, who sits behind them is in a different position. Even when he has been consulted beforehand, which is not always possible, the ordinary member who does not take a special interest or keep himself specially well informed on public affairs finds it very irksome to have to face disgruntled constituents and explain why he voted for an unpopular measure, instead of openly voicing their objec-

The Dissolution

tions to it. He is held up to popular attack as having been driven or muzzled by dread of the party whip. A similar state of things exists as regards the party supporters in the constituencies in relation to the adherents of the Opposition parties or to the unattached voter who is always prominent on these occasions as a critic of Governments. A long period of depression and financial difficulty with the usual accompaniments of taxation and retrenchment puts a severe strain on the loyalty of the Government's supporters whether inside or outside Parliament. This strain is, of course, accentuated by a gradual diminution in the Government majority through losses at by-elections. Now the Government party has certainly been unfortunate in its by-elections. There have been no less than twelve by-elections in seats held by the Government party and of these it has lost six. Of the six which it held, four were seats where a Government defeat was almost unthinkable. The last contest was at Wakkerstroom, vacant by the unexpected death of one of the most promising younger members of the party. The Administrator of the Transvaal Province, a prominent farmer in the constituency, resigned his office in order to contest the seat for the Government party. The election thus came to be invested in the public estimation with all the appearance of a set battle between the Government party and the Opposition parties now acting in close co-operation together in terms of the agreement, popularly known as the Pact, by which they have agreed to combine forces at all elections against the Government. The result was a serious defeat to the Government candidate. It was announced on Saturday, April 5, and immediately on meeting the House on Monday, the Prime Minister announced the decision of the Government to advise a dissolution.

The swiftness of the counterstroke took the country, and above all the Government party, by surprise. The first instinct of the old hands was to think of all the disadvantages under which the battle would be fought.

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But there seems to be no doubt that this has been succeeded by the elation which the bold move of a master mind inspires in his followers. The party is appealing to the electors throughout the Union to turn their minds away from various grievances and discontents and to consider seriously whether they really desire to displace General Smuts from office and place the Government in the hands of the Nationalists with or without the co-operation of their temporary and somewhat ill-assorted allies of the Labour party.

The combined Opposition parties are entering the contest with the utmost vigour and confidence. They rely on the effect of the bad times through which the country has passed and the discontent which such times engender, and especially on the bitter feeling aroused against the Government by the suppression of the revolt on the Witwatersrand, and the depression which resulted from it, not only among the miners who suffered loss of wages or employment, but among the commercial community. They count also on the fact that the present Government party has held office since Union, as justifying them in appealing to the natural desire of the democratic voter for a change. The contest will be a strenuous and probably a bitter one. It would be rash at this stage to forecast the event. But if the South African Party returns with a position not weaker than that which it is leaving the result will be a great tribute to the personality and generalship of General Smuts.

II. THE FINANCIAL POSITION

AFTER the announcement by the Government of its intention to advise a dissolution it became necessary, as the estimates for the year have not been passed, to take a vote on account so as to enable the services to be carried on till the new House of Assembly can be summoned. In

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introducing the necessary Appropriation Bills the Minister of Finance and the Minister of Railways made statements of great interest as to the financial position of the country. Their speeches were, and were doubtless intended to be, summaries of the Budget speeches which they would have made to the House a few days later but for the decision to dissolve.

The statement of the Finance Minister shows a marked improvement in revenue over the estimate, and gives definite indication of recovery from the depression of the last three years. The Budget for the year ended March 31 last provided for a small deficit which the Minister expected to be able to cover by reduction of expenditure during the year. That result, however, was only attained after taking to Revenue account £520,000 from the proceeds of certain mining leases which by law are appropriated to loan funds. The actual figures for the year, after providing by additional estimates for an unexpected expenditure of £240,000 to combat an unprecedented invasion of locusts, show a surplus of £200,000, which will, of course, be used to reduce *pro tanto* the amount diverted from the loan fund. This satisfactory result is due in part to the reduction of administrative expenditure which has been energetically carried out, but also to a marked improvement in the Revenue collections, more especially the Customs receipts. For the current financial year the Minister estimates that, on the basis of present expenditure and without any additional taxation or any diversion of loan fund receipts, the Budget will balance.

The statement as to the financial position of the Railway Administration was even more satisfactory. Last year's Budget estimated for a deficit in the working of the railways and harbours which, when added to the accumulated deficits of the past three years, and after the appropriation of £2,000,000 over-provision for depreciation, made up a total of £2,200,000, which the Government had decided to make good out of future revenues. The actual results,

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however, for the year ended March 31 last show a surplus, after making all provision for capital charges and renewals, of £1,380,000. This will reduce the accumulated deficits above mentioned to something over £800,000. Increased traffic—particularly in coal and general goods—is the main cause of this improved position, but a reduction in working expenditure due to a policy of strict and watchful economy, which the present Minister has carried out since he took office, has also contributed its share. During the year reductions in rates and charges were effected estimated to cost over £200,000, and further reductions estimated to cost £500,000 will take effect during the current year. These reductions on a total revenue of £20,000,000 will leave the general level of rates and fares from 30 to 40 per cent. above pre-war level.

The main interest of both these statements lies in the gratifying evidence which they afford of a general recovery in trade and production throughout the country. The Government which will carry on after the election, whatever its political complexion may be, will have to deal with a financial position much less difficult and embarrassing than that which faced the present Government after the election of 1921.

III. UNION AND PROVINCES

THIS topic promises to become a permanent feature of contributions to THE ROUND TABLE from South Africa. What we may fairly call the provincial problem is now a standing dish on our political table much as Irish Home Rule was for many years on the table at Westminster. Recent events may prove to have contributed to the solution of the problem more than appears at the moment. However that may be, its condition now is one of bewildering confusion. That very fact is itself a ground of hope. One learns from experience of South African life and politics

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that the more desperate a situation appears, the nearer it is to solution. Common sense triumphs over party passion rather more tardily with us than it usually does elsewhere and we hang our game long before we cook it.

Since the writing of the last instalment of the weary story which appeared in THE ROUND TABLE for March, three events of capital importance have taken place, all tending both to deepen the confusion and to render the need for action more urgent :—

1. A conference was held in January between the Union Government and the provincial Executives on the recommendations of the Provincial Finances Commission.* No report of this conference has been issued, but, from statements made in Parliament, it is clear that the Union Government offered as a basis for the reconstruction of financial relations the whole scheme contained in the Commission's report and in the report of the Education Administration Commission which supplemented it.† The representatives of the provinces were unable to come to an agreement with the Union Government and the negotiations broke down.

2. A Financial Relations Bill was laid before Parliament early in March, when the Minister of Finance explained the circumstances which had forced the Government to abandon the attempt to give general effect to the recommendations of the Provincial Finances Commission. Instead of any such attempt the Government confined its proposals to :—

(a) Provision for the finding of provincial deficits and for liquidating them within a specified time.

(b) Provision for the institution of a uniform scale of salaries for teachers throughout the Union, the one point, apparently, upon which the conference of January had been able to agree.

The basis of general subsidy to the provinces would thus

* THE ROUND TABLE, No. 54, March, 1924, p. 409.

† THE ROUND TABLE, No. 54, March, 1924, p. 407.

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continue to be as determined in the Financial Relations Act of 1922—i.e., £ for £ on the expenditure of the previous year *plus* 3 per cent. for development.

3. On Monday, April 7, the Prime Minister announced the decision of the Cabinet to dissolve Parliament. Though the immediate occasion was the defeat of the Government candidate at the Wakkerstroom election, it is generally realised that the decision was strongly influenced by the Government's inability, in its present situation, to deal effectively with provincial finance, and by the circumstances which attended the passage of the emasculated Financial Relations Bill through Parliament.

These are the decisive events which have helped to bring about the present situation. A further contributory factor has been the desperate financial plight of the Cape Province in particular and the intricate party machinations which have been going on in Provincial Council circles in consequence.

The provincial question must necessarily figure prominently in the coming electoral campaign and it is highly probable that the fiercest fights will be those that take place on that particular battle-ground. For not only is thorough-going financial reconstruction impossible until a real decision has been made; administration must suffer too, especially the administration of education. Urgent reforms and developments are held in abeyance until the provincial authorities know what their position is to be, and provincial taxpayers, on their part, are angry and resentful by reason of a rooted suspicion that imminent fresh taxation could be very largely obviated by reforms in financial and general administration.

From an electoral point of view the factors involved are so incalculable and uncertain that prognostication would be most hazardous. Moreover, neither party in the political conflict has yet shown its hand. Each is taking up the attitude, *Que messieurs les assassins commencent*, waiting for the other to declare itself. Some indication of

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attitude may be gathered from party policies in the Provincial Councils and from *obiter dicta* thrown off by party leaders in the debates in the Assembly on the Financial Relations Bill. But all these indications belong to a time when the Opposition was just the Opposition and was not standing before the country as an alternative Government.

Dissolution has brought wariness and each party, after full deliberation and weighing of chances, may come forward with a policy on provincial matters widely different from that which earlier hints might have indicated.

Thus the South African party has to surmount or circumvent the awkward stile of a land-tax, and the Nationalist-Labour combination must meet many of its own adherents who, to put it mildly, are but lukewarm advocates of the continuance of the present provincial system.

Amid so much uncertainty it seems wiser to confine this discussion to some statement of the elements of the problem and to an account of the more recent history of attempts to handle it. To do that may help observers in England and elsewhere who wish to follow the coming conflict. To attempt to do more might only mislead.

It may be well here to recapitulate the stages by which the present crisis has come upon us.

The year 1922 marks its beginning. An alarming shrinkage in Union revenue, an equally alarming increase in provincial expenditure, and the absence of any real limit to Union subsidy forced the Union Government in that year to take drastic action. From 1917 to 1921 a Financial Relations Act had been in operation which provided for Union subsidy on the basis of £ for £ on the expenditure of the province for the previous year *plus* 15 per cent. increase on educational expenditure and 5 per cent. on other expenditure. All expenditure above that amount ranked for subsidy to the extent of one-third.

This very liberal basis was modified in 1921. Five per

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cent. increase was now recognised and that on educational expenditure only.

In 1922 the basis of subsidy for the succeeding year was reduced at one blow to 90 per cent. of the expenditure of the preceding year and for subsequent years the rate of increase ranking for subsidy was to be only 3 per cent. Moreover, the Acts of 1921 and 1922 definitely removed the mines and the natives from the sphere of provincial taxation.

The sudden reduction of subsidy coincided with a heavy fall in the revenues which the provinces themselves raised. The Transvaal met the crisis by a heavy increase in taxation. The Cape, after a vain attempt by the Administration to carry a Sales Tax, had to accept a special loan of £200,000 from the Union Government. That loan, together with others, now figures in the Cape Province deficit of over £1,500,000. The two smaller provinces weathered the storm partly by economies and partly by increased taxation, though both now carry deficits.

The situation that resulted was so difficult and the feeling against continued heavy expenditure by the provinces was so strong, especially in the Cape and the Transvaal, that the Government in September 1922 appointed a Commission to investigate the whole range of provincial finance. It is the report of that Commission (known as the "Baxter Commission") and the thwarting of the Government's intention to take action upon it, which are largely responsible for the political crisis which now faces us.

The main recommendations of the Baxter Commission were simple enough in form though they have raised the whole nest of political and economic hornets which live amid the intricacies of our finance.

1. The Union subsidy was to be based no longer on the £ for £ principle and was to have no precise relation to the previous year's expenditure. Instead, it was to be an amount calculated to cover the whole reasonable cost of

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primary and secondary education as carried on by the provinces.

The amount was to be determined by a *per caput* grant per pupil and this grant was calculated on the basis of the expenditure of the year 1921-22 upon such education in each province after allowing for : (a) certain economies which were held by the Commission to be possible and desirable ; (b) an amount representing revenue from secondary school fees which, the Commission held, should be payable.

2. As the total subsidy thus accruing would be considerably greater than the sum then being paid to the provinces and as, for other reasons, a reduction in provincial taxation was desirable, certain sources of taxation should be disallowed to the provinces altogether. Commercial licences, a poll-tax, taxes upon employers and upon natives were among these.

3. An extension was recommended of the system now in force to a limited degree in the Cape, whereby revenue is raised for provincial and local purposes by a tax upon real property, including land.

The scheme was complete after the Education Administration Commission had reported in detail upon the first head indicating within what limits education should be compulsory and subsidised as such, and upon what basis subsidies should be payable for education other than compulsory.

As was natural, criticism fastened mainly upon the proposal to limit the field of provincial taxation and upon the suggested adoption of a tax upon real property as one of the main sources of provincial revenue. In the Provincial Councils of the Transvaal and the Orange Free State the Union Government party was in a minority. It is still in a minority after the provincial elections of last year and is now in a minority in the Cape also. In Natal the usual party lines are not followed in the Provincial Council, but the peculiar position of Natal in regard to Union made that province even more hostile to any

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reduction of taxing powers than the Nationalist controlled Transvaal and Free State. Indeed it would appear that Natal, more than any other province, was responsible for the breakdown of the conference last January.

The proposal to introduce a land-tax met with equally strong opposition, much of it not over-scrupulous. The opposition appears to be more a matter of habit and fashion than of principle. The idea has never been dispassionately considered and, as the Minister of Finance said in the Assembly, there is no immediate prospect of it being so considered. To the Boer there is something sacrosanct about land, especially if he has far more than he can use to good effect. He will pay £20 through Customs where he would not pay £5 by way of land-tax. Moreover, it is doubtful whether the Baxter Commission, in putting forward the proposal, had fully considered all its bearings, especially in the light of the extraordinary inequalities of wealth which exist as between the land of one district and that of another. The poor areas are usually those where the educational burden per child is heaviest. In any case the land-tax is one of the rocks on which the whole project has foundered.

What happened at the January conference between the Union Government and the provincial Executives was partially revealed by the Minister of Finance early in March when introducing to the Assembly a meagre and attenuated Financial Relations Bill.

Allowing for subsidy on the basis proposed by the Baxter Commission and for the abolition of certain forms of provincial taxation such as was advocated by that body, but without taking into account economies effected by the provinces or further supplementary grants from the Union, there would be provincial deficits for the year 1924-25 as follows :—

Cape	£478,000	Natal	£286,000
Transvaal	£849,000	Orange Free State	£173,000

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These deficits mean that the provinces would have to raise by taxation or economies the sum of £1,786,000. At the same time they would surrender powers of taxation equivalent to £1,515,000. The total deficits under the Commission Scheme would then be £708,000 more than they would be under the existing arrangement. This would be met partly by economies, partly by taxation within the powers left to the provinces, and partly by special grants which the Union Government would make, as recommended by the Commission, to tide over the period of transition to the new conditions.

So anxious was the Union Government to secure stability and control that there is no doubt of the readiness of its negotiators to make liberal concessions in this matter of special grants had the provincial representatives shown any disposition to come to terms. What actually happened is best told in the Minister's own words :—

After four days of discussion it was made clear to us that the feeling of the representatives of the provinces was not merely resistant to this change but actively hostile to the adoption of the report in some of its essential features, and that legislative action, if it were to be taken by the Government in that direction, would have to be imposed by Parliament in the teeth of the opposition of the united provinces and the mass of the people.

This may be an overstatement as the Minister was standing in a white sheet to ask forgiveness for the Government's surrender and he would naturally magnify the difficulties as much as he could. Yet it is substantially true.

Natal and the Land-Tax were the greatest obstacles. The capitation grant per school child offered to Natal was £14. The Transvaal was prepared to accept the offer of £16 7s. 6d. but Natal asserted that it could not manage with a penny less than it was already spending, £26 8s. Moreover, Natal has a large number of private schools and a subsidy calculated on capitation grant gave much less

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for pupils in these schools than for those in State schools. The result of this is that Natal would be the only province deriving a smaller subsidy from the Union under the new system than under the old. Add to these facts the further consideration that Natal is the stronghold of federalism and would like to turn its Provincial Council into a State Parliament with responsible Ministers ; add also the further fact that the Government, with a majority that sank to five on the second reading vote of the Bill, depends upon the support of Natal members ; and the magnitude of the obstacle is apparent. In the circumstances one angry growl from the Natal lion was enough.

Of the proposed Land-Tax the Minister said :—

The country is not yet ripe for this particular method of taxation, and it would be perfectly futile for us to attempt to impose it as the feeling is to-day in this country. . . . I go further and say that, as things are to-day in South Africa, there is no Government, there is no alternative Government that would be elected by the people of this country that would pass such legislation.

This also is certainly true. The Opposition, quite naturally, made the most of the humiliations of the Government's position, though the Minister put the best face he could on a dismal necessity. Government supporters both in the Press and in the House did not conceal their chagrin and many went the length of urging that the Government should have chosen to stand or fall upon the whole policy of the Baxter Report. It is possible that the vociferousness of the Opposition in condemnation of that Report may not be proportionate to the degree of real disapproval with which it meets in the country and the election may yet test that point. However that may be, there can be no doubt that the abandonment of the project to which the Government felt driven shook its position badly and contributed directly to the present crisis.

Further damage was done, much of it unmerited, in the debates upon the timid little Bill that did actually show

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its face in the House. This Bill proposed to give effect to the one point of agreement that had been reached in the January conference and to provide for a uniform scale of salaries for teachers. The point of attack in the debate was the action of Government in not securing for teachers the same protection that had been previously accorded to civil servants. When the salaries of the latter were reduced recently the reduction was not to affect existing officers who remained in their then posts without promotion. The teachers asked for the same concession and the Public Services Commission recommended it in their report to Government. But Government held that such treatment for existing teachers was a matter to be considered and determined by their proper paymasters, the provinces, and in the circumstances the contention seemed reasonable. But the cry of "breach of faith" was raised by the teachers and taken up by the Opposition and used with damaging effect.

Unofficial information that the Cape Province Executive had already prepared a scheme for drastic cuts in teachers' salaries added to the excitement and deepened the atmosphere of mistrust and suspicion. The Minister of Finance had to clear himself in an embittered debate in the House of a charge of collusion with the Administrator of the Cape Province. The Bill passed, the last to be put through in the Parliament now dissolved. It was a thin and discordant swan-song and the Wakkerstroom election with the resulting dissolution has brought a more robust and welcome music.

This article is already too long to permit of an account of the manoeuvres of the provincial authorities in the Cape to grapple with an accumulated deficit of £1,600,000. Moreover, that story is not yet finished. It can be told later and should be told, for it is out of the embarrassments of the Cape that the trouble has mainly sprung. The form in which the issue will appear in the coming election is not clear at the time of writing. That it will figure very

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prominently cannot be doubted. It is possible that the South African party will content itself with an assertion of the principle that all *taxes* (as distinct from rates) should be raised by the Union Government alone and will leave the provincial system to function within that proviso. In any case Natal and the feeling of Natal will be a factor of importance. The Orange Free State, the other citadel of provincialism, can be discounted as it will go Nationalist in any case. It is significant that the Minister of Finance himself is surrendering his seat in Natal and proposes to contest a seat in the Cape. But all this is mere speculation and much more will be known in six weeks' time, when this is read, than now when it is being written.

One thing, however, seems certain. It is, that unless the Union Government, of whatever party complexion it may be, speedily asserts itself and re-establishes real financial control of the provinces the slide towards federalism must be so accelerated that it cannot again be checked. The provincial system was improvised in 1910 to provide an inclined plane down which Natal and the Orange Free State might slide peacefully into Union.

The inclined plane is now strongly tilted in the other direction, not only for these two provinces but for all four. It will need a strong man and a strong party to tilt it back again.

South Africa. April 17, 1924.

NEW ZEALAND

I. THE POLITICAL SITUATION

IF there is any truth in the dictum that that country is happy whose history is uneventful, then New Zealand during the last few months must be ranked as very happy indeed, since our social and political life has been singularly devoid of outstanding incident. In the first place, as one would naturally expect when Parliament is not in session, the period has been one of political quietude. The Prime Minister has only recently returned from London, and since his return has shown no disposition to raise party issues. The Liberal party, however, which numerically constitutes the slightly stronger wing of the Opposition, and therefore ranks as the official Opposition, has recently promulgated a political manifesto of the kind usual in the circumstances, declaring that the Government is intellectually and politically bankrupt and hopelessly unpopular, that the Liberal party has regained its former predominance in the hearts of a free and intelligent democracy, and that the time is now ripe for a vigorous forward movement which will inaugurate a political landslide of the first magnitude. Singularly little interest, however, was aroused by this pronouncement, which is regarded as mere stage thunder, and even a recent party speech by the leader of the Opposition, who, by the way, has just returned from a tour in the Far East and an inspection of the site of the Singapore Base, lacked sting and conviction.

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The Labour party, too, though naturally exhilarated by the success of British Labour at the recent elections, is perhaps less vociferous than might in the circumstances have been apprehended. There is reason to believe that this party inactivity is to a great extent actuated by tactical considerations. New Zealand political partisans, though seldom approaching the personal venom of their *confrères* in Australia, are normally more vocal than at present. There are, however, sound reasons why two at least of the parties should lie low in the meantime. As far as the Government is concerned, its position is both difficult and delicate. It is difficult because the Administration has, during the last few years, been called on to cope with a financial crisis of greater severity than the inhabitants of these fortunate islands have had to face for a generation. The task of financial retrenchment was particularly odious in so far as it necessarily involved a reduction of the incomes of large numbers of moderately paid civil servants, who, having been more or less deceived into expecting a fall in the cost of living that did not eventuate, naturally turned on the Government with the cry that a farmers' party was shifting on to the back of the small men the whole burden of retrenchment instead of putting it on the shoulders of the wealthy farmers and profiteers who could more easily bear it, and who ought in equity to undertake the lion's share. The average man is not capable of perceiving the long-run good of the community when his own immediate interests intervene, and this specious and misleading interpretation of the facts, which was to a certain extent exploited by both wings of the Opposition in a somewhat disingenuous manner, made the Government very unpopular in the country and did it serious damage in the last general election.

The Government indeed got practically no credit for the promptitude, decision and wisdom with which it handled a most difficult financial situation. To impose further direct taxation on incomes was in the circumstances calculated to

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retard economic recovery, while to leave things as they were and indulge in a period of deficit finance would not only have impaired the financial credit of the country at home and abroad, but would have constituted a very dangerous precedent for the future. It is a sorrowful reflection, and one which doubtless accounts in large measure for the cynicism and opportunism of public men, that their most far-seeing and patriotic actions are likely to bring them into disrepute with the voters, while short-sighted *ad captandum* policies of an ultimately disastrous nature are prolific of electoral advantage. Truly a democracy gets the government it deserves, and is often fortunate enough to get better government than corresponds with its true merits.

As a result, therefore, of the financial stringency and its effect on electoral opinion, the Government emerged from the last general election with a slight minority of the members of the House as straight-out supporters; but the election also had the further disturbing effect of accentuating the three party system, which already existed, to a stage at which no single party could carry on the business of the country without help from outside the ranks of its pledged supporters. In the circumstances Mr. Massey, as leader of the largest single party in the House, continued in office, depending for a precarious majority on the votes of several Liberals whose election pledges did not commit them to oust the Government, and supported in various junctures by a greater or less majority of members according to the nature of the particular legislative proposals for the moment under consideration. On matters affecting foreign policy and imperial affairs generally, for instance, he is able to rely on consistent Liberal support. The leader of the Liberals indeed has frequently gone out of his way to emphasise the fact that there is no difference between the Reform and the Liberal parties on imperial and foreign issues, while on such questions as appeared to the Labour party to suit the party interest or harmonise with Labour ideals by savouring of nationalisation, such, for instance,

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as the Dairy Produce Export Control Bill, the Labour members voted with the Government.

It would seem indeed as if the Labour party does not desire or intend that the Government shall fall during the term of the existing Parliament, and this is essentially sound tactics in the circumstances. It is generally believed, and probably with justification, that a further appeal to the constituencies at the present time would substantially reproduce the existing state of parties, while some of the seats are held by such narrow majorities that their present incumbents are naturally reluctant to run the electoral gauntlet again any sooner than is necessary. A Government defeat at the present time, moreover, would result in the Governor-General sending for the leader of the official Opposition and commissioning him to form a Cabinet. The immediate effect would be to place in power the Liberal party, which has a long tradition of legislative and administrative achievement behind it, and which in an electoral battle would then enjoy the advantage and prestige attaching to the tenure of office. It may be argued that to confer this tactical advantage on the Liberals at the next election would be a blunder, whereas if the Government is left in office it will merely accumulate further unpopularity and be an easier victim when the time is ripe. It may be taken as reasonably certain that the existing Parliament will run its full course. Prophecy is uncertain in all things, and proverbially so in politics, but such is the general opinion. Few desire a premature general election.

The existence of the three party system is everywhere deplored, especially now that political developments of an analogous nature in Britain have focussed fresh attention on the matter. The three party system is clearly undesirable from every point of view. It is directly contrary to the traditions of Anglo-Saxon parliamentary development, it constitutes an additional inducement to personal bargaining and backstair arrangements, while it encourages temporising compromises and induces legislative and

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administrative stagnation, more especially when the parties are anything like evenly balanced. Politicians of all shades of thought agree in deploring it, and all see a way out of the difficulty through the elimination of the superfluous party. They are unanimous, too, in the view that theirs is not the superfluous party. In the circumstances, however, the Liberal party is in the position of tactical disadvantage inevitably attending the supporter of the happy (or unhappy) mean. The average man does not like the happy mean. He has a preference for vivid contrasts, and likes his politicians either white or black. The psychological effects of the turmoils of the last decade, moreover, have accentuated this tendency by exasperating class differences, hardening and defining lines of cleavage, and predisposing the average citizen to extreme leanings towards one wing or the other. The parties of the centre are everywhere having a bad time.

In New Zealand it is considered in some quarters that it would be to the ultimate advantage of the country if the Liberal party in politics were to disappear by a process of coalition and amalgamation, its more radical elements fusing with the Labour party and diluting the present extreme Socialist pretensions of Labour, and its more conservative elements coalescing with the present Reform party, with the ultimate effect of evolving a moderate but progressive party and facilitating the passage of legislation of a constructive nature. A development such as this would without doubt restore the two party system, which experience has shown to be the most effective legislative and administrative machine, and at the same time restore sincerity to politics by providing a class division in politics corresponding to a real divergence of economic interests and social ideals. Whatever the pretence of the situation may be, the real issue is between those who stand for the existing social and economic organisation of society, modifiable admittedly from time to time, and those who seek to overturn it, either by a sudden and violent effort, or

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by gradual undermining, in favour of a Socialist reconstruction.

There is, however, a serious obstacle to this comforting and logical line of evolution in the Liberal party itself. It cannot see, and can scarcely be expected to see or admit, that its elimination would be any more to the advantage of the country than the disappearance of either of the other parties, and it regards with contemptuous impatience well-meant advice to commit political suicide in the interests of logical symmetry. Moreover, it is not yet proved that traditional Liberalism is a spent force in New Zealand. It emerged from the last election certainly no weaker, and perhaps somewhat stronger, than it was before. There is the further complication presented by the personal ambitions and prejudices of the party leaders. It remains therefore for the future to decide whether New Zealand will lead or participate in the return to a two party system of government. The issue is by no means clear, as social evolution does not necessarily follow lines of development predictable in advance. The Liberals, however, are faced under existing conditions with the difficulty of compromise and half measures; they cannot sustain a heroic pose on any major issue, their policy is essentially negative, and it is to the joint interest both of the Reform party, powerful in its traditions and possessing the prestige incidental to control of the Government, and of the rising Labour party, young and crude but full of vigour and potential strength, to drive it out of the political field. Party tactics lead to the inference that at least a tacit understanding to this effect between Reform and Labour exists at the present time, though of course such a nefarious *entente* is warmly repudiated by both the Prime Minister and the Labour leader.

Meantime the political position is unsatisfactory to all, and constitutes a menace to strong and capable government, Owing to its precarious majority, the Administration is subject to pin-pricking and intimidation from quarters

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which a normally strong Cabinet could ignore or snub. while its legislative policy is necessarily feeble and restricted as far as possible to non-party issues of a relatively non-contentious character. Even minor statutory amendments to remove definite small abuses have been held up, in the present state of parties, through interested persons contriving to enlist the sympathy or support of individual politicians, while there have not been wanting instances of private members rising and threatening the Government to withdraw their support unless instant attention is given to their particular parochial grievance. The Government has allowed it to be generally understood that sooner than submit to dictation from private members it will precipitate an appeal to the country. The tradition of hanging on to office to the last gasp, however, is firmly implanted in New Zealand politicians, and there is no reason to suppose that the present Cabinet will prove an exception to this rule.

From another point of view New Zealand affords an example of political stability without parallel in the history of parliamentary institutions. Treating the National Government formed during the war as an episode in the history of the Reform party, as it clearly is, there has been only one change of party in the government of New Zealand since 1891, a period of thirty-three years. On January 24, 1891, the Liberals under Mr. Ballance assumed control, which, under a succession of leaders, they retained until the present Prime Minister, Mr. Massey, displaced the Mackenzie Government on July 10, 1912, and since then Mr. Massey has been continuously in office as Prime Minister. This stability has perhaps had the effect of accentuating a phase in the development of parliamentary government which has been noticed in many countries; a decline in the effective powers of Parliament as a body, and a growth in the power of the Cabinet in general and the Prime Minister in particular. It has been observed that with the passage of time Mr. Massey has approximated more

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and more closely to the position in the community once held by the late Mr. R. J. Seddon, who was known throughout the land by the kindly but significant nickname of "King Dick." Quite apart, moreover, from the personal prestige which grows up round a popular man who occupies the most influential position in the country over a long period of years, there are other factors operating in New Zealand to accentuate the powers of the Executive and the impotence of the rank and file. Important among these is the ever-increasing pre-occupation of Parliament with business and economic affairs. The nature of these activities has been particularised in previous issues of *THE ROUND TABLE*,* and need not here be recapitulated in detail; but the effect of the policy has decidedly been to congest the parliamentary machine with a mass of detail which it simply cannot handle with efficiency, or even at all.

The problems of government (says a recent New Zealand writer) are becoming even more economic than they are political, are rapidly growing more complex, and seem to be outrunning our powers to deal with them along the traditional lines of representative institutions † . . . since economic problems have outgrown the administrative capacity of representative parliamentary institutions, we shall have, until some feasible system of decentralisation is introduced to choose between government by Order-in-Council and virtually no government at all. These considerations explain the comparative impotence of Parliament in face of the Executive, the enormous growth of the personal powers of the head of the Cabinet, and the general discredit of parliamentary institutions.‡

* See, e.g., *THE ROUND TABLE*, No. 36, September, 1919, pp. 822-830.

† Murphy: *Outlines of Economics*, p. 2-3.

‡ Ibid. p. 331.

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II. THE ECONOMIC SITUATION

THOUGH the general economic position is considered by our public men and financiers to show a considerable general improvement on conditions which prevailed up to about a year ago, there is, nevertheless, a certain feeling of caution and even uneasiness apparent, and a disposition to deprecate extravagant spending and the excessive importation of foreign commodities beyond what is really necessary. While, owing to sustained satisfactory prices for our staple products, the export figures have been well maintained, there has also been manifested the usual counterbalancing tendency to an inflation of the import figures, an almost inevitable concomitant in the Dominion of rising prosperity. After three decades of "easy money" public and private economy is almost a lost art in New Zealand.

Though the public, the politicians and the newspapers view the balance of commodity trade with complacency, small comfort can be extracted from the mere existence of a surplus of visible exports over visible imports, unless that surplus is of considerable magnitude. If New Zealand is to pay her way she must export sufficient not merely to pay for imports, but to liquidate accruing interest on such portions of her public and private liabilities as are held abroad. While it is not possible to evaluate these "invisible" items with precision, it is certain that in the aggregate they total several millions sterling per annum. The trade figures therefore cannot be regarded as satisfactory unless a balance at least sufficient to cover these unrecorded items is shown in the trade figures. Unless this result is attained we are obviously paying part of our accruing liabilities out of borrowed capital; in other words, borrowing to balance accounts.

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The trade figures for the twelve months ending January, 1924, are as below :

Exports	..	..	..	£49,768,872
Imports	..	..	..	£43,759,698*

The position is therefore not as satisfactory as it appears. While we cannot at the present time provide from our resources all the capital required for development purposes, we certainly should be in a position to pay for imported commodities and interest on debt out of current production.

Private and public extravagance is the bane of New Zealand finance. Let even a moderate period of prosperity be attained, of however transitory a nature, and it is forthwith reflected and dissipated in an orgy of spending shown immediately in the import statistics. The consumption of motor-cars is so great as to constitute that import our greatest single item of foreign purchase. While many of these vehicles are employed for business purposes, many are not. It does not follow because a man drives down to his office in a motor-car that it can legitimately be regarded as a productive asset. The newspapers, too, are filled with motor-car advertisements with the aim of inducing men, on salaries and moderate incomes generally, to purchase cars, though at the present time few salaried men with families are justified, having regard to the existing price level, in maintaining motors, and it is the same all through the piece. Enormous sums are wasted by all classes on racing, drink, amusements, clothing and so on, and valuable opportunities of strengthening the position of the country through increased capital accumulation are thus thrown away. It is not implied that in this respect New Zealand differs to any great extent from other countries at the present time, or that no savings are effected, but merely that much more could be done than is in fact attained. If the country is to carry its load of indebtedness with any

* Official Abstract of Statistics for February, 1924.

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degree of comfort, present extravagance, both public and private, will have to be curtailed.

As far as public finance is concerned, the situation is not essentially different. There is reason to believe, from partially suppressed revelations that reach the public from time to time, that many of our local bodies, such as city councils, harbour boards, and even educational bodies, are extravagantly and wastefully administered, but no crusade for public economy finds much response in an uninterested and apathetic community, and without a vigilant public opinion economical administration cannot be secured. In addition to this source of waste, it is clear that the country is over-supplied with some forms of public capital, having regard to its real requirements, the density of the population, and the degree of development that has been attained and is probable in the near future. There is, first, the unsatisfactory situation of the railway system, largely a legacy from past political maladministration. Many of our railways in bygone days were built with an eye to political rather than to economic considerations, and the routes, frequently chosen to placate Members of Parliament rather than from their intrinsic suitability, are in some cases difficult and costly to operate, quite irrespective of the enormous original cost of construction. Often, too, they do not follow the natural traffic routes, while in addition they are frequently too close to the sea adequately to open up the territory they were intended to serve. Apart from this, many branch lines have never paid their way even in the least exacting sense of the term, there being an actual loss on operating expenses apart from a failure to make a *pro rata* contribution to interest and other overhead charges, and, finally, in recent years the competition of the motor lorry has partially put some of them out of business, while the motor-car has detrimentally affected the revenue of such lines as cater for the tourist traffic.

The railways at the present time are really a burden on the public finances of the country, as, for that matter, they

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are in many other countries. While in such a country as New Zealand, where one of the most imperative national requirements is the settlement of the land, the mere traffic returns of the railways are not the only consideration to be kept in view, there is a point beyond which the policy of losing on railway operation for development purposes does more harm than good. It is considered by many that this point has now been reached. With the development of motor traffic, too, every improvement in the highways of the country has the paradoxical result of reacting injuriously on the railway revenue and depreciating the value of the railway system. In these circumstances it seems clear that the prospects of further branch lines will be closely scrutinised before they are undertaken, while some, whose opinions are entitled to weight, have openly advocated the dismantling of certain of the branches which are now not returning even operating expenses. Though disinclined to any policy of so drastic a nature, the Government in recent times has grappled seriously with the railway situation, has put an end to the former evil and wasteful practice of dabbling in petty extensions all over the country, and is concentrating on the completion of such lines as are likely to show good returns. The Otira tunnel through the Southern Alps, an expensive and relatively superfluous luxury that could well have been postponed to more urgent works, has now been completed after many years of delay, and may be expected in the future to make at least some contribution towards its enormous cost.

Apart from the case of the railways, in the development of which the experience of other countries as well as of our own seems to show that much waste is inevitable, it is open to question whether some of our power schemes are not, in the present and probable future state of the country, of an over-ambitious character. The various hydro-electric systems now projected or in course of construction in different parts of the country are a case in point. Though the policy appears on the whole to be endorsed by public

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opinion, misgivings certainly suggest themselves. It is already clear that the final cost of these installations will in the majority of cases be considerably above the estimate. If therefore the power developed is to be supplied to consumers on a commercial basis—that is, at a price to cover all expenses, and this is the ostensible policy—consumers will not get cheap power, while if the power is supplied under true cost the installations will be a burden on and not an asset to the country. It is doubtful, moreover, whether so small a population either requires or can justifiably afford such a great development of electric power. The main industries of the Dominion are now, and are likely to remain, those connected with the growth and handling of our staple primary products. It does not seem probable that New Zealand manufactures, or, as they are usually called here, secondary industries, will ever reach the stage where they can compete effectively in outside markets with the similar products of countries of developed industrialism. Labour here is very costly in relation to its output, and we have neither the long technical tradition nor the native supplies of coal and iron essential for a country that aims at the development of manufacturing on a great scale. It is not easy, moreover, to see how a country which imports its machinery can ever manufacture on the scale or at a price that would make it a serious competitor in outside markets, and there is the further difficulty that we are isolated by great distance from the main concentrations of population, which would constitute the only markets capable, even if willing, of absorbing manufactured goods on a large scale. It does not seem justifiable therefore to incur enormous expense for power installations merely to provide the energy to run dairy factories, freezing works, and similar undertakings. Electric light installations, too, are luxuries which a small, sparsely populated country can hardly afford to instal in every remote village.

A further source of waste is found in the multiplication

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of minor ports. Every little seaside village aspires, not unnaturally, to become a large town. It next desires harbour facilities on a constantly larger scale to take more and larger ships. A harbour board is formed and a rating area assigned, and endless sums are often spent in the attempt to convert an unfavourable and unsuitable roadstead into a port, though excellent deep-water accommodation, and railways leading from it, may be found a comparatively short distance away. This not only prejudices the larger ports by arresting their development, but to some extent makes them more costly to operate by keeping their labour supplies and appliances less effectively utilised than would otherwise be the case, while the smaller ports themselves are in many cases a running drain on the resources of the country. There is a rigid limit to the number of harbour equipments that so small a country either requires or can afford, and while the weakness has been repeatedly pointed out by financial observers, the political interests involved are so strong that the process is difficult to arrest. The net result is that the port accommodation of the country, taken as a whole, is over-developed, partly idle and unnecessarily expensive.

Similar over-development has taken place in the frozen meat industry, in which it is certain that too many refrigerating plants already exist, and that the handling and freezing facilities are in excess of output requirements. Some plants indeed have closed down, many are languishing, and there has recently been some talk of an amalgamation of interests with a view to the elimination of superfluous plants and the attainment of economy in the operation of the industry. The waste, however, is there, though not on a very serious scale, and the industry is admittedly over-capitalised.

While the aggregate waste incurred in these various avenues of activity is probably not on a great scale, as public waste goes at the present day, and perhaps has been unavoidable in a new country developing rapidly on a planless

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and haphazard basis, yet in view of the serious burden of public and private debt which the country has to face, and the probability of a hardening of interest rates at which existing commitments may have to be renewed, there is a welcome disposition in New Zealand, at all events among the leaders of politics, industry, commerce and finance, to take stock of our national leakages and eliminate them as far as is practicable.

The process of deflation of land values, though by no means completed, has made notable steps during the past year, and there is good reason to believe that the matter will gradually readjust itself without further official intervention. The lifting of the moratorium on mortgage debts, which is due for the end of the present year, is viewed without serious anxiety. Some hardships of course have been unavoidable, and many complaints have been made in connection with the writing down of returned soldiers' holdings, a step which has been recognised as inevitable sooner or later from the time when the settlement policy was first introduced. On the whole, however, the country is in a healthier economic position than it has enjoyed for some years past. Sources of national waste have been, at all events, located and diagnosed, if not definitely eliminated, our political and financial leaders are insisting on the need for caution, and the banks can probably be depended upon to refuse assistance in the creation of a fresh mania of importation. Direct taxation has been lowered with beneficial effects on enterprise and industry, and a feeling of steady and justifiable confidence rather than of economic jingoism now prevails everywhere.

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III. IMPERIAL PREFERENCE

OF the various topics discussed at the last Imperial Conference there is only one which is extensively canvassed in the Dominion at the present time, and that is the Imperial Preference issue. The newspapers have devoted considerable space, editorial and otherwise, to its discussion, but in generalities rather than in detail, and it would probably be correct to state that public opinion is vaguely in sympathy with the idea, but that neither the people nor their political leaders display much knowledge of or interest in the principles involved. They are inclined also to view the issue exclusively in the light of Dominion interests, and entirely to overlook the factors that must necessarily actuate the Mother Country in the determination of so serious a departure from her traditional fiscal policy.

There seems little doubt that a policy of Imperial Preference, effectively put into operation, would be of benefit to our primary producers by giving them a firmer grasp on their main export market in Britain. It is now being realised here that the vent for our primary products is very narrow, that alternative markets would not be easy to create, and that our hold on the British market is not as firm as we have hitherto assumed it to be, since other parts of the world, South America for instance, are increasing their competition to a menacing extent. In these circumstances it is but natural that any prospect of differential treatment for our staples in the home market would be acceptable to New Zealand producers. What the New Zealand producer and politician omit to do, however, is to consider the problem from the point of view of their kinsmen at home.

We should not overlook the fact that the recent emphatic verdict registered against Protection in Britain is based on

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economic grounds of the most solid description, and upon conditions which it is folly to ignore. The only preference that would be effective, or would meet our requirements, would be one which imposed differential duties in Britain on staple raw materials when supplied from a foreign source, with the inevitable result of raising the price of such foreign products, and of our own as well, in the British market. Now these staple products consist of food stuffs and the raw materials of manufacture, so that the tendency of Imperial Preference would, in the absence of factors invisible at the present time, be to raise wages and manufacturing costs to the British manufacturer, and adversely affect the competing power of British industry in the markets of the world.

Britain relies not merely for industrial and commercial supremacy, but for her very existence, on her power to procure food in exchange for the sale of her manufactures abroad, and this essential dependence does not appear to have been modified in any material degree by the post-war industrial and commercial confusion into which the world has fallen. It is difficult to see what compensating advantage we can offer the Mother Country to justify her in taking the risk involved in a change of fiscal policy. It is true that we concede British producers a preference in our markets—particulars of which were given in the last New Zealand article,* but it is also true that by a policy of protection to local industries we render this preference to a great extent ineffective. It is difficult to fathom the mentality of the Prime Minister and those New Zealanders who agree with him on this question in expecting Britain to raise her costs of production in order to increase colonial profits from British purchases of raw materials, while at the same moment we are consistently striving by a high tariff system to exclude the British manufacturer from our own markets. It is difficult, too, to see how a policy of Imperial Preference can be reconciled at bottom with a

* THE ROUND TABLE, No. 54, March 1924, p. 423.

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policy of protection to local industry, since to the extent that the latter policy is successful the preference is rendered nugatory.

Though this line of thought finds but little expression in the editorial columns of our newspapers and the speeches of politicians, it is well understood by the leaders of commerce in the country, and in particular was given prominence in the presidential address delivered at the annual meeting of the Auckland Chamber of Commerce last month. There seems no need to labour the point, or to do more than mention the substantial preference Britain has always conceded the Dominions in the form of cheap loans and cheap naval defence. Imperial unity will never be secured as the result of fiscal bargaining among competitive hucksters, but, like all the higher things of life, must be based on a firmer and nobler foundation than a scramble for tariff privileges.

New Zealand,
April 1, 1924.

EDITOR'S NOTE

THE IRISH BOUNDARY QUESTION

EASTER week brought us, in Great Britain, a reminder that there is still something which we are called upon to do under the Irish Treaty. Immediately after the breakdown of the Conference between Sir James Craig and President Cosgrave, the latter required us to set up the Boundary Commission. It is so long since the Treaty was signed and so much has happened since, that it may be of use to set out a few of the main facts. Our own obligation is defined by two British Acts of Parliament, the Irish Free State (Agreement) Act, 1922, which gave the Treaty the force of law, and the Irish Free State Constitution Act, 1922, by which it was ratified.

The relevant clauses of the Treaty are set out below. Our obligation to carry it out has been recognised by this Government as well as by its predecessors.

The present boundary, which is shown on the appended map, was established when Ireland was for the first time divided by the Government of Ireland Act, 1920, into two political units. To understand the line the boundary follows it is, however, necessary to go a little further back. The idea of partition was mooted during the debates over the 1912 Home Rule Bill. In June, 1912, Mr. Agar Robartes moved that four counties should be excluded. In January, 1913, Sir Edward Carson proposed that the province of Ulster should be left out. Both these motions were negatived. Early in 1914, however, after the arming of Ulster, partition was again proposed, this time by the

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British Prime Minister. The proposal was now county option. Mr. Asquith would have let any Ulster county vote itself out for six years. This proposal was rejected by Ulster. Then came the great war. It found us on the verge of civil war, but in face of the external danger the operation of the Home Rule Act was, as a compromise, suspended until a year after the end of the war, and a pledge given that coercion would not be used against Ulster. Amending legislation to deal with her was to be passed. Next came the 1916 rebellion, and after it, feeling it impossible to wait for peace, the Government deputed Mr. Lloyd George to negotiate with the Irish leaders a settlement that would permit of Home Rule coming in at once. The partition scheme now took a new form. There was still no question of Home Rule for the area to be excluded. But there was a change in the area suggested. This time it was neither the province, which consists of nine counties, nor county option, but something between the two, *i.e.*, six counties, the same six as now constitute Northern Ireland. In four of these counties, Down, Antrim, Derry and Armagh, there was a marked majority of Protestants. In the whole six-county area the Protestant majority was considerably larger than in the province as a whole; but in two of the six counties, Fermanagh and Tyrone, though the religions were more evenly balanced, according to the 1911 census, the Catholics were more numerous than the Protestants.* The pro-

Area.	Total Population.	Catholics.		Non- Catholics.		Majority.	
		per cent.		per cent.		Catholic.	Non- Catholic.
Ulster	1,581,696	690,816 (43·67)		890,880 (56·33)		—	200,064
Six Counties (including Boroughs of Northern Ireland)	1,250,531	430,161 (34·40)		820,370 (65·60)		—	390,209
Antrim	193,864	39,751 (20·50)		154,113 (79·50)		—	114,362
Armagh	120,291	54,526 (45·33)		65,765 (54·67)		—	11,239
Belfast County Borough	386,947	93,243 (24·10)		293,704 (75·90)		—	200,461
Derry	99,845	41,478 (41·54)		58,367 (58·46)		—	16,889
Derry County Borough	40,780	22,923 (56·21)		17,857 (43·79)		5,066	—
Down	204,303	64,485 (31·56)		139,818 (68·44)		—	75,333
Fermanagh	61,836	34,740 (56·18)		27,096 (43·82)		7,644	—
Tyrone	142,665	79,015 (55·39)		63,650 (44·61)		15,365	—

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posal was accepted on June 12, 1916, by the Ulster Unionist Council, in spite of protests from Cavan, Monaghan and Donegal, where Unionists had also signed the Ulster Covenant. The proposal, however, came to nothing at this time, partly owing to a misunderstanding—Mr. Redmond thinking that Ulster was bound to accept the decision of the Imperial Conference after the war, and Sir Edward Carson that the six counties could stay out permanently—and partly owing to dissensions in the British Cabinet, to which reference has already been made in these pages.* In 1917, just after America entered the war, the offer to leave out the six counties was again repeated by Mr. Lloyd George, who was now Prime Minister. The arrangement was to be reconsidered in five years, and Home Rule to come in at once for the rest of Ireland. As an alternative, an Irish Convention was suggested. The Convention was chosen by Mr. Redmond, but after eight months' discussion it, too, came to nothing, and the pre-occupations of the war, and after it of the peace, put the Irish question out of people's minds for the next two or three years, though the sands were fast running out.

The next step in the history of the Boundary question was the Government of Ireland Act of 1920, which became law in the dark period of the Irish troubles. The influence of Sinn Fein had completely superseded that of the old constitutional Nationalists. Partition now became a legal reality. Ireland was divided into two parts and a limited measure of Home Rule conferred upon each of them. In its first section the new Act provided that Northern Ireland should consist of "the Parliamentary counties of Antrim, Armagh, Down, Fermanagh, Londonderry and Tyrone, and the Parliamentary boroughs of Belfast and Londonderry." Southern Ireland was to include "so much of Ireland as is not comprised within the said Parliamentary counties and boroughs." The reason for this measure was the rooted objection of

* ROUND TABLE, No. 43, June, 1921, p. 481.

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the Protestant majority in the North East to enter a Home Rule system with the rest of Ireland in which the population was predominantly Catholic. Its machinery contemplated the possibility of union by agreement. Northern Ireland accepted the new Act—regretfully, according to its spokesmen, who would, they said, have preferred to remain under Westminster—and has worked it for the last three years. Southern Ireland would have none of it, and the struggle with Sinn Fein continued until the truce in 1921, which led to the signing by the representatives of the British Government and of Sinn Fein of the Irish Treaty, under which the Irish Free State was brought into being.

Northern Ireland was not represented at the Conference which arranged the Treaty. Sir James Craig accepted the original invitation, but then Mr. de Valera ignored his official position, and he declined to meet him “until he recognises that Northern Ireland will not submit to any authority other than H.M. the King and the Parliament of the United Kingdom, and admits the sanctity of the existing powers and privileges of the Parliament and Government of Northern Ireland.” Later on when he was again invited, he was ready to meet Mr. Lloyd George informally, but not to enter into Conference while there was any question of a Parliament for All Ireland.*

It is unnecessary to set out the whole Treaty. Clauses 11 and 12 are enough for our purpose. They read as follows:—

11. Until the expiration of one month from the passing of the Act of Parliament for the ratification of this instrument, the powers of the Parliament and the Government of the Irish Free State shall not be exercisable as respects Northern Ireland, and the provisions of the Government of Ireland Act, 1920, shall, so far as they relate to Northern Ireland, remain of full force and effect, and no election

* For the Government's invitations and the line taken by Sir James Craig, see *ROUND TABLE*, No. 44, pp. 767, 768, 783 to 792, and *White Paper*, Cmd. 1561.

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shall be held for the return of members to serve in the Parliament of the Irish Free State for constituencies in Northern Ireland, unless a resolution is passed by both Houses of the Parliament of Northern Ireland in favour of the holding of such elections before the end of the said month.

12. If, before the expiration of the said month, an address is presented to His Majesty by both Houses of the Parliament of Northern Ireland to that effect, the powers of the Parliament and Government of the Irish Free State shall no longer extend to Northern Ireland, and the provisions of the Government of Ireland Act, 1920 (including those relating to the Council of Ireland), shall, so far as they relate to Northern Ireland, continue to be of full force and effect, and this instrument shall have effect subject to the necessary modifications.

Provided that if such an address is so presented, a Commission consisting of three persons, one to be appointed by the Government of the Irish Free State, one to be appointed by the Government of Northern Ireland and one who shall be Chairman to be appointed by the British Government, shall determine in accordance with the wishes of the inhabitants, so far as may be compatible with economic and geographic conditions, the boundaries between Northern Ireland and the rest of Ireland, and for the purposes of the Government of Ireland Act, 1920, and of this instrument the boundary of Northern Ireland shall be such as may be determined by such Commission.

The address to the King permitted under Clause 12 was presented, with the result that Northern Ireland, as the Treaty prescribes, remains outside the Free State and continues, as Clause 12 makes clear, to function under the 1920 Act, the provisions of which are declared by the Treaty to be still, in so far as they relate to it, of full force and effect.

So much for the history of the question. As a result of the Republican rebellion, the Imperial Conference, the general elections and changes of Government in England, and finally of Sir James Craig's illness which made it necessary to put off the last attempt to settle the matter out of court, it has been long in coming to a head. It remains to say a word about the attitude of the parties. Briefly, there are hopes in the Free State, based on population statistics and arguments which are set out in a hand-

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book published by its Government, of getting Fermanagh and Tyrone, or the greater part of those counties, Derry City and Newry, as well as slices out of other border counties. What the Ulster case would be under the Treaty can only be conjectured. According to Lord Birkenhead, the undertaking was to set up a Commission, the purpose of which was not to reallocate territory, but only to adjust inconvenient boundaries. A writer in *The Times* has recently reminded us that the Government of Ireland Act, 1920, provides that Northern Ireland shall consist of the six counties and that the provisions of this Act are expressly kept alive, in so far as Northern Ireland is concerned, by the words of the Treaty, which itself is only to have effect "subject to the necessary modifications." A claim which amounted to dismembering the existing Northern State and setting up a new one with a new boundary would, in his opinion, be extravagant as a refusal would be on the other side to give up "an inch of sacred Northern territory." But these are other people's arguments. Ulster herself has never got as far as attempting to state a case for the Boundary Commission. On the contrary, she refuses to have any part in it. The Commission was agreed to, she says, contrary to the promises of the British Government, without her consent and over her head. From her standpoint the 1920 Act was a final settlement. On its side, the Free State says that Ulster is taking advantage of part of the Treaty and refusing to recognise the other part. It turns to us and points to the undertaking Great Britain has given. For if, it says, Ulster is still part of Great Britain, it is the duty of the British Government to see that her word is honoured and her law obeyed. The Free State Government remind us that they themselves have fought their own fellow-countrymen in order to carry out their part of the Treaty.

IMPERIAL DIPLOMACY

THE events of the last few months, the debates over the ratification of the Lausanne Treaty and the arrangements about representation at the inter-Allied Conference in July have brought the Imperial problem to the front once more. It is evident that there is the utmost confusion of thought in all parts of the Commonwealth as to what is the basis of inter-Imperial relations so far as they concern foreign policy. It is the purpose of this article to attempt to state and clarify some of the issues involved.

I. DOMINION STATUS IN 1919

PEOPLE in Great Britain do not generally appreciate the profound change which has taken place in the status and attitude of the Dominions since 1914. They are inclined to regard the whole development of Imperial consultation during the war and at Paris as part and parcel of the adaptation of the British constitution to the necessities of the war, and as having no permanent significance. Even Downing Street seems to have forgotten the lessons it then learned. The war has made as great a difference to the practical working of the British Imperial constitution as the introduction of woman's suffrage has made to the practical working of the domestic British constitution. It has entirely transformed the spirit which lives within its constitutional structure, even though it has not yet made much change in the structure itself. It is curious that the

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more conservative elements in Britain, which were once the principal champions of the Empire, seem to have been the slowest to understand the changes which have taken place.

Before 1914 the British Empire was an Empire—so far as foreign policy was concerned. All diplomatic negotiations were conducted from London and the signature of the Foreign Secretary bound the Dominions as well as Great Britain. It was only in 1911, after much public pressure and because of the British request in 1909 that the Dominions should contribute to both the naval and military defence of the Empire, that the Dominions were admitted, for the first time, to a full exposé of the international situation as it was viewed by Sir Edward Grey.

The war entirely changed this situation. First of all, the Dominions established their title to independent nationhood by creating national armies of their own, which, when pitted against the finest European armies, more than held their own. The figures of the troops raised by the Dominions and India and the casualties sustained are as follows:—

	Troops raised.	Casualties.	
		Fatal.	Wounded.
Canada	628,964	56,119	149,733
Australia	412,953	58,460	152,100
South Africa	136,070	6,928	11,444
New Zealand	128,525	16,132	40,749
Newfoundland	5,046	1,203	2,314
India	1,440,437	47,746	65,126

Secondly, in proportion as the Dominions made their influence felt on the battlefield, and in proportion as it became clear that neither British politicians nor British soldiers were infallible, the Dominions pressed first for information and later for a voice in determining the policy for which their citizens were giving their lives. In 1917 the Prime Ministers of the Empire came to England and, sitting with the five members of the British War Cabinet,

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made a thorough survey of the whole war situation. In 1918 they came again, but this time the Imperial War Cabinet did not merely survey: it became the supreme directing body of the British side of the war, and the Dominion Prime Ministers took part, not as visitors, but as members having very definite views and responsibilities of their own.

Finally, came the events at the Peace Conference. The Imperial War Cabinet developed naturally into the British Empire Delegation, which collectively determined British policy at Paris. But in addition, the Dominions claimed and secured direct representation at the Peace Conference itself on their own account. What happened was well described by Sir Robert Borden in the Canadian House of Commons on September 2, 1919. He said that after his arrival in London after the Armistice

the status of the Dominions at the Peace Conference came immediately into question and was the subject of earnest discussion. Various methods, which it is not necessary to explain, were suggested. In the end I proposed that there should be a distinctive representation for each Dominion similar to that accorded to the smaller Allied Powers, and in addition that the British Empire representation of five delegates should be selected from day to day from a pool made up of the representatives of the United Kingdom and the Dominions. This proposal was adopted by the Imperial War Cabinet. . . . The preliminary Peace Conference began at Paris on January 12, and the question of procedure, including that of representation, was immediately taken up by the representatives of the Allied and Associated Powers. At first strong objection was made to the proposed representation of the British Dominions. Subsequently there was a full discussion in the British Empire Delegation, at which a firm protest was made against any recession from the proposal adopted in London. In the end that proposal was accepted.

The adoption of the panel system gave to the Dominions a peculiarly effective position. At plenary sessions there were sometimes three Canadian plenipotentiaries, two as representatives of Canada and one as representative of the Empire. Moreover, throughout the proceedings of the Conference the Dominion delegates, as members of the British Empire Delegation, were thoroughly in touch with all the proceedings of the Conference and had access

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to all papers. . . . Dominion Ministers were nominated to and acted for the British Empire on the principal Allied Commissions appointed by the Conference from time to time to consider and report upon special aspects of the conditions of peace. . . . During the last month of my stay in Paris I acted regularly as Chairman of the British Empire Delegation in the absence of the Prime Minister of the United Kingdom, whose duties as a member of the Council of Four constantly prevented his attendance.

Thus as a result of Dominion action on the battlefield and in council it had been established, both in the organisation of the Empire and for international purposes, that the Dominions were equal partners in the deliberations of the Empire, and were entitled to representation on their own account, and not merely on a British Empire panel, in all general international gatherings and conferences. Accordingly, the Dominions affixed their own signatures to the Treaty of Versailles and were given individual representation on the Assembly of the League of Nations. It is curious to note that, inasmuch as the British member of the Council is a representative of the British Empire, Great Britain, as such, has no representation on the League of Nations.

The effect of the war was thus to make a fundamental change, not so much in the legal as in the moral structure of the Empire, so far as international affairs are concerned. It can be no more gone back upon than can the extension of the suffrage. The immense significance of the change to the Dominions themselves can be seen from the ringing words of Sir Robert Borden in the Canadian Parliament.

On behalf of my country I stood firmly upon this solid ground ; that in this the greatest of all wars, in which the world's liberty, the world's justice, in short the world's future destiny were at stake, Canada had led the democracies of both the American continents. Her resolve had given inspiration, her sacrifices had been conspicuous, her effort unabated to the end. The same indomitable spirit which made her capable of effort and sacrifice made her equally incapable of accepting at the Peace Conference, in the League of Nations, or elsewhere, a status inferior to that accorded

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to nations less advanced in their development, less amply endowed with wealth, resources and population, no more complete in their sovereignty and far less conspicuous in their sacrifice.

II. THE BACKWARD DRIFT

WHAT has happened since ? At the Washington Conference on naval disarmament the Versailles method was exactly repeated. There was first an Imperial Conference in London at which the general policy of the Empire about Pacific problems was settled, after being largely moulded by Dominion views. Then a delegation directly representative of all the Dominions, except South Africa, and of India, went to Washington and sat round the table as full members of the Conference, though it acted there as a single unit.

Meanwhile, in Europe things had been going the other way. At the long series of inter-Allied gatherings in Paris, in London, at Boulogne, Spa, Folkestone, Cannes, and so on, the Dominion representation more and more dropped out. Sometimes High Commissioners were called in for consultation. Ample information of what went on was sent by cable and despatch. But the direct participation of the Dominions in the endless negotiations about reparations, sanctions, the occupation of the Ruhr, and so on, practically disappeared.

It was perhaps natural that this should be so. The Dominions were represented at Washington because they were directly interested both in the naval defence of the Empire and in the political problems of the Pacific. But they were tired of the endless recriminations over the application of the Treaty of Versailles. They wanted time and leisure for reconstruction and development in their own sparsely inhabited territories. They were content to leave the primary initiative in working out the application of the Versailles settlement in Europe to Great Britain, as

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the member of the Commonwealth most nearly concerned and most experienced in European affairs.

The drift from the system which had grown up during the war and at Versailles reached its furthest point in the negotiations with Turkey at Lausanne, which followed the advent of a new Government to power in Downing Street. The general lines of the draft Treaty of Sèvres had been laid down by the British Empire Delegation. But disunity among the Allies and the defeat of the Greeks had left the Turks triumphant. It became necessary to make a new peace on the best terms obtainable. Unfortunately the British Foreign Secretary, forgetting the whole experience of the war and the Peace Conferences, and without discussing the matter with the Dominions, agreed with France that the Allies should be represented by two delegates each. The Foreign Office then seems to have remembered that the Dominions would have to be parties to the treaty. So a belated telegram was sent to the Dominions as follows :—

Yesterday invitations were sent by Governments of Great Britain, France and Italy to the Japanese, Roumanian, Yugo-Slav, Greek and Turkish Governments (both of Constantinople and of Angora) to send representatives to Lausanne, November 13, to conclude treaty to end war in East, which would replace Treaty of Sèvres. . . . According to arrangements agreed upon with French and Italian Governments, each Government will be represented at Lausanne by two plenipotentiaries. Secretary of State for Foreign Affairs will personally act as chief British plenipotentiary, and it is proposed that he should be accompanied by British High Commissioner at Constantinople. Dominion Governments will be kept informed from time to time of the general lines of policy on which British plenipotentiaries propose to proceed, and of course of negotiations, and, as in case of the other Treaties arising out of the Peace settlement, they will of course be invited to sign new Treaty and any separate instruments regulating status of the Straits.

His Majesty's Government trusts that this procedure will be in accordance with wishes of your Government.

This, of course, was a grave departure from the whole constitutional system which had grown up in the war.

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It was intelligible that Great Britain should act as a kind of plenipotentiary for the rest of the Empire in working out the detailed application of the Treaty of Versailles. It was quite another matter that in the negotiation of the last of the war treaties, in circumstances which were clearly going to involve the surrender of vital points defined by the British Empire Delegation and vitally affecting at least India and the Australasian Dominions, Great Britain should calmly arrogate to herself the right to settle everything and expect the Dominions to sign on the dotted line. It was clearly "asking for trouble."

However, the trouble did not arise at once. The Dominion Governments also did not seem to be any more awake to what was involved than the British Government. Though only the correspondence with Canada has been published, it is evident that they, too, were quite ready to acquiesce in the line of least resistance, allow their responsibilities as nations to slide and authorise Great Britain to act on their behalf. One sentence in the Canadian reply, however, gave an indication of the storm which was to follow. Mr. Mackenzie King said (November 1, 1922) :

Our Government has no exception to take to the course pursued by His Majesty's Government with respect to the conclusion of a treaty to end the war in the Near East. As, however, it is proposed to keep our Government informed from time to time of the general lines of policy on which British plenipotentiaries propose to proceed and of the course of the negotiations and to invite us to sign a new treaty and any separate instrument regulating the status of the Straits we deem it advisable to avail ourselves of the earliest opportunity to inform His Majesty's Government that in our opinion extent to which Canada may be held to be bound by the proceedings of the Conference or by the provisions of any treaty or other instrument arising out of the same is necessarily a matter for the Parliament of Canada to decide and that the rights and powers of our Parliament in these particulars must not be held to be affected by implication or otherwise in virtue of information with which our Government may be supplied.

To this the British Government, showing an extra-

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ordinary lack of comprehension of all that had happened since 1914, replied on November 16:

We fully understand that it is desire of Canadian Government that any treaty with Turkey which may result from Conference should be submitted to Canadian Parliament for approval before His Majesty is advised to ratify it.

The Canadian Government, wishing to safeguard its constitutional rights, but still overlooking the responsibilities involved in the status of nationhood, replied on November 25:

My message was intended to make clear that we had no exception to take to Canada not being invited to be represented at the Conference, but, inasmuch as we had been informed that we would be invited to sign a new treaty and any separate instrument regulating status of Straits, we wished to make it perfectly clear that in our opinion extent to which Canada may be held to be bound by the proceedings of Conference or by provisions of any treaty or other instrument arising out of the same was necessarily a matter for the Parliament of Canada to decide. We deem it of utmost importance that there should be no misunderstanding as to our position with respect to Canada's obligations in this and kindred matters. In our opinion Parliament will desire as respects treaty with Turkey and any other instruments arising out of Lausanne Conference to reserve to itself the right to decide upon the merits of the case what action on the part of people of Canada is right and proper.

In answer to this the British Government pointed out that "any Treaty resulting from Lausanne Conference will, of course, replace Treaty of Sèvres, and until it comes into force a state of war between the British Empire and Turkey will technically continue. The Treaty must, therefore, be binding on the whole Empire when ratified." But it also said that the procedure it had proposed had been framed "on assumption that Canadian Government would wish to follow procedure adopted in case of peace treaties with Germany, Austria and Bulgaria."

To this astounding statement Canada had naturally an

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overwhelming reply. Mr. Mackenzie King, on January 1, 1923, pointed out that

As regards Canada's participation there were in that procedure four separate, distinct and essential stages.

1. Direct representation of Canada at the Conference at which treaties were drafted and participation in the proceedings of the Conferences by Canada's representatives, each representative holding a full power signed by His Majesty the King, in the form of Letters Patent, authorising him to sign "for and in the name of His Majesty the King, in respect of the Dominion of Canada," any treaties, conventions or agreements that might tend to the attainment of the object of the Conference, the Canadian Government having, by Order in Council, sanctioned issuance of these full powers by His Majesty.

2. Formal signing of the treaties on behalf of Canada by the plenipotentiaries named.

3. Approval by the Parliament of Canada of the treaties thus signed on behalf of Canada.

4. Assent of the Government of Canada to the final act of ratification by His Majesty the King of the treaty signed on behalf of Canada approved by Parliament of Canada.

Your Grace is quite right in assuming that, as regards the treaties in which Canada is supposed to have a direct or immediate interest, the procedure here outlined is the one which our Government would wish to follow. In the case of main political treaties concluded since the War, the general rule seems to have been followed that, wherever the Dominions could be said to have a direct or immediate interest, the procedure was shaped to include their participation and signature of the proceedings. That in the case of the Conference at Lausanne a like procedure has not been followed with respect to representation and participation by Canada, has been regarded by us as evidence that, in the opinion of the countries by whom invitations to the Conference at Lausanne were extended, Canada could not have been believed to have the direct and immediate interest which she was supposed to have in the Conferences at Versailles and Washington.

To the course pursued with respect to Lausanne Conference we have, as mentioned in my telegram of October 31, no exception to take. As regards the procedure, however, it must be apparent that quite apart from any action or representation on the part of the Government of Canada a different procedure has been followed in the case of the present Conference at Lausanne to that followed at Versailles and Washington. In so far as one stage in procedure is necessarily dependent upon the stage preceding, it is difficult to

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see how a like procedure can be followed. Canada has not been invited to send representatives to the Lausanne Conference, and has not participated in the proceedings of the Conference either directly or indirectly. Under the circumstances we do not see how as respects signing on behalf of Canada we can be expected, in the case of a new treaty or of any separate instrument regarding Straits, to follow the procedure adopted in the case of the treaties with Germany, Austria and Bulgaria.

Meanwhile, the Lausanne Conference had been pursuing its dreary way with only two British plenipotentiaries. No amount of cabling, however, could get rid of the hard fact that the war had established the principle that no treaty could bind the Empire without Dominion consent, and therefore, that if a treaty was to be made at all either the Dominions must agree to ratification or secede from the Commonwealth. The crisis, of course, immediately arose over ratification. On March 21, the British Government invited the Dominion Governments to ratify the Treaty. On March 24, the Canadian Government replied :

Canadian Government not having been invited to send representative to the Lausanne Conference and not having participated in the proceedings of the Conference either directly or indirectly and not being for this reason a signatory to the Treaty on behalf of Canada my Ministers do not feel that they are in a position to recommend to Parliament approval of the Peace Treaty with Turkey and the Convention thereto. Without the approval of Parliament they feel that they are not warranted in signifying concurrence in the ratification of the Treaty and Convention.

The Government of the Irish Free State took the same line.

It is not necessary to summarise the vehement discussion which took place both in the British and Canadian Houses of Commons about the situation so created. Both the British and the Canadian Governments were forced to recognise that they had adopted impossible positions. It was established that the British Government could not, on its own initiative, wipe out the whole result of the war and go back to the position of acting as plenipotentiary

The Revival of the British Empire Delegation for the whole Empire and expect the Dominions meekly to endorse its decisions. It was equally established that the policy of the Canadian Government which implied that Canada was to remain part of the British Commonwealth but could evade the responsibilities of nationhood, was also an impossibility. The ratification of the Treaty of Lausanne was finally authorised by all the Governments of the Commonwealth.

III. THE REVIVAL OF THE BRITISH EMPIRE DELEGATION

THAT the experience over Lausanne has had some educational effect can be seen from the negotiations over British representation at the July inter-Allied Conference in London. The full facts are not available. But it would appear that Mr. Ramsay MacDonald recognised that it was necessary to consult the Dominions about a Conference which was about to consider modifications in substance, if not in form, of the Treaty of Versailles. But he also agreed with M. Herriot that France and Britain should only have three representatives each. Accordingly, Mr. MacDonald seems to have proposed that the Dominions should choose one representative and the British Government two, and that the three should form the British Empire panel.

Needless to say, this proposal failed. It failed for two reasons. On the one hand, it denied to the Dominions the title to direct representation at plenary conferences dealing with matters directly affecting themselves at which the lesser States of Europe were represented. On the other hand, it established a distinction between a Dominion and a British point of view and attempted to represent both. After a thoroughly justified protest by Mr. Mackenzie King, a compromise was arrived at whereby the British Empire Delegation was resuscitated ; whereby the policy to be pursued by the British representatives at

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the Conference was to be discussed and decided by this Delegation ; whereby one of the three British representatives at the plenary conferences was to be a Dominion representative, but speaking not for a Dominion point of view but for that of the British Empire Delegation ; and whereby the other Dominion representatives were to attend the plenary conferences in the capacity of observers. It was made clear that this compromise did not constitute a precedent.

IV. THE FORMULATION OF IMPERIAL POLICY

THE lessons of the Lausanne Treaty, the Imperial Conference (discussed in *THE ROUND TABLE** for March and June, 1924) and the London inter-Allied Conference, may perhaps be summarised as follows.

It is obvious that the nations of the British Commonwealth must have a common foreign policy. The only alternative is to dissolve the unity of the Commonwealth itself, which would immediately produce civil war in every self-governing part of the Empire. It is equally obvious that the method, which worked before the war, of allowing Great Britain to conduct foreign policy on her own initiative and expecting the Dominions to accept her decisions, is impossible to-day. The Dominions have established the status of nationhood, the primary characteristic of which is responsibility in international relations.

The practical difficulty arises from the fact that the British Commonwealth is scattered all over the world and that the international problems, which are constantly arising in every corner of it, affect its members in varying degrees. The distinction between matters which affect the Empire as a whole and those which affect only the individual nations within it was clearly recognised by the

* *THE ROUND TABLE*, No. 54, March, 1924, p. 225, and No. 55, June, 1924, p. 495.

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resolution of the last Imperial Conference about the negotiation of treaties. It has since been recognised in a somewhat different form in the conditions which have been agreed about the appointment of an Irish Free State Minister to Washington. The distinction, indeed, is obvious.

It is manifest that more international questions directly affect Great Britain than any other part of the Empire. She is geographically part of Europe. She is responsible for the good government of India and vast areas of Asia and Africa. She must be primarily responsible for dealing with the day to day questions which arise in these areas, just as Canada must be primarily responsible for the day to day questions which arise along her border. It is only when European or Asiatic questions begin to affect more than one Dominion, or the Empire as a whole, that the problem of Imperial diplomacy arises.

The number of problems, however, which are of Imperial as opposed to British concern to-day is vastly larger than it was in 1914. There is the whole set of peace treaties which arose out of the war ; there is the problem of migration, European as well as Asiatic ; there is Russia with its constant revolutionary propaganda ; there are economic and exchange questions of every sort and kind ; there is the League of Nations and its correlated institutions. How is the line of demarcation to be drawn between Imperial and local questions ? And how is Imperial diplomacy to be conducted in those matters which affect the Commonwealth as a whole ?

The method of determining the line between national and Imperial diplomatic questions has already been laid down in the treaty resolution of the last Imperial Conference. Any Government of the Empire can call for Imperial consultation about any international problem if it thinks that it is of concern to itself or to the Empire as a whole.

The problem of conducting Imperial diplomacy, however,

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is more complicated. It falls into three parts. First, there is the problem of Imperial representation at international conferences. Second, there is the problem of treaty negotiation through the ordinary diplomatic channels. Third, there is the problem of securing agreement about Imperial policy to be pursued in either case.

(a) The question of representation was settled once and for all at Paris, at Washington, and in the League of Nations. It has been accepted by all nations in the three cardinal international instruments which have been drawn since the war, that the Dominions have the same rights of independent representation at general international conferences, or where their own individual interests are concerned, as those European States which do not rank as the Great Powers. There can be no going back upon that decision. All the difficulties which have arisen over Lausanne and the London Conference have come about through the failure of the British Foreign Office to grasp the significance of the years 1914-1922, and to stand out firmly for the rights of the Dominions to representation at all plenary sessions, at which the lesser Powers of Europe are represented. In view of what has happened at Paris, Washington and Geneva, no foreign nation has now any reasonable ground for contesting this right. The other argument commonly urged against full Dominion representation, that their presence will make for delay and confusion because it will unduly swell the numbers of the conference, has no real force. Plenary conferences have come to be regarded now as formal meetings, at which all parties to the Conference are represented, and in which the nations make formal declarations of policy, after which executive business is delegated to smaller and less unwieldy bodies.

(b) The method of treaty negotiation through ordinary diplomatic channels was settled at the Imperial Conference of 1923 and needs no further comment here.

(c) There remains the problem of securing agreement

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about the policy to be pursued either at conferences or through ordinary diplomatic channels. Here again the principle to be followed was laid down quite clearly during and after the war. In all matters affecting the Empire as a whole the nations of the Commonwealth speak with a single voice. They did so in Paris. They did so at Washington. They do so through their representative on the Council of the League of Nations. And they arrive at their agreed policy by thrashing out their differences of opinion beforehand in meetings of the British Empire Delegation. That is the system.

Whenever this practice has been followed there has been no trouble. Whence, then, have all the difficulties of the past eighteen months arisen? They have sprung from the fact that inter-Imperial organisation is woefully behind international organisation. There is no machinery whereby the nations of the British Empire can take effectual counsel together except at times of Imperial Conference. In consequence, the British Foreign Office has drifted back into the old pre-war rut of doing all the work itself and expecting the Dominions to say "ditto," and the Dominions have drifted back into the old pre-war rut of paying no attention to international affairs, in the hope of escaping the new responsibility which their national status implies. The result is inevitable. Every now and again, as at Chanak, and Lausanne, and London, the underlying facts of the international and inter-Imperial situation suddenly force themselves on people's attention and there is a row.

In the view of THE ROUND TABLE, the solution is not very difficult. It is to provide that that consultation, which is now occasionally undertaken in meetings of the Imperial Conference and of the British Empire Delegation, should be continuous. If the external policy pursued by Great Britain or by any of the Dominions is to represent more than a purely national standpoint, if the Empire is to avoid the shocks which are inevitable under the present want of

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system, there must be continuous consultation between representatives of all parts before, and not merely after, a crisis has arisen. That consultation, however, must take place under the same fundamental conditions as the Imperial Conference. It must maintain intact the complete independence of each Government, the right of each Parliament to pass a final judgment about the policy to be pursued, safeguards must be created against the exercise of any undue influence by any one part of the Empire, and provision must be made that public opinion of all parts is effectively informed, from time to time, of what is going on.

These conditions could be established if regular meetings were held, say weekly, between the High Commissioners and the British Foreign Secretary, for the discussion of whatever international problems were uppermost at the time. Such meetings would have no powers of their own. They would simply be diplomatic gatherings, in which every member would be a representative of an independent Government and Parliament. But they would enable the British Foreign Minister to keep himself continually apprised of the Dominion point of view, which he is not to-day, and it would give the Dominion Governments a really effective channel both for information and communication about international affairs, which they have not to-day. Moreover, such a system would automatically solve the special problem which has caused so much trouble of late. It would be one of the primary functions of these inter-Imperial meetings to get a decision, beforehand and not when it is too late, as to what matters should be treated as of general Imperial concern, which conferences ought to be attended by a full representation of the Empire and which should be attended by a smaller delegation instructed to speak for the Empire as a whole.

In order that the consultation may be really effective it ought to be the rule that the High Commissioners should be persons of wide political experience, and so qualified

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to deal effectively with the political problems continuously under review. It is also worth considering whether they might not be given seats in one or other Legislative House in their own Dominions. They need not be Ministers or even members of a party, but they would be more effective representatives of their national point of view, and each Dominion would have that sense of direct contact with international problems which is only possible from personal speech, question and answer, if every year the High Commissioners could, subject to the approval of the Prime Minister, give an account of their stewardship to Parliament.

The British Commonwealth to-day is engaged in a great and novel experiment. It is trying to work out the means by which separate nations, situated all over the globe, can stand as a moral and political unity in dealing with world problems. If it succeeds it will have bridged that gulf of extreme nationalism which is the principal cause of modern war. If it fails it will have proved that the world is not yet ready for any serious attempt to end war. It can only succeed, however, if the two cardinal elements of freedom and responsibility are faithfully safeguarded. Each nation within the Commonwealth must be perfectly free to take its own line. No part can be bound by any other part. But each part must also be willing to take a full and responsible share in deliberating about what the common policy should be, and about the liabilities involved in that policy.

Such an Imperial system, however, cannot possibly succeed without proper facilities for consultation. That is the life-blood of its existence. It has not those facilities to-day. Inter-Imperial communications to-day are less efficient and less fully developed than international communications. There are telegrams and despatches, but practically no personal touch between qualified people of experience, except at times of Imperial Conference. If Great Britain and the Dominions continue

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to go along blindfold, each in its own groove, there is bound to be a long series of dangerous collisions and disputes, such as have occurred recently, all of which could perfectly well have been avoided by a little common-sense consultation beforehand. The key to the problem of the foreign diplomacy of the Commonwealth is the establishment of a sensible system of diplomatic relations between its own members.

NOTE.—The treaties between Great Britain and Northern Ireland and the Union of Soviet Socialist Republics are dealt with elsewhere in this number. They raise points of great constitutional importance to the British Empire to which we will return at some future date.—EDITOR.

EGYPT AND THE SUDAN

I.

THE policy of setting up Egypt as an independent kingdom has so far brought us neither peace nor gratitude. It was hoped, when the British Protectorate was given up and British authority completely withdrawn, that this more than generous concession to their national aspirations would be welcomed with enthusiasm by the Egyptian people and would lead to the establishment of permanently friendly relations and cordial co-operation between Egypt and Great Britain. Recognising, as they now must do, the disinterestedness of the forty years of successful effort on our part, by which Egypt had been raised from a state of bankruptcy and extreme misgovernment to her present prosperous and orderly condition, the Egyptians, it was thought, would in future look to this country as their best friend. They would continue to avail themselves of British help in maintaining the improved system of administration, which we had built up, and with that end in view would seek to retain the services and be guided by the advice of at least a considerable number of the existing British officials, until such time as there was sufficient native ability available to replace them. And in the settlement of the still outstanding questions between Great Britain and Egypt they would meet us in a spirit of accommodation and goodwill.

In every respect these too sanguine expectations have been completely disappointed. Egyptian nationalism has been in no way placated by the unexpected realisation of its

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principal aim. The spirit of revolt against British, and indeed all foreign, influence is stronger than ever. A clean sweep is being made of the British officials, many of whom, including some of the most indispensable, have gone already, while almost all the rest are destined to go within the next three years. It is true that they are on the whole receiving fair and even liberal compensation for their broken prospects, and that many of them have retired, or have decided on retirement, of their own accord. But they have only done so because they have found that, under the new dispensation, they are impotent to carry on their work to their own satisfaction, and they are not prepared to remain as well-paid nonentities, watching the gradual relapse of the governmental machine into the old ruts of slovenliness and corruption. That the withdrawal of British control would lead to some loss of efficiency in the public services was no doubt to be expected. But the rapidity with which decay has set in and the dimensions which it threatens to assume are a painful surprise. Nor has the new all-powerful Parliament exerted any salutary influence in this direction. It is too intoxicated with the heady wine of high politics to take much interest in matters of internal administration, which urgently demand its attention. Egyptian politicians are indeed suffering from a severe attack of megalomania. Careful husbandry of the great natural resources of their country, an absolutely vital and by no means easy task, has not the same attraction for them as grandiose schemes for enabling Egypt to play a big part on the international stage. The establishment of expensive embassies, with nothing particular to do, in various foreign capitals is but a first step in this ambitious programme. There is talk of increasing the army, of creating an Egyptian navy, of introducing a gold standard and substituting the dollar for the pound sterling as the basis of exchange. Above all, there is an intense desire to sever the still remaining ties between Egypt and Great Britain, which are regarded as a mark of servitude.

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This attitude on the part of Egyptian politicians bodes ill for a solution by agreement of the questions which were deliberately left over for future settlement when Great Britain formally abandoned the Protectorate over Egypt in February, 1922. For in the view of the British Government and people, very clearly enunciated at that time, the recognition of the independence of Egypt was only one side of a policy, which on its other side contemplated the permanent maintenance of certain specially intimate relations between Egypt and Great Britain. It is well in this connection to recall the words of the then Prime Minister, Mr. Lloyd George, in his speech in the House of Commons on February 28, 1922*, in which he expounded the Declaration of British Policy with regard to Egypt contained in the White Book submitted to Parliament.

The final clause of the Declaration (he said) defines the special relation between His Majesty's Government and Egypt. It declares that the following four points are absolutely reserved to the discretion of H.M.'s Government :—

(a) The security of the communications of the British Empire in Egypt.

(b) The defence of Egypt against all foreign aggression or interference, direct or indirect.

(c) The protection of foreign interests in Egypt and the protection of minorities.

(d) The Sudan.

We are prepared to make agreements with the Egyptian Government upon these matters in a spirit of mutual accommodation, whenever a favourable opportunity arises for the conclusion of such agreements. *But until such agreements, satisfactory both to ourselves and to the Egyptian Government, are concluded, the status quo will remain intact.*

The sentence here printed in italics is of peculiar importance. So, too, is the following passage :—

I must make another point clear. We regard the special relations between ourselves and Egypt defined in this Clause as a matter concerning only ourselves and the Government of Egypt. Foreign

* Hansard, Parliamentary Debates, Vol. 151.

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Powers are not concerned, and we propose to state this unmistakably when the termination of the Protectorate is notified to them.

The welfare and integrity of Egypt are necessary to the peace and safety of the British Empire, which will, therefore, always maintain as an essential British interest the special relations between itself and Egypt long recognised by other Governments. The definition of these special relations is an essential part of the declaration recognising Egypt as an independent sovereign State.

In the two and a half years which have elapsed since those words were spoken no progress whatever has been made in the settlement of any of the four points to which Mr. Lloyd George referred. In the interval the ruler of Egypt, previously known as the "Sultan," has assumed the title of King, while the country has been endowed with a written constitution, a popularly elected Legislature, and a Ministry responsible to that body. At the head of that Ministry, supported by an overwhelming majority in Parliament and idolised by the people, is Zaghlul Pasha, who owes his phenomenal popularity primarily to his successful opposition to the Protectorate, but nowadays perhaps even more to the confidence felt in his ability to get rid of the remaining ties between Egypt and Great Britain. Zaghlul Pasha himself is no extremist, but neither is he the man to risk the exceptional position which he holds in the affection of his fellow-countrymen by abating anything of their most extravagant demands.

II.

UNDER these circumstances it is evident that we are confronted with a prospect of acute controversy over every one of the points upon which Mr. Lloyd George proclaimed our readiness "to make agreements with the Egyptian Government in a spirit of mutual accommodation." And perhaps it is fortunate that the first move in the game should be the adoption of an aggressive attitude

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by the Egyptians on the one point, with regard to which our position is legally and morally the strongest, namely, the Sudan.

For the Sudan is not an Egyptian but an Anglo-Egyptian possession. At one time an Egyptian dependency, it was completely severed from Egypt by the successful rebellion of the Mahdi. For thirteen years after the death of the Mahdi it was under the despotism of his successor, the Khalifa. Every vestige of Egyptian authority had disappeared, and indeed Egypt itself was only saved from being overrun by the Sudanese hordes through the help of Great Britain. At length, in 1896-8, the Sudan was gradually reconquered by British and Egyptian forces under a British General. When the reconquest was complete, an agreement was entered into by the British and Egyptian Governments (the Convention of January 19, 1899), regulating the status of the Sudan and defining the respective rights of Great Britain and Egypt with regard to it.

The effect of that agreement, the validity of which in international law has never been questioned, was to establish an Anglo-Egyptian condominium over the Sudan. In a case tried in 1910 before the "Mixed Tribunal" of Cairo, an independent international Court, quite free from any pro-British bias, it was laid down that the Sudan had become "a new State, distinct from and independent of Egypt and possessing administrative, legislative and judicial powers." This "new State" has now for five and twenty years, in strict accordance with the provisions of the Convention of 1899, been under the control of Great Britain. For the Convention vested all administrative and legislative authority over the Sudan in a Governor-General appointed by the "Khedive" (subsequently the "Sultan" and now the "King" of Egypt), but nominated by the British Government. By virtue of this arrangement successive Englishmen, notably Sir Reginald Wingate, during whose long Governor-Generalship the Sudan made

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enormous progress, have exercised supreme power in that country, while all the higher administrative posts, with few exceptions, have been filled by British officials. And the result has been one of which the British people have every right to be proud. From being a barbarous country, groaning under a fanatical despotism, devastated and depopulated by constant bloodshed, the Sudan has become, through all its vast extent, a land of peace and order, with a contented and growing population, a large measure of tribal self-government, and a rapidly increasing revenue, while its great agricultural resources are being steadily developed and give promise of immense future prosperity. But the only safeguard of this great edifice of progress is the controlling hand of the civilised Power which alone laid its foundations and has continued to direct its construction.

This being the present position, the demand that Great Britain should entirely withdraw from the Sudan and leave it in the hands of the Egyptians, to do what they like with, is certainly not lacking in audacity. That demand not only totally ignores the rights of Great Britain, but it takes no account of the interests of a third party, pre-eminently entitled to consideration in the matter—the people of the Sudan. For when the Egyptian Parliament and Press and the political world of Egypt generally clamour for the “complete independence of Egypt and the Sudan”—that being now the accepted formula of their policy—the last thing they contemplate is that the Sudan should be independent of Egypt. The Sudan as a separate State, independent of everybody, is indeed, at the present time, a sheer impossibility. One might as well talk of the independence of an infant school. What this formula admittedly means is the restoration of the *status quo ante* the overthrow of the old Egyptian dominion over the Sudan—that dominion, at once weak and tyrannical, which never brought any good to the Sudan and ended in ignominious collapse. One may reasonably

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doubt whether, if the Egyptians again attempted to govern the Sudan, the result would not be the same. In any case it would be well to wait till they have proved their capacity to make a good job of the administration of their own country, which so far they have not shown much disposition to set about. For their failure in the Sudan now would entail far more serious consequences than their former failure. In those old days the Sudan was just a savage country, inhabited by warring tribes of diverse races, which civilisation had not begun to reach. There was nothing much for misgovernment to destroy. But the modern Sudan, as it has been shaped by more than twenty years of British administration, is something very different. Its people are settling down to an ordered life, and there is security for men to reap that which they have sown. Industries, especially the important industry of cotton-growing, have sprung up and are being vigorously developed. Capital is being attracted to the country—indeed a good deal of capital, mostly British, over and above the thirteen millions guaranteed by the British Government, is already invested there. Trade is increasing and there is a general growth of prosperity. In one word, civilisation has struck root in the Sudan. But it is still a tender plant, needing for a long time yet to be carefully tended. To hand over the government of the Sudan at this stage to inexperienced hands of very doubtful capacity would be an act of criminal folly.

Fortunately there is no likelihood that any British Government will commit itself to so rash an experiment. In the speech already referred to Mr. Lloyd George said, speaking of the Sudan, “His Majesty’s Government will never allow the progress which has been already made, and the greater promise of future years, to be jeopardised.” And the recent declarations of the present Ministry have been at least equally emphatic. A time will no doubt come when in the Sudan, as elsewhere, with the spread of education and the growth of a native educated class, there

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will be a demand for a greater measure of self-government which it may be right to concede. The day is indeed still distant when any part of the Sudan can safely be entrusted to unaided native administration. But if and when that day comes, it would be in accordance with the traditional policy of this country to favour the extension of native authority. The gradual transference of the administration of the Sudan to Sudanese hands is indeed the natural line of development. What would be unnatural and retrograde, and what Great Britain cannot permit, is that the administration of the Sudan, in its present state of political infancy, should cease to be British and should become Egyptian.

On the other hand it is beyond question that Egypt has rights and interests in the Sudan which we are bound to respect. Her rights may indeed be said to be of our own creation. It would have been possible for Great Britain after the reconquest of the Sudan, which could never have been effected without British assistance, to annex that country to the British Empire. Egypt, then still completely under British control, would have had no choice but to acquiesce, and Egyptians generally would certainly at that time have regarded the matter with indifference. But the British Government, acting upon the advice of Lord Cromer, took a more generous and no doubt more equitable view, and decided to recreate a political nexus between Egypt and the Sudan, while providing against the possibility of the latter country falling again under Egyptian domination.

There were in fact some good reasons, apart from any claims on the part of Egypt based on former ownership and participation in the war of reconquest, for not effecting a complete separation between her and the Sudan. For the two countries, though inhabited by totally distinct races, between whom there is little sympathy, are, geographically, linked very closely together. There is no clear physical boundary between them. The same great river flows through the heart of the Sudan, as it does through that of Egypt, and while vital to the very existence of the latter

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country, is also the only source of fertility for large tracts of the former, and is the chief artery of communication between them both. The natural, though not the only outlet for the trade of the Sudan is through Egypt, and on the other hand Egypt is very open to attack from the Sudan and could never feel safe, if that country was wholly alienated from and possibly hostile to her. The case for maintaining some sort of political connection between Egypt and the Sudan, as long as it did not involve the subjection of the one to the other, was thus extremely strong.

And to these arguments, which are as valid to-day as at the time when the condominium was established, there are other considerations to be added. For if Great Britain may justly claim the chief credit for the wonderful progress of the Sudan since its reconquest, it must not be forgotten that Egypt also has made a substantial contribution to it. Under British direction many Egyptians have been employed in the Civil Service. The Egyptian army, commanded certainly by British officers, has furnished the bulk of the garrison. Lastly, and this is the most important point of all, Egypt has assisted the Sudan financially, not only by paying for the troops she has kept there, but by making good a long succession of deficits in the budget of the civil administration. For though, owing to good financial management and the growing wealth of the country, those deficits have steadily diminished, it is only in quite recent years that the civil budget has been balanced and now shows a surplus.* The Sudan is thus heavily in debt to Egypt. For though it would be unfair to debit the Sudan with the whole of

* The following figures (in round thousands) illustrate the steady improvement in the finances of the Sudan.

	Expenditure.	Revenue.
	£	£
1899 (the first year after the conquest) ..	230,000	126,000
1909	1,153,000	1,042,000
1919	2,720,000	2,992,000
1923	3,392,000	3,766,000
		675

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this Egyptian expenditure, since Egypt herself has derived great benefit from it in security and in the increase of her trade, yet no reasonable allowance for this set-off can be made which does not leave a large amount to the credit of Egypt.

There is one further consideration of the first moment which must not be omitted in this summary of the rights and interests of Egypt in the Sudan. The greatest of those interests is the retention of a fair share of the water of the Nile. A passage in the Report of the Milner Mission which visited Egypt in 1920-21 sums up the position.

The Nile (says this Report), upon which the very existence of Egypt depends, flows for hundreds of miles through the Sudan and it is vital to Egypt to prevent any such diversion of water from the Nile as might diminish her present cultivable area or preclude the reclamation of that portion of her soil, some 2,000,000 acres in extent, which is capable of being brought under cultivation, when by means of storage the present supply of water available for irrigation has been increased. Hitherto the amount of water drawn from the Nile in its passage through the Sudan has been of negligible amount, but as the population of the Sudan increases that country will require more water for its own development and a conflict of interest between it and Egypt might arise.

This matter is evidently one in the settlement of which Egypt has every claim to be generously treated.

Bearing all these considerations in mind, it is possible to indicate the policy which, in justice both to Egypt and the Sudan, Great Britain is bound to pursue. "The Sudan," to quote again from the Report just referred to, is "a country entirely distinct from Egypt in its character and constitution," and is clearly entitled to an independent existence. Under British administration, steadily directed to the increase of its material resources and to fitting its people for an ever-increasing measure of self-government built upon the development of local institutions, the Sudan has already made great strides in the right direction. This healthy progress we cannot allow to be interrupted, not to say destroyed, as it would certainly be, if the control

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of the administration were now to be transferred from British to Egyptian hands. But while firmly resisting the claim of Egypt to take over the government of the Sudan, we must be careful to respect her legitimate position in regard to that country.

And, if the problem could be approached in a spirit of mutual goodwill and accommodation, there would in fact be no difficulty in reconciling these different interests. The Anglo-Egyptian Convention of 1899, the "constitutional charter" of the Sudan, as Lord Cromer called it, under which that country has made such remarkable progress, does not need to be altered. On the contrary, it ought to be firmly adhered to. But while the legal position requires no modification, the great change which has come over the relations of Great Britain and Egypt since 1922 does call for some changes, not inconsistent with the terms of the Convention, in the actual administration of the Sudan, if constant friction is to be avoided. While Egypt and the Sudan were equally under British control, the existence of a single authority over both countries made it possible, as a matter of convenience, to appoint the Commander-in-Chief of the Egyptian Army to be Governor-General of the Sudan, and to rely for the defence of the Sudan mainly on the Egyptian Army. But with an independent Egypt these arrangements are evidently destined to come to an end. For Egypt will certainly claim that the Commander-in-Chief of her army (the "Sirdar") should in future be an Egyptian, while it is essential that the Governor-General of the Sudan should be a Briton. And again it is as inequitable as it is undesirable that the defence of the Sudan should continue to be a burden borne mainly by Egypt. The time has long passed when an army of more than 10,000 men, costing nearly two millions a year, or indeed a regular army at all, is required for the maintenance of order. A much smaller force, rather in the nature of a constabulary, recruited in the Sudan, with a few British officers, would serve every

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necessary purpose, and would be at once much less expensive and under existing conditions much more serviceable than the present army. The numbers of such a force need not exceed five or six thousand men, and it would cost little more than half a million a year. This additional expenditure the Sudan will soon be well able to bear, and in the meantime any deficit which it might cause in the budget of the Sudan ought clearly to be defrayed, or at any rate advanced, by Great Britain. And lest it should be thought that this change, so desirable alike in the interests of economy and of sound administration, was designed to detract from the rights of Egypt under the condominium, it would be quite reasonable that, if the Egyptian Government desired it, a small detachment of the Egyptian Army should continue to be stationed in the Sudan to "show the flag." The British and Egyptian flags have flown side by side over the Sudan since its reconquest, and they would still continue to do so.

The withdrawal of the Egyptian Army, or the great bulk of it, from the Sudan would be a relief to Egypt, but it is not the only financial relief to which she is entitled. Sooner or later there would in any case have had to be a settlement of accounts between the two countries, and the present occasion seems to be an appropriate time for making it. The subject is indeed a thorny one, for it may not be easy to agree upon the figure at which the debt of the Sudan to Egypt should be fixed. It all depends on the answer given to one question—what proportion of the money spent by Egypt upon the Sudan should be regarded as having been spent for the benefit of Egypt herself? It would no doubt be possible to argue that it had all been so spent, for undoubtedly the advantages which Egypt has derived from the pacification and development of the Sudan have been worth all the millions that she has contributed to them. But even if this contention could be successfully maintained, it would be a great mistake in policy to put the claim for relief on the part of the Sudan so high, especially

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in view of the resistance which must be offered to extravagant Egyptian pretensions in other respects. This is a point on which Great Britain, while holding a brief for the Sudan, should be ready to agree to a compromise very favourable to Egypt, and, if Egypt would not accept even such a compromise, to leave the fair amount to be decided by some impartial arbitrator, provided that a reasonable number of years were allowed for payment of the debt.

And the same principle might be adopted with regard to the still more vital question of the waters of the Nile. On this subject the Milner Mission proposed that a permanent Commission, composed of three experts of the highest authority, should be set up, to settle all questions affecting the regulation of the river and to ensure the fair distribution of the water. To the appointment of such a Commission it would be difficult to raise any valid objection, and so far none has been raised. What certainly would, under present circumstances, be objected to is the further suggestion of the Mission that the three members of the Commission should be "representatives of all the countries affected—Egypt, the Sudan and Uganda." For, apart from the question whether Uganda really has any interest in the matter at all comparable to that of the two other countries, the Egyptians would be sure to say that, as the appointment of the representatives of Uganda and the Sudan would virtually rest with the British Government, the Commission would in fact be composed of two British members and one Egyptian. It is true that Egypt would really run no risk if the composition of the Commission was predominantly British. For the questions with which it would have to deal are purely technical, not political. Moreover, Great Britain, with her increasing dependence upon Egyptian cotton, would have every interest in seeing that Egypt's needs in the matter of water were amply supplied. No doubt Lancashire wants more cotton of the fine Egyptian quality, and for that reason is very anxious to see the cultivation of cotton of a similar quality developed

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in the Sudan. But not at the expense of Egypt. For there would be no advantage in obtaining more cotton from the Sudan if it meant getting so much less from Egypt. What is needed is an increase of the total supply.

But these arguments, sound though they be, are not likely to have much weight with the Egyptians in their present frame of mind. They are suspicious of our intentions. They are really in no danger, but they think they are, and it is important that they should not only be safe, but feel safe. Thus it is necessary that the impartiality of the Commission should be placed beyond the reach of doubt. And this could be done if the Commission consisted of a member appointed by the Egyptian Government, another appointed by the British Government on behalf of the Sudan, and a third appointed by some wholly disinterested party, such as the United States. Such a body should, of course, have no executive power, or right to interfere with the administration of either country. Its function should simply be to examine and report upon all new projects of any magnitude affecting the distribution of the Nile water. And the treaty or agreement creating the Commission should provide that no such project might be carried out if it threatened detriment to irrigated or irrigable Egyptian soil—thus recognising the prior right of Egypt to all the water that she can use.

Such are the general lines of a settlement, the most favourable to Egypt that Great Britain could propose, consistently with her duty of safeguarding the development of the Sudan. But is it a settlement, which Egypt, in her present mood, is likely to accept? That, to say the least, is doubtful. And if Egypt does not accept it, what then is to be done? To this question there would appear to be only one answer. When the British Government recognised the independence of Egypt, it declared, as we have seen, that certain points must be reserved for subsequent settlement, and that, until an agreement between Great Britain and Egypt had been reached with regard to them,

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“the *status quo* would remain intact.” But in the case of the Sudan the *status quo* is, in the absence of such an agreement, totally unworkable. How can the British authorities in the Sudan carry on the administration, relying to a great extent upon Egyptian troops and Egyptian officials, if Great Britain and Egypt remain at loggerheads? Sooner or later, and the sooner the better, an end must be put to so intolerable a situation, which is simply inviting trouble. If the Egyptians persist in their claim to the sole ownership of the Sudan, which is in itself a repudiation of the Convention of 1899, Great Britain will have no option but to recognise that the partnership established by that Convention has in fact been broken and to take of her own authority whatever steps are necessary to ensure the good government of the Sudan, without further reference to Egypt.

And, first and foremost, the Egyptian Army will have to be completely withdrawn from the country, though some of its component parts may be retained as a Sudanese Defence Force. This change would not be as difficult to effect as it might appear at first sight, for it must be remembered that most of the regiments of that army stationed in the Sudan are composed of Sudanese and commanded by British and Sudanese officers. Moreover, in the last resort Great Britain always has the power, as she would in this case have the right, to bring effective pressure to bear on the Government of Egypt. And if it be objected that our taking the law into our own hands with regard to the Sudan must make the settlement of other questions still at issue between us and the Egyptians more difficult, the answer is that in all probability it would have precisely the opposite effect. The Egyptians have not unnaturally had their heads turned by the suddenness with which we abandoned the Protectorate. Looking back upon the course of British policy since the War, they have good excuse for thinking that Great Britain will concede anything to persistent

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clamour. It will make it easier and not harder for us to come to terms with them in future if they learn that Great Britain is as capable of resisting preposterous demands as she is ready to yield to demands which she deems just. When claiming the independence of their own country the Egyptians seemed to us to have a good case. In claiming the possession of the Sudan they have obviously no case whatever. To such a claim we ought to oppose an uncompromising refusal. The Sudan is a test case. Our manner of dealing with it will decide much more than the fate of the Sudan. For this is not the only direction in which we are being pressed to give to subject or weaker races what, for their sake as well as our own, we have no right to give. We have shown over and over again that we can be generous in concession. But we must not allow generosity to degenerate into weakness. Unless we can harden our hearts and turn a deaf ear to demands which, however persistent, are clearly unreasonable, we shall lose our Empire and shall have deserved to lose it.

THE LONDON CONFERENCES

THREE months ago all that could be said of the European situation was that it was ripe for development. The report of the Dawes Committee had diverted attention from the political to the practical economic aspects of the reparations controversy. General elections in France and in Germany had revealed important changes in the state of feeling of the French and German peoples. Formal British recognition of the Russian Government had been followed by negotiations in London with the Soviet delegates, and on the result of these discussions hung the possibility of resuming normal political and commercial intercourse with Russia.

Since June much progress has been made, and almost for the first time in five years it seems reasonable to expect some alleviation of the plagues which have tormented Europe. It is true, indeed, that the one settlement which at the time of writing has actually been achieved was only possible because the parties to it shared the desire to hide their failure behind a veil of agreement. The remarkable circumstances in which the Russian Treaties were concluded have tended to obscure the more important issues now being determined at the London Conference between the Allies and Germany. That Conference has a fair prospect of leading to an agreement, partial and temporary perhaps, but yet an agreement on an honourable and rational basis; and even if the Conference should fail, it will have faced the realities of the problem.* Even failure in those conditions would in the end be worth more to Europe than the shallow illusion of success in which the Russian negotiations have ended.

* See the note at the end of the article.

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I. THE RUSSIAN TREATIES

THE Russian Treaties have given rise to some curious divisions of opinion, having, for instance, been held to ridicule by the *New Statesman* and warmly applauded by the *Observer*, attacked by Mr. Lloyd George but blessed by most of the organs of his party. To some extent this may be accounted for by the obscurity of many of the provisions and by Mr. Ponsonby's failure to explain them. Not the least puzzling of the questions suggested by a perusal of the Treaties is the position of the Dominions in relation to them. The Treaties are concluded between Great Britain and Northern Ireland on the one hand and the Union of Soviet Socialist Republics on the other. The Crown is eliminated, and the unfamiliar term which replaces it certainly does not cover the Dominions. The Commercial Treaty indeed contains a provision permitting any Dominion to adhere to it, but no similar clause is included in the General Treaty. Is a British subject resident in the Dominions entitled to claim under the Treaty as a Russian bondholder, or is he left in the outer darkness of repudiation like mere Frenchmen or Italians? It is to be hoped that the Dominions themselves, who do not appear to have been consulted, will elicit an answer to such conundrums as this.

In the criticisms that follow there is no wish to belittle the endeavours of the Government to restore normal relations between the Russian and the British peoples. That is in itself a desirable object, and it is one which THE ROUND TABLE has consistently held in view. Some of the political clauses of the present proposals appear to mark definite progress beyond the point reached in previous negotiations with the Soviets, and so far as it can be shown that a break in the discussions would have jeopardised political relations, it is possible to sympathise with the

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Prime Minister's anxiety to keep the Conference alive. But there are certain broad reasons for thinking that the economic provisions of these Treaties are contrary to British interests, and that even if they are ratified they are unlikely to restore fruitful commercial relations between Great Britain and Russia.

The crux of the whole arrangement is contained in Chapter III. of the General Treaty, a chapter which is entitled *Claims and Loan* and is expressed as constituting a "single and indivisible unit." Under that chapter the Soviet Government agrees, "by way of exception" to its decrees repudiating the debts of its predecessors or nationalising private property, to satisfy the claims of British bondholders (provided they have not acquired their holdings from foreigners in the last three years) to pay the British Government a lump sum as compensation to British subjects for loss or injury incurred in Russia since the outbreak of war, and to compensate British owners of businesses or concessions in Russia nationalised under Soviet law. The scale and the terms of all these settlements are to be the subject of negotiation with the parties concerned or to be determined by mixed Commissions, but a settlement accepted by half the bondholders will be accepted by the British Government. The result of the further negotiations with these three classes of claimants is to be embodied in a further Treaty, which will only take effect after the British Government has obtained the authority of Parliament to guarantee the principal and interest of a Russian loan of an amount still to be fixed. In other words, the compensation of British claimants is conditional on the money being raised in Great Britain under a British Government guarantee.

To such a bargain there are in our view fundamental objections. Why is a British guarantee required? Because the credit of the Russian Government is worthless. It has not only defaulted on its obligations, it has repudiated them; and it is unwilling to offer security that any future

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liabilities it may enter into will not be similarly repudiated. Partial and conditional "exceptions" to general decrees of repudiation do not constitute a reversal of policy such as investors claim. By guaranteeing a Russian loan, the British Government can no doubt ensure within limits that the money is raised : but they are powerless thereby to restore Russian credit. No one can do that but the Russians themselves, and then only by conforming to the accepted standards of honest dealing between debtor and creditor. As it is with credit, so with trade. Commercial treaties and most-favoured-nation clauses are not the essentials. As long as the Russian Government retains the monopoly of foreign trade in its own hands, there is little chance of trade extending beyond barter at the ports. Any foreigner who enters Russia in order to develop trade with the outside world finds that in every petty commercial dispute his adversary is the Soviet and the Courts are its organs. Who would venture his liberty and his capital in such conditions, even if the reputation of the Government with which he were dealing were as exemplary as in fact it is deplorable ? It may be said that we are claiming the right to interfere in Russian internal affairs. Far from it. Russia is at liberty to make whatever arrangements its Government pleases ; but if it wishes to re-enter the world of international trade, then like every other nation it must accept the world's standards and any alterations in Russian internal arrangements which they necessitate.

By offering to guarantee a Russian loan the British Government has helped to obscure the real causes of the collapse of Russian credit, and it has lent the great weight of its authority to condone for the first time the repudiation by a foreign Government of its obligations. Russia is not the first State to default on or even to repudiate its debt. The one weapon which the investor and those responsible for issuing foreign loans can command against a debtor who repudiates his liability is the withholding of further credit until outstanding obligations are unconditionally

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recognised. The proposed guaranteed loan to Russia can only compromise the preeminent position of British finance in the international market. The estrangement of the already irreconcilable extremists in the Labour party would not have been too high a price to pay for the failure of the Russian Treaty in its present form. It is true that the loan may never be made. As the Soviet representatives have failed after months of negotiation to come to terms with the bondholders and the other claimants, they may not even now succeed. Or Parliament may refuse to ratify the Treaties. These possibilities merely aggravate the folly of the provisional agreement, since it will be open to the Soviet to represent Great Britain as having made a settlement only to go back on it. In that event normal relations will be further off than ever.

II. REPARATIONS

IT is profitable to turn from Russia to the problems with which the representatives of the Allies and of Germany are now engaged in their discussions in London. Could Germany be relied on to build her future existence on the foundations of the Dawes report ? Was French opinion ready to accept the report with all its implications ? These were the uncertainties three months ago, and if all doubts are not yet resolved, the real significance of the decision has been made clear to both sides in the discussions which have culminated in the London Conference. It may be well briefly to summarise the course they have taken.

As soon as it was known that M. Herriot was to succeed M. Poincaré, the Prime Minister took steps to develop personal relations and an atmosphere of cordiality. On a Sunday at Chequers Mr. MacDonald and M. Herriot examined the question of putting the Dawes scheme into operation, as they thought, from every point of view and arrived, or so they believed, at complete agreement.

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They decided to summon an Inter-Allied Conference on the subject to meet in London on July 16. M. Herriot spoke to the journalists rather more freely about the Chequers meeting than he seems to have realised at the time, and from this indiscretion his troubles began. They at once became acute when a British Foreign Office memorandum containing suggestions for the agenda fell into the hands of M. Poincaré and his alert and powerful minority. It was made to appear that M. Herriot at Chequers had agreed to a profane inroad on the Treaty of Versailles and the powers of the Reparations Commission, inasmuch as the declaration of wilful default by Germany in the execution of the Dawes scheme was to be made not by the Commission, but by the Financial Committee of the League of Nations. M. Herriot was at once on the brink of defeat in his own Parliament and the Conference in danger of being wrecked before it met. Mr. MacDonald crossed hurriedly to Paris, and to save the situation agreed to withdraw his suggestion and to leave the Conference itself to determine what checks there should be on the action of the Reparations Commission. All this was unfortunate because it tended to weaken the British position and to shake the confidence of M. Herriot.

When the Conference met, it was soon compelled to come to grips with the fundamental difficulties. Its work fell naturally enough into three parts, which were referred to three Committees—the first dealing with the financial arrangements for the preliminary loan of £40 millions to Germany and the declaration of eventual default, the second with the method of replacing the present Franco-Belgian economic arrangements in the Ruhr and Rhineland by the Dawes system, the third with the complicated questions connected with the transfer in cash or kind to the creditors of Germany of the payments made under the Dawes scheme in gold marks. The First Committee devised a formula, in regard to the declara-

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tion and the consequences of default, which was intended to protect the Reparations Commission and the rights of any signatory under the Treaty of Versailles while offering certain safeguards to the subscribers of the new German loan against a repetition of such precipitate action as was taken by France in January, 1923. The formula was published in Paris before it had been discussed with the British and American bankers responsible for securing the underwriting of the loan. They at once pronounced the proposed safeguards inadequate. They pointed out that the flotation of the loan would in any event be difficult and would become impracticable if the security offered were in any way open to suspicion. The Reparations Commission had lived and worked in an atmosphere of intrigue, and without any reflection on its members its ability to act as an impartial tribunal was hopelessly discredited. Moreover, France did not propose to withdraw her troops from the Ruhr and explicitly maintained her rights under the Treaty of Versailles, *i.e.* the right claimed in 1923, in defiance of the British interpretation of the Treaty, to take separate action in the event of default. Were these facts calculated to allay suspicion of separate action by France in the future; and if such action was taken, did not the history of the last eighteen months suggest that the security for the new loan would become worthless? The military occupation of the Ruhr and the policy which it represents, carefully excluded from the purview of the Conference, were in this indirect manner brought in for the first time as the critical factor. They were also obstructing the work of the Second Committee, in which the method of the economic evacuation of the Ruhr was agreed except for the French claim to retain several thousand French and Belgian railwaymen on the German railways for the protection of their troops. Meanwhile, the Third Committee was endeavouring in the questions of transfers to make such arrangements as would minimise the risk of future disputes.

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The French delegates, after mature consideration, brought forward a new and extremely elaborate proposal in regard to default. Their object was to restore confidence in their future intentions without in terms withdrawing their claim to take separate action in the last resort. They proposed that, when the question of declaring German default was being considered by the Reparations Commission, an American citizen should join the Commission, with the same rights as its ordinary members. If the Commission were not unanimous, any member might appeal to a standing arbitral tribunal, appointed for five years, of three impartial and independent persons. Each Government would undertake not to take sanctions against Germany for default until such default had been established under this procedure, but in that event all the Governments concerned would "confer at once on the nature of the sanctions to be applied and on the method of their rapid and effective application." All existing rights under the Treaty of Versailles would be reserved. This French proposal for arbitration was linked up with a demand for a similar arbitral procedure in the event of a disagreement on the Transfer Committee, which will sit in Berlin and regulate all transfers on reparations account to the creditor nations, as to the existence of "concerted financial manœuvres" by Germany to obstruct transfers. As such manœuvres, if organised or supported by the German Government, would be tantamount to wilful default, the connection of ideas is apparent. Similarly, the French asked for arbitration in the event of supposed hostile discrimination which might, e.g., prevent them obtaining German coke on commercial terms for the steel-works of Lorraine after compulsory deliveries had ceased.

The Conference had here reached a stage at which further progress was likely to be facilitated by the presence of German representatives. The Allies agreed, therefore, to the French formula, and invited the Germans. They

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came, free to raise objections to any particular proposal or to suggest conditions, and with no obligation except to co-operate loyally in bringing the Dawes report into operation. They were negotiating as equal members in a Conference in which the Allies had come to a preliminary agreement, but an agreement capable of modification and subject, indeed, as regards the final French proposal for declaring default, to the scrutiny and approval of the bankers responsible for the loan. To have reached this point was a notable achievement and demanded something more than an accommodating spirit in the negotiators. The general sense of the risks of failure has been much more evident than at any previous Conference.

Dr. Marx, Herr Stresemann and their colleagues have come to London knowing far more clearly than for months past where they stand at home. They know that a substantial majority of the German people is willing to accept the Dawes report as the only practicable refuge from catastrophe. They have called the Nationalist bluff, and they know that the Nationalist party dare not, in the present state of German feeling, take the responsibility of throwing out the Dawes scheme. But they know, too, that the implied authority given to them to sign is not unconditional. It contemplates signature after negotiation, not in such circumstances as Versailles, or London in May, 1921. Moreover, the Dawes report means the report undiluted, as a whole with all its conditions, expressed and implied. Above all, German opinion insists on the military evacuation of the Ruhr, not only because the occupation makes economic evacuation unreal and must inevitably cause friction, but as a recognition of the claims of German sovereignty. With this background Dr. Marx was bound at once to raise the question of the Ruhr, and it is extremely doubtful whether he or anyone else could carry the Dawes scheme through the Reichstag unless he had received an assurance of the complete evacuation of the Ruhr at an early date.

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As at so many previous meetings, the result of the Conference is seen to depend upon France. It would appear to the outside, and therefore perhaps to the prejudiced, observer that M. Herriot has everything to gain by a courageous decision which will give him a settlement. It is true that his present Parliamentary majority is small and unstable, and that his opponents, with M. Poincaré at their head, are eager to raise the cry that France has been betrayed. But there are many signs that the real mind of France is bent on an agreement; *vive la paix* in the streets of Paris has a welcome and significant sound; and the sensitiveness of the franc to every rumour, favourable or adverse, from the Conference is a powerful argument in defence of a bold policy. If he takes back peace, much will be forgiven to M. Herriot by his own people; to return empty-handed means certain disaster.

If an agreement can be reached for the early evacuation of the Ruhr, the success of the Conference seems assured. For evacuation would go far to allay the doubts of the bankers as to security, and it would dispose of such suggestions as the retention of a nucleus of French and Belgian railwaymen in Germany. Many awkward problems raised at this Conference or likely to arise in the near future could be settled by an extension of the principle of arbitration which has already been so widely introduced at the instance of the French. An agreement, for instance, is not inconceivable for the reference to arbitration of such matters of interpretation in the Versailles Treaty as the date on which the fifteen years of military occupation in the Rhineland begin to run, or the right claimed by France to take separate action after German default (arbitration in this case only to apply if the right were ever claimed again).

On the most favourable interpretation of the prospects of this Conference, what does it mean to Europe? Is it the end of the reparations controversy and the beginning of an epoch in which wealth will be transferred year by

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year from Germany for the benefit of the creditor nations, without financial or economic disturbance and with the regularity of a pleasing routine? Does it mean peace at last and a trade revival? What obligations does it impose on the British Commonwealth?

The Prime Minister said recently in the House of Commons that the only point on which he had ever felt any certainty in regard to reparations was that "many people would be disappointed." Three years ago THE ROUND TABLE,* in its comments on an earlier London Conference, used these words:

Is it conceivable that for half a century or more the threat of occupying the Ruhr will be periodically invoked in order to compel a population of over sixty millions, which will every year *ex hypothesi* become more highly industrialised and productive of greater wealth, to continue to pay this tribute?

The menace of occupation may have disappeared, but the argument is not invalidated. For the Dawes scheme presupposes forms of foreign supervision, and if necessary of foreign interference, over the whole range of German financial and industrial activity which it is difficult to believe can be permanently maintained with the willing consent of a great nation, or without that consent by the hidden threat of a still more unpleasant alternative. The present Conference has left untouched the question of the total German debt, but sooner or later that question is certain to be revived.

Moreover, the authors of the Dawes scheme have not themselves claimed for it that in the long run it will work. They have put forward their proposals as the only rational method of attempting to obtain reparation payments on a large scale, but the method introduces features that are frankly experimental. The most important of these is the organisation of the Transfer Committee. It remains to be seen whether such sums as the equivalent of £125 millions a year can in fact be transferred in any form to

* THE ROUND TABLE, No. 43, June 1921, p. 601.

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the creditors of Germany, and if not, what will be the effect of a foreign organisation established in Berlin with funds up to the equivalent of £250 millions at its disposal for investment in Germany. The real merit of the Dawes scheme is that it gives Europe a breathing space, possibly of several years' duration. In that time passions may have abated and the pressure of financial problems be relaxed. In a changed atmosphere political feuds may become susceptible to mediation and the nations of Europe ripe for a settlement in the true sense. The very real problem of French security survives the London Conference. How can a nation of thirty millions sleep at nights when an ancient enemy of twice the population is on its frontier? The problem is not insoluble, but in the end it will certainly wreck the Dawes scheme unless in the impending interval of experimental inactivity a solution is found by the two nations directly concerned.

Success breeds success, and in addition to delay the putting into operation of the Dawes scheme may be expected to give that confidence to the statesmen and the nations of Europe which is essential to the issue of further negotiations. For the same reason the restoration of Germany will tend to increase the volume of world trade, but whether the indirect advantages of that result in the case of Great Britain will outweigh the effect of a revival of German competition is perhaps still in doubt. Certainly there is no warrant for the alarming forecasts of some critics of the Dawes scheme, who have maintained that we are in danger of being driven from the markets of the world.

The obligations placed on the British Empire by a settlement on the lines proposed are less serious than they might have been if some of the earlier Conferences, for instance that at Cannes, had been effective. But they are not negligible. By far the most important is the undertaking expected of the "signatory Governments" to consult together as to sanctions against Germany after a declaration of wilful default. The elaborate procedure to be followed

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before such a declaration can be obtained makes it unlikely that default could be established and sanctions called for in such an event as the failure of the Dawes scheme in one of its experimental features. But it is well to point out that wilful default, in a form not open to dispute, may conceivably occur at some future date, and that if it does occur, the British Empire may have to choose between taking part in sanctions or breaking a moral engagement. That choice the United States, not being a signatory,* would be spared, and indeed the British Empire would be committed to act as a more jealous trustee for the American investor in the new loan than the American Government itself. However remote the risk, that is a very serious position.

POSTSCRIPT.

As we go to press, the news comes that agreement has been reached by the International Conference on the Dawes report. The delegates have so far only affixed their initials, but they are to meet on August 30 to sign in full. This is, it is understood, to give M. Herriot and Herr Marx time to get their Parliaments' sanction, which is required for the final step. As regards the Ruhr, the Germans have now acquiesced in the military evacuation taking place within a year. The French and the Belgians have, on their side, agreed to remove their troops on the morrow of the final signature of the agreement from the Dortmund-Hörde zone in the East Ruhr, and from the territories outside the Ruhr occupied after January 11, 1923.

* There is no reason to expect that the United States will sign any agreement made at the London Conference. The document relating to sanctions uses in fact in another paragraph the term "Allied Powers" as synonymous with "signatory Governments," and the former term certainly excludes America.

LABOUR AND CAPITAL

IN an earlier article entitled "Socialism and Unemployment" an attempt was made to analyse the fundamental economic doctrine upon which Socialism rests, and to prove that the Marxian belief that the capitalist is necessarily an exploiter, and that the road of progress is the substitution of the public ownership of production and exchange for competitive individualism, is the principal impediment in the way of the realisation of the ideals of better and ampler living for the working majority of the nation, for which the Labour movement stands. In this article it is proposed to discuss, from a constructive point of view, the road whereby the admitted evils of the present order may be removed.

No attempt, however, will be made to go over the familiar antithesis between the points of view of employers and employed. The world has heard *ad nauseam* of the greedy and ruthless and profiteering capitalist; of rings, national and international, to depress wages, raise prices, or prevent competition; of the autocracy of the employers and the wage slavery of the employed. It has heard hardly less of labour's conspiracies to get more while giving less; of its ca'canny, limitation of output and other obstacles to efficient production; of trade union tyranny and mismanagement; and of refusals to dilute labour or increase output even where both were urgently needed in the national interest.

There is no use in repeating the battle cries of the two sides in the great war which has been going on between capital and labour for the last twenty or thirty years. The fact that the battle cries still continue, but that they have

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led to no solution, is a proof that there is something wrong with the standard diagnosis of our troubles from both the capital and the labour point of view. It is the object of this article to try and get away from these ancient antitheses and consider the problem from a somewhat different angle—from the point of view that neither side is the sole villain of the piece, and that it is a failure to diagnose the causes of industrial disease aright, rather than any *malice prepense*, that results in present-day troubles.

I. WHAT IS PROFITEERING?

THE principal accusation which is brought against the individualist system by that large mass of opinion which is Labourite but which rejects the Marxian doctrines of hatred and class war is that it results in injustice and oppression because the mainspring behind it is the motive not of service but of profit. There is certainly much force in this criticism. The most paralysing and estranging element in all industry to-day is the suspicion that every demand for improved processes, increased output, or reduced wages, or piece work rates is designed not to benefit the consumer or the worker, but to swell the profits of some distant person who owns and controls the business, loosely known as the capitalist. To adopt a classic phrase, what labour resents is not work, but being worked for somebody else's profit.

It is all important, however, to analyse exactly what this criticism applies to. Is it, in reality, a criticism of the individualist economic system, or of the way in which it is worked?

In the earlier article we saw that the great merit of capitalism was that the individual can only survive in so far as he can produce what the consumer will voluntarily buy. From the point of view of the community, therefore, capitalism exists by service. It is against the employer alone that the

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charge of profiteering is made. But even so, is the motive behind the employer profit making rather than service? It certainly may be and often is. But is it necessarily so? In order that an enterprise, whether it be a tramway, a coal mine, or a manufacturing business, may begin to supply the commodities which the community needs it must do four things: it must pay the wages necessary to attract labour; it must pay the salaries necessary to attract organising ability; it must pay the interest necessary to attract capital; it must offer the prospect of reward necessary to induce the owners of capital to take the risk of loss inevitably incidental to the initiation of enterprise. All these returns in themselves are legitimate returns for service rendered, and if business set out to secure these rewards and these only, there would be no profiteering in it. Profiteering is not the motive behind business so conducted; service is the motive behind it, service of the community, the worker, the organiser and the investor.

Where profiteering enters in is when those who have control begin to take too much for themselves, either by depriving the other elements of their legitimate share, or by charging excessive prices, under some monopoly system, to the public. And that is the real difficulty to-day. Just because the initiative in business is usually taken by one class only—those broadly known as capitalists—capital tends too often to look after its own interests first and to take too much as compared with the consumer or the other parties to industry, in other words, to profiteer. That is to say, economic government, just as political government used to be, is being worked too much in the interest of the governing class. But that is no criticism of the system itself, any more than the misdeeds of the Stuart kings was a criticism of government in itself. The true line of reform, as we shall see, in industry as in politics, is not to hate and destroy the rulers, but for the other parties to industry to learn to discharge the functions of the ruling class for themselves.

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There is really a confusion of thought in the antithesis between profit and service as a motive in industry. The truth is that everybody works too much for self and too little for service. The majority of mankind do not yet accept the Golden Rule as the practical good advice which it is. They go into business, whether as capitalists, organisers, or workers, only for what they can get and lose sight of what they ought to give. If service, and not selfishness alone, were really the motive of everybody in their economic activities; if every employer thought of how he could give the best possible product to the public and the best wages and conditions to his employees, as well as a legitimate return to capital and management; and if every worker thought of how he could give the best day's work in return for a proper wage, half of the present difficulties of the industrial world would instantly disappear. Service in place of selfishness is certainly one of the keys to the cure of modern industrial ills, but it is a cure which must be applied not by one class alone, but by all.

Assuming, therefore, that the individualist system is not a system by which "man necessarily exploits man," where are the defects in its working which have brought about the world-wide discontent which is so obvious to-day, and what is their cure?

The problem will be considered under three heads. First, the difficulties which have arisen from the transition from a village to a national, and from a national to an international system of production. Second, the questions which spring from the present day distribution of the ownership of capital. Third, the issues which arise between employer and employed. There is a fourth great problem, that which arises from monopoly in all its protean shapes, which there is not space to consider in this article.

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II. INTERNATIONAL MALADJUSTMENT

PROBABLY the biggest single cause of industrial unrest to-day is the immense change which has come about in the economic system of the world in the last century. It is difficult to realise how entirely new is the economic era in which we live, and how far-reaching are its effects on our daily lives. We are familiar with the social diseases induced in Great Britain by the industrial revolution. We do not always realise that the forces which produced the distress and suffering in Britain in the nineteenth century are now operating in exactly the same way on a world-wide scale.

In early times the vast majority of the population of the earth lived in self-contained villages, either tilling the soil or engaged in those simple village trades which served the agriculturist's needs. When Nature smiled there was plenty for all. When she was unkind famine and death ensued. At times population increased beyond the limits which the land could support. Then there was want until migration or war or disease relieved the tension. But the essential characteristic of these times was that every district had to provide for itself, the sub-division of work was small and simple, and it was the vagaries of Nature rather than human defects which were the principal cause of difficulty or disaster.

Modern industrialism has entirely changed the problem. In the Western world practically no community is self-supporting in the sense in which the old villages were self-supporting. To-day, everybody is performing some minute fraction of a vast process of international production. This process has largely eliminated famine and the power of Nature to destroy by starvation, but it has made every individual and every community an almost helpless unit in a system of international production and

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exchange of which they can see neither the beginning nor the end. Agriculturists specialise on single crops such as wheat, or single products such as milk, butter or cheese. Artisans and employers specialise in a single stage of a manufacturing process, using raw material bought from the agents of producers at one end of the earth, and selling their product to agents who sell it at the other end of the earth. And so it goes through every trade, or occupation, or profession. Everybody is at the mercy of fluctuations in supply or demand, caused by variations in the seasons, changes in taste, the state of the exchanges, war or civil strife, deliberate political action in matters such as tariffs, and most of all, by the act of business rivals all over the world. The average man, whether employer or employed, has little idea of where or how these fluctuations originate. He only knows that a change has taken place in prices or demand, and that he must accommodate himself to it as best he can.

This new world is the result of the discovery of steam, electricity and oil, and the inventions which have been derived therefrom. But the transformation is by no means yet complete. It is in mid career, and nothing can prevent it continuing, for this process of constant readjustment all over the world is the price we pay for progress. The effects of the process are infinite. We shall, however, only refer to two major ones here, as being material to our argument.

One effect of modern international economic development has been to dislocate the ancient economy of whole nations. The handicraftsmen of India, the old-fashioned industrialists of Europe, the farmers of the old world, the primitive inhabitants of Africa, find themselves gradually deprived of their traditional means of subsistence. The cheaper and better cotton goods of Lancashire destroy the living of the hand loom spinners of India; the small iron and steel businesses of Europe find themselves ruined by the superior and cheaper products of mass production methods in the United States or Germany; the farmers

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of England are smashed by cheap wheat from the Canadian prairies or the Siberian steppes; the natives of Africa, instead of being able to live in comparative idleness on the fruits of the forest and the milk of their herds, find themselves harnessed to supply the insatiable appetite of modern industrialism for raw materials such as rubber or copra.

Attempts are naturally made to diminish the rigours consequent upon this perpetual dislocation of older methods through foreign competition. Some, like Mahatma Gandhi, try to turn the clock back and return to the era of village production and the spinning wheel. Others believe in exclusive tariffs or Government subsidies. But none of these methods can permanently succeed. In the long run education, the use of modern methods and adaptability in keeping pace with the progress of the world are the only real cure. None the less, assistance to the weak, the ignorant and the old, in adjusting themselves to new ways is essential during the transition. There is real danger that unless the problem of economic readjustment is more wisely handled than it was in England at the time of the industrial revolution, whole nations and even continents may become slum areas, filled with people driven out of employment by the newer processes installed elsewhere, and unable to command an alternative means of support. This is especially the case in India to-day, as an article in another part of this review clearly shows.

The second result of modern economic development is its effect on every individual employer and worker. The individualist system of the modern world has enormously increased variety and mobility in the life of the individual. It brings to his breakfast table every morning both the news and the products of the whole earth in endless and stimulating changes. But it has done little if anything to increase his economic security. If the power of Nature to destroy by famine or storm has been diminished, the insecurity in business life and in employment has been increased.

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Hence the universal attempt of every unit in business to obtain security by some special, and usually short-sighted, way. The worker tries to get it by tightening the trade union organisation, by limiting apprenticeship and so securing for himself some of the advantages of monopoly, by reducing production so as to make work last longer, as well as by insurance and benefit funds of many kinds. The essential short-sightedness of many of these methods is clearly seen by many labour leaders to-day, but general recognition of this makes slow headway among the rank and file. The employer tries to obtain security by economising on wages, by taking profits while he can to invest in securities outside the business in order to provide for his children and his old age, as well as by spending capital on improved methods or by building up reserves. The short-sightedness of obtaining security at the price of embittering or demoralising labour is now clearly seen by many employers, but by no means by all.

It is this perpetual effort to obtain security, rather than the desire to profiteer or to avoid work, which is the principal reason for the continual collision which takes place between employer and employed and which results in the extraordinarily rigid organisation of the two sides which is characteristic of the modern industrial world. No doubt this fighting organisation is in some measure caused by profiteering employers and by workers who want to get as much as possible for doing as little as possible. But the main reason which drives them both to profiteer or to ca' canny is not greed, but fear, the desire to build up security against the perpetual uncertainties caused by the tremendous changes which are being made all the time in the economic structure of the world.

The remedy for this international cause of modern industrial unrest is not very difficult to see in theory, but is very difficult to apply in practice. The present maladjustment will not cease until the whole world is organised on a conscious plan for the production of its needs, so that

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every country and every people produces those things which the land and its occupants are best fitted to produce, and exchanges them on a stable basis with its neighbours. But before that can happen the nations of the world will have to abandon their purely nationalist outlook, will have to consider the general lines of wealth production on a world-wide scale, will have to evolve some reasonable protection for the backward producers, and will have to create a sufficiently advanced form of international government to be a real security against war, which will make it unnecessary for every nation in self-defence to try to produce all its own needs in foodstuffs, raw materials and manufactures within its own borders.

How far removed we are from such a consummation it needs no argument to show. Meanwhile, however, it is essential that nations should begin to consider together, in some more organised way, the international causes of their economic distresses and how they can be diminished. On the one hand, nations to-day try to stabilise conditions by methods such as tariffs or subsidies of various kinds, or by obtaining monopolies of raw materials, such as oil or gold, which damage or affect the prosperity and standard of living of other nations. Yet they never solve the problem. Despite all their efforts control always eludes every nation's grasp, because by its very nature it is beyond their reach. On the other hand, there is no attempt to get order into the development of the world. Some nations are trying to become self-supporting in the sense that they want to produce all their own food, raw materials and manufactures. Other nations, owing to propitious markets, wars, or other factors, concentrate on the production of certain commodities or raw materials—for instance, rubber, or iron and steel manufactures—with the result that there is a constant alternation of international under-production or over-production.

It is obvious that nothing would more contribute to economic stability than that some conscious direction

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should be brought into this chaos. It is certain that Socialism cannot solve the problem. No nation and no individual would submit to the regimentation which would be required. What is needed is better information about what all nations are doing and intelligent consultation between nations, so as to diminish those needless and destructive disturbances which come from short-sighted government action or from over-production or under-production by individuals. Fortunately, there is already an instrument for doing this under the League of Nations. There is an International Labour Office endeavouring to adjust and equalise the conditions of labour all over the world. It is no less important that there should be an equivalent body to try and adjust and equalise development on the capitalist side all over the world. Indeed, it is more important, for it is what capital does which primarily decides whether labour is to be employed and at what rates.

Such a body, of course, can exercise no direct authority or control. But it can do two useful things. It can gain a world-wide view of the economic problem of mankind and begin, through information, advice and conference, to bring about a wider and better proportioned and less narrowly nationalist point of view among all nations, and thereby gradually diminish the international causes of economic maladjustment, unemployment and bad times. And it can endeavour to eliminate by agreement those positive causes of international friction, such as the scramble for oil, discrimination in tariffs, trade subsidies, violations of the open door, and so on, which increase international suspicion, and so aggravate the uncertainties of the international economic order.

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III. THE OWNERSHIP OF CAPITAL

PROBABLY no factor makes more for industrial unrest than the spectacle of the present day distribution of wealth. Modern industrial civilisation has certainly broadened and given variety to human life. But it has intensified the contrast between rich and poor. At the one end of the scale we see multi-millionaires in palaces, at the other end of the scale we see mile after mile of overcrowded slums. There are indeed in every Western country two nations, one of which—infinity the larger—has to live by its day-to-day earnings, the other of which draws a return from investments in business or industry or land for which it does no active work at all. To a considerable extent these two classes overlap, the majority of those who draw interest also earning salaries or wages as well. None the less, the problem of how to deal with the vast accumulations of wealth of the modern world, carrying with them great power over the lives of others, and passing hereditarily from one generation to another, is one of the most serious and the most urgent which confront the Western world.

The first thing to realise, however, is that this question is quite distinct from that other group of problems which may be described as the relations between employers and employed. It arises from the fact that the whole structure of modern life rests upon capital. Every factory, every railway, every building represents, in the main, the wages of builders, engineers and unskilled workers, which have been defrayed out of the savings of others.

For good or ill the modern world cannot get on without capital. All progress, all improvement in the standards and conditions of living, wages and employment depend upon a continuous stream of fresh capital being used to create new industries, introduce new machinery and new

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methods, and so on. Capital comes from savings—from not consuming on personal needs the whole income and from investing it in some form of wealth-producing property. Unfortunately, mankind will not save without the inducement of interest. Some day, perhaps, the sense of social service may become so strong that man will save and use money for capital purposes with no idea of reward. But to-day such a spirit scarcely exists. We are faced by the hard fact that if the world is to progress and if individuals are to have employment and decent wages there must be capital, and that unless the interest and security offered to capital is sufficient to induce people to save, capital will not be forthcoming in the amounts necessary for the needs of the nation and of the world. Indeed, what the world most needs now, if it wants to raise the standard of living of all, is not less but more capital, which is why the investor has come to occupy such an important place in the post-war world.

There is, therefore, no way of alleviating industrial unrest by diverting to labour that share of the proceeds of industry which goes to capital. Whatever happens, it will be necessary to pay that rate of interest and profit which is required to attract the capital every business needs, and to repay enterprise for the risks it takes. It may be possible, as we shall show, to diminish "profiteering." But that is a negligible element when compared with the total amount paid in wages, or legitimately paid to capital. The big slice of the economic cake which goes to capital is taken not by the "profiteers," but by the legitimate holders of industrial and public shares, bonds and debentures. If the profits of the mere "profiteer" could be distributed to labour it would make practically no difference to wages at all.

None the less, the fact that the ultimate ownership of capital, with the title it carries to interest, unless it is repaid or lost, is still in relatively few hands, and that the title to it passes by heredity from generation to generation,

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has far-reaching social and psychological effects. For instance, the obvious wealth of the West End of London is probably hardly due at all to profits paid by the coal, or cotton, or iron and steel industries of Great Britain. It represents the income of those who have inherited public securities and foreign investments all over the world, made during the last century. It has hardly anything to do with the wages or conditions of industrial Britain. Yet the contrast between the wealth of the West End and the poverty of the slums and the unemployed is manifestly a political fact of the first importance. Again, the ownership of capital—land, factories, house and industrial property of all kinds—tends more and more to pass from the hands of creative employers into the hands of an hereditary *rentier* class, whose only interest in their property is that it should yield a regular dividend. There is thus a divorce between ownership and direct responsibility.

How can the evils which result from the existence of the “two nations” be reduced? Broadly speaking, there are two ways. The first is to bring about more saving for capital purposes and a more intelligent use of their capital resources among the majority. The second is to alter the attitude of people in the use of the capital they possess.

Probably the most important single cure is that the workers as a whole should realise that only by learning to save and to use their savings wisely can they permanently benefit their economic condition. Saving and investment is the true way of raising income, of providing for old age and recreation, and of insuring against the fluctuations of economic life. It is an infinitely sounder method than trying to press wages above economic levels, because an all-round increase in wages, unless it is accompanied by an all-round increase in efficiency, is reflected in an equivalent rise in the cost of living. No doubt wages are often so low as to make saving difficult. But that only applies to a percentage of the workers; the majority, especially when one considers the immense sums spent on gambling

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and drink, are in a position to save far more than they do, with immense benefit to the community and to themselves. The prosperity of the vast majority of the workers in the United States is due not so much to high wages, for prices are also high, but to the universal habit of saving and investment. And, as we shall see later, saving by the worker is not only an essential step towards abolishing the difference between the “two nations,” but it opens the road to that fundamental change in his status in the economic life of the community which is discussed in the next section.

Capital is far more widely distributed than is generally recognised. Between the millionaires on the one side and the slum dwellers on the other, there is a vast army of people possessed of a few hundreds or thousands of pounds invested in securities or shares of one kind or another. In many businesses the number of shareholders is as great as, or greater than, the number of workers. The task of assuring a more general distribution of capital throughout the community is nothing like so formidable an undertaking as is sometimes believed.

But the State can also help, though it cannot cure. Every industrial State ought to maintain inheritance taxes with the double object of making hereditary wealth bear a large share of the public burdens of the community and of reducing the accumulations of wealth which pass from those who make them to those who inherit the right to enjoy them. Whether we have reached the useful limit of taxation for this purpose in Great Britain is an open question. It is certainly true that inheritance taxes are far too low in many industrial countries. The tax on land values—the primary capitalist monopoly—also needs much more consideration from Parliament than it has yet received.

Socialism, however, will not help to get rid of the “two nations.” Communism indeed does so by confiscating all private property and capital and compelling everybody to live on a daily ration determined and distributed by the

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State. Socialism, however, proceeds by expropriation, not by confiscation. All that happens under Socialism is that the State borrows the capital necessary to purchase some of the means of production, distribution and exchange from the original owners, who immediately invest what they receive in some other enterprise. The accumulation of capital in private hands remains the same. The relative position of the "two nations" is unchanged.

The truth is that the solution of the "two nations" problem is that the whole population should own capital. Everybody ought to be both a capitalist and a worker. That is the only healthy condition of society. And that, in fact, is the condition towards which Western civilisation is rapidly moving. Despite the spectacular wealth of the millionaires, wealth is better distributed in the capitalistic Western world than it has ever been before.

There is, however, an urgent need for a change in the prevailing ideas about the responsibilities which attach to the ownership of wealth. In older days, ownership of land carried with it heavy responsibilities and liabilities. To-day the ownership of stocks and shares carries no such liabilities and responsibilities. The contrast between the sense of responsibility of the average rural landowner for the housing of people on his estate and the almost total disregard by the royalty-owner of the housing conditions of those who produce his income is an instance of the absence in industrial business, owned by inactive shareholders, of that sense of responsibility which is generally recognised where human contacts are closer. During the war the duty of choosing investments with regard to national interests was universally accepted. Something of that same spirit is needed as a permanent motive among investors.

But even that is not enough. The most important thing of all is a change in the moral outlook on the value of wealth. One of the troubles of the modern age is the tremendous value set upon wealth as an end in itself. The

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Founder of Christianity saw that wealth was the most materialising thing in the world, because it sets a premium on self-indulgence, comfort and the things of the flesh rather than of the spirit. Gross inequality in personal expenditure unquestionably makes class barriers, compels large numbers of people to spend their lives in serving the personal pleasures and needs of the few, and demoralises vast masses of youth. These evils cannot be dealt with by legislation, save in a very small degree. But nothing is more needed than that people should realise that they cannot get happiness by spending money, and how extravagance separates them from their neighbours. Then they will cease to spend so lavishly upon themselves; they will use their wealth for public and useful and unselfish purposes, and one of the great causes of social unrest will disappear.

IV. EMPLOYER AND EMPLOYED

WE come now to the most acute difficulty of all—the relations between employer and employed. We have seen in the earlier article that employers are not by nature "exploiters," but people who supply that essential work of initiative and direction in keeping production abreast of changes in demand which is increasingly important in the modern competitive economic world, which labour has so far proved unable to supply for itself, and without which it will be unemployed and will starve. We have seen, too, that the employer as such is not responsible for the existence of the "two nations." That is the result of the necessity of paying interest in order to induce the community to save the capital required for its own existence. What, then, is the cause of the acute strife between employer and employed?

Primarily the cause is the continuous pressure upon the employer himself, in the complicated, perpetually changing,

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transitional economic order in which we live to-day, to pursue economy as a condition of existence. Every business is in competition with rival businesses and with changing human demand. Prosperity, existence itself, depends upon the skill, resource, foresight and adaptability of management. It is inevitable that every employer, bearing as he does the primary risks incidental to all business, should be under constant pressure to economise, to build up reserves, to swell his profits or reduce his losses, either by demanding more efficiency from labour or by paying it less wages.

Hence the appearance of war in industry. The employer, under the continuous pressure of making his business pay, is continuously pressing labour to give more and take less. The workers, organised in trade unions for purposes of collective defence, are perpetually in an attitude of resisting the demands of the employers for efficiency or a reduction in wages, or on the war-path for better terms.

This antagonism is not due to any special malignity upon either side, though its effects are aggravated and animosity is aroused by bad employers and bad workers, who try to exploit this economic pressure for their own private profit. It arises out of the peculiar and temporary conditions of the progressive world in which we live. Fundamentally the interests of capital and labour are identical. They are equally concerned that their common business should prosper, for it is only out of its prosperity that either can get what it desires. Efficiency in the true sense of the word is the primary road to prosperity for capital and labour alike. Low wages and bad conditions are not usually found among those firms whose profits are most usually held up to obloquy by Socialist orators. It is in the inefficient firms, whether that inefficiency is due to poor and unenterprising management, or to labour's restriction of output, that most trouble comes.

Moreover, in general, both employer and employed are in great measure right in their point of view. The em-

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ployer is right in ever seeking more efficiency and lower costs, for that is the only condition upon which permanent prosperity in business is possible. The worker is right in wanting a progressively improving standard of life in return for his work, for that ought to be the ultimate social purpose of economic activity. The difficulty arises from the fact that economic pressure on the employer tends to drive him to make economies at the expense of labour's standard of living, and that pressure on the worker tends to make him try and improve his position at the expense of economy and efficiency. Both sides therefore work against the common good. Is there any just and obvious basis upon which the distribution of the proceeds of industry can be made between the two sides, so that thereafter they can co-operate to make the business as efficient and as prosperous as possible?

According to the older trade union theory, labour organised to secure reasonable wages and conditions of employment for itself and to defend itself against exploitation by rapacious or autocratic employers, but did not concern itself much with the profits of good employers. If times were good wages were expected to rise. If times were bad they were expected to fall. But in general, labour expected to do steady routine work for steady routine wages, while capital carried the risks and responsibility for losses and reaped the reward of enterprise and good management as profits.

This basis, however, has broken down. It has broken down for two main reasons. In the first place, capital has not been able to pay the national standard of wages desired, nor has it been able to prevent unemployment even at the wages it has paid. Labour, therefore, is dissatisfied with its standard of living. In the second place, as the education and organisation of labour has improved, it has become increasingly resentful of its subordinate status and of the contrast between the condition of living of the "two nations," and it has become con-

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vinced that in a large number of cases capital has sought to make excessive profits for itself even when it has not provided labour with a reasonable standard of living. Hence the growth of the demand for the elimination of the capitalist and the substitution of Socialist or Syndicalist control.

How can this tangle be straightened out? If we eliminate the old-fashioned and impossible State Socialist idea that every business should be taken over and managed by the State, there are only two possible lines of advance. Harmony can be restored to industry either by creating such a better understanding between capital and labour about their respective functions that the traditional capitalist system will work smoothly, or labour can supplant the capitalist by doing his functions as well as its own.

As to the first, much of present-day unrest arises from the failure of labour, under the inspiration of Karl Marx, to recognise the fundamental distinction between the function of the employer or the capitalist on the one side, and of the employee on the other. The initiative in enterprise is almost always taken by the individual. Individuals conceive the idea of a new article or a new business. They work out the plan for its execution, sometimes with expert advice which they pay. In so far as they have not the money themselves they obtain from the investor the capital necessary to acquire a factory, to manufacture the product and put it on the market, and to pay the wages of builders, engineers, and craftsmen up to the time when the returns begin to exceed the outlay. It is this activity of initiating and carrying a new enterprise into execution, with the risks and difficulties involved, which is the most important single function in economic life, the one which most promotes the prosperity of the community and is most difficult to find men to perform. Profit is the legitimate reward of this kind of ability. Labour, as such, has no moral right whatever to share in the profits, for profits are the legitimate return for the initiative and

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enterprise shown by the employer and the risks taken by the lender of savings. Further, if labour tries to obtain profits for itself, it only injures itself, as it has done in Britain lately, for by so doing it drives away the capital and enterprise on which its own prosperity and existence depend.

On the other hand, labour is entitled to a proper standard of living in return for good work, and capital has no right to try to make profits by driving the wages of the worker below the reasonable national standard.

If we are to have industrial peace it is essential that the fundamental distinction between the function of employer and employed and the reward to which each is entitled should once more be clearly grasped. Industry on the capitalist basis will become harmonious when employers test their success just as much by the standard of living they give to their employees as by the dividend they give to their shareholders, and when labour recognises that efficiency in the direction of business and the payment of good profits is the surest way of maintaining full employment for itself at the national standard of living.

Good wages and good profits ought to march hand in hand. That business will thrive best in which the management has the best information about world conditions; which continually avails itself of the latest methods of manufacture and of inventive talent; which inspires confidence in the investor, because it pays adequate and regular profits; which pays such wages and gives such conditions of work to its employees as will produce health and willing service from all. It is the primary interest of both capital and labour to produce businesses of this kind, and once they agree upon this and recognise the limits of their respective spheres, business on a capitalist basis will once more be peaceful and contented.

That, however, is not the only road of advance. There is another which is more difficult. But in the long run it is the real key to the solution. It is that labour should

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take over the functions of the capitalist and employer itself. If the trade unions can found or buy businesses and industry, can make a success of business operations, and can inspire such confidence in the investing public as to borrow capital on a debenture basis, then labour will be able to control its own workshops and take for itself the profits (and the losses) which now belong to the employer. There is no other way in which the growing demand for industrial democracy and control can be satisfied. In theory there is nothing to prevent trade unions coming to run most of the business of the country. There is no more reason, in theory, why the miners should not get together to form a mining guild and make a success of it than there is that a number of individuals should get together to form a mining company, as they do every day. If ability in this direction were equal, both would be able to borrow capital for their enterprise on equal terms, and the Miners' Federation certainly starts with greater resources than the average mine owner.

As a matter of fact, labour has far greater resources as a capitalist than it realises. Not only has it trade union funds, it has the savings and investments of all its members, which might be mobilised to help labour to own the businesses in which it is employed. One of the most interesting of recent developments in the United States has been the creation of labour banks and the utilisation of the workers' savings to enable unions to buy control of industrial enterprise.* For instance, the bank started by the Brotherhood of Locomotive Engineers increased its resources from \$650,000 in November, 1920, to \$22,350,000 in June, 1923. Moreover, as every capitalist knows, the real key to success is not great resources, for these can be borrowed, or managerial ability, for this can be hired, but enterprise and ability to invest capital wisely. And this a trade union, wisely led, can certainly do. There is an

* See "Labor's Money," by Richard Boeckel (published by Harcourt, Brace & Co., New York).

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immense field for the more adventurous and enterprising spirits of the labour world to break new ground, which is far more likely to produce results than the stale and unprofitable abstract attack on capitalism, on which they concentrate to-day. And as labour acquires business it can ensure that service and not profiteering is the motive which inspires its activities.

That labour can show enterprise and take risks and inspire confidence in the investor, the primary qualities of the successful capitalist, has been proved by the success of the co-operative movement. There is no reason why the labour ownership of industry should not gradually spread through the producing as well as the distributive trades, as a better understanding of the problems of modern business spreads among the leaders of the workers themselves. Once labour begins to see that socialised industry is not the road to the realisation of its ideals and that, if it wants the status and advantages of the employer, it must discharge his functions, shoulder his responsibilities and carry his risks, then it will start on the road which will lead it to freedom and success. Democracy in government only became possible when the leaders of the people learnt not to abuse their rulers, but to undertake their duties and perform them better. So it is with industry. The troubles of labour will finally disappear and industrial democracy will be realised only when, in Lord Milner's phrase, labour learns to hire capital instead of waiting for capital to hire it.*

V. CONCLUSION

IN the foregoing pages an attempt has been made to analyse the real causes of modern industrial unrest, and to make some suggestions as to the manner in which they

* In order to act as capitalists it would be necessary to obtain an amendment of the Trade Union Laws from Parliament to enable them to do so. There would probably be no difficulty in this.

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may be solved. There is obviously no simple mechanical panacea. The problems which have to be solved are those arising out of the maladjustment of international economics, out of the bad distribution of capital among the people, out of the new desire of labour to assume the *rôle* of the employer.

All of these problems are essentially the products of an era of transition, the era in which economics are ceasing to be national and are becoming international; when labour, as a result of better education, is evolving new aspirations; when capital has accumulated with great rapidity in the hands of one class, but not so rapidly in the hands of other classes, which have not yet understood how to use the very considerable capital which they already possess; when it is easy to create, for relatively short periods, trusts and cartels and labour monopolies of various kinds.

It is obvious that socialism, using the term in its economic sense, is no cure for any of these evils. The substitution of public ownership and control would manifestly aggravate rather than relieve the evils from which the working man is suffering. It would not solve the international difficulties; it would not cause a better distribution of capital; it would not give labour that independence and responsibility which it desires; it would create a single all-embracing monopoly with super-tyrannical power over our lives. There is clearly a sphere for State action in economics. The State can and ought to determine the broad conditions under which the individual citizen works, can employ others, and so on. But it manifestly cannot do the work of all its citizens itself. That community is most healthy and most happy in which there is the greatest scope for individual enterprise and initiative along lawful lines, not most State control. The whole idea of limiting private enterprise in order to extend the field of State activity is wrong. It arises from the fundamental fallacy of Marx.

None the less, it is clear that we have reached a crisis in the development of the struggle between capital and

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labour. Labour has won to political power largely on its claim to protect and serve the needs of the under dog. It is now called upon to fulfil its promise to bring about the economic millennium. The future of the working class, the future of democracy, depends upon whether the Labour movement can recognise that it is not the State but the trade unions themselves that must undertake the function of the capitalist, not by using the power of the State to destroy capital or hinder individual initiative, but by learning to beat the capitalist at his own game. Like every other great human advance, the road is up hill and arduous all the way. The worker has got to learn to save, to use his savings to acquire control of industry, to select competent managers, to support them by giving them maximum efficiency in his work, to acquire the confidence of the investing public in order to obtain more capital. If he has the self-control, the intelligence and the leadership to take on his own shoulders the economic responsibilities hitherto performed for him by the capitalist and the employer, we are at the opening of an era of industrial democracy which will have as far-reaching results upon the future of humanity as the era in which the people assumed the responsibility for political government.

It is the key to the problem in another sense. What is principally the matter with Great Britain to-day is not the capitalist or exploitation, nor an insufficiency of State activity, but the fact that there is too little opportunity for the individual. Britain contains 45,000,000 people living on a small island. It is only able to live by manufacturing for the rest of the world. Opportunity, therefore, lies in the foreign field rather than in the domestic, and that opportunity it is difficult for the individual to seize. It is not possible for the individual worker who is dissatisfied with life as an employee in an industrial town just to move out to the country and take up new land or open a new store in an empty zone, as he can in the new world. Every acre in every corner is already occupied.

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The single tax cannot avail to re-create opportunity for the individual on the old grand scale. If he wants to strike out for himself he needs an amount of capital and knowledge which is far beyond the reach of the average man. Opportunity now must be seized by combination—by the capitalist company employing capital or by the trade union employing capital. Which is it to be ?

There is thus before labour to-day a great chance. It is wavering between a great victory and a great disaster. If it cannot free itself from the hatred-breeding, soul-destroying philosophy of Karl Marx and its State Socialistic fruit ; if it persists in trying to eliminate or destroy the capitalist by the use of the power of the State, it is doomed to failure. But if it can show a little of that spirit of enterprise and adventure which is the secret of the success of the capitalist ; if it can set to work to learn what he does and how he does it, and then dispense with his services because it can do his work for itself, it will solve the problem which has baffled mankind from the start. It will lead Britain, and with her the world, into the realm in which every honest man can be a capitalist as well as a worker, can share in the control of the business in which he lives, in which capital is the servant and not the master of man, and in which the wonderful achievements of modern individualistic civilisation can be continued with freedom for their guide.

THE BACKGROUND OF THE AMERICAN PRESIDENTIAL CAMPAIGN

THERE are several good reasons why the Democratic Convention of 1924 will be spoken of as “ an historic occasion.” In the first place, it was the longest assembly of the kind, by far, in the political history of the United States. And Methuselah, by virtue of some such statistical supremacy, has become a household word ! Once, clear back in 1860, this same Democratic party cast 55 successive votes in Convention before they were able to agree upon a Presidential candidate. Once more, in 1912, they voted forty-four times—and then decided to nominate Woodrow Wilson. These were the “ records.” But on June 24 last the Democratic delegates were called to order ; on July 1 they began their balloting ; and on July 8, late at night after a hundred and two fruitless attempts, they agreed to give the honour to John W. Davis.

The occasion was memorable for another reason. The Democratic party lay very, very near its death—and it didn't die. Every political tyro knew, of course, that Mr. McAdoo and Governor Smith (the two leading candidates) would have a grand battle of it on the Convention floor. But no one dreamed that after twenty, fifty, eighty, ninety rounds and more these two would still be on their feet, giving blow for blow. It was the bitterest of fights—and the party survived it. Nevertheless, toward the close, just before McAdoo's strength dwindled away from him, there

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were many sober people who could see no way out except an open split in the ranks to be followed by at least two rump Conventions. In the end, after John Davis had been chosen, the defeated Governor appeared on the scene to bestow his blessing. And some days later—in fact very much later—McAdoo rose to the occasion with a generous statement of support. So the breach is apparently healed, and the “gentlemen cry ‘Peace’.”

“But surely the mere fact that Mr. McAdoo failed to get his ambition gratified is no sufficient cause why the Democratic party should shudder from stem to stern.” And a point well taken, Doctor Pangloss. We do write our stories of American political events in a high romantic strain. We have a tendency to simplify the scene by the familiar trick of turning the spot-light on the principals. Nobody but McAdoo himself and a handful of really fanatical followers were personally affected by his defeat; but in the minds of hundreds of delegates he was the chance champion of principles which they held and prejudices which held them. He was a somewhat middle-aged Lochinvar come to ride at their head against the moneyed interests of the East; he carried the burden of the farmer’s discontent on his back: he flew the pennon of Prohibition at the tip of his lance against the creeping creatures of sin. People are casual, sophisticated, lax, what you will, about these things on the Eastern seaboard. But make no mistake; they are grim and hard-bitten about them in the West. So when the turn of the wheel made Governor Smith—a wet, a Roman Catholic and “the darling of New York”—the most formidable rival to McAdoo in the Convention, it was not strange that the contest became transfigured into a struggle between the hosts of light and the hosts of darkness.

The fact is, that the “hosts of darkness” hardly knew of this epic affair in which they were supposed to be engaged. When the Ku Klux Klan issue was raised in debate, they happened, for the most part, to favor an

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open denunciation of its existence and its activities in the party platform, just as the greater number of McAdoo supporters happened to favor a form of words less offensive to the organisation. But except for this rather accidental association together at one juncture when principle became involved, they were united only in a fixed determination that McAdoo should not be nominated. Some few of them didn’t like “the cut of his jib”; some lacked the necessary faith in him; some, being cynical, felt that no man who wanted the nomination as hungrily as McAdoo did, ought to be allowed to have it. Most of them believed that he would be a losing candidate. For the Democratic campaign this year, to be successful, must be all offensive, directed against the alleged corruption of the Republican administration. The utmost value must be derived from the Republican oil scandals. And it would never do, the opponents of McAdoo felt, to attack under the leadership of a man who would forever be explaining his own legal association with unsavoury oil interests.

When the Convention closed, the faction around McAdoo had lost, and the coalition around Smith had won. The coalition around Smith had gained their objective in the defeat of McAdoo. But the danger to the unity of the party lies in this: that the faction around McAdoo, having made him the embodiment of all the deeper purposes they had at heart, thought they saw in his defeat the death of those purposes. And that is one reason why the Democratic party, at this stage of the campaign, is a house divided against itself.

There is still another dangerous element, hidden beneath the surface, but smouldering. To one who does not know the heterogeneous character of the people of the United States, it is hard to explain the purposes of the Ku Klux Klan; and for one who doesn’t know the American craving for mystery, regalia and parades it is impossible to appreciate its manifestations. It is a secret, nation-wide organisation with a membership running—they claim—above

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seven millions, and composed of men who believe that "control" should be held by white Protestants and not by Roman Catholics, Negroes or Jews. Since one of these three elements is represented in almost every hamlet in the country, it has been easy to establish branches from coast to coast. The members hold their meetings by night, clothed in white robes and hooded masks; and either the organisation itself, or criminals acting without warrant in its name, have perpetrated a number of vicious attacks upon defenceless persons who have somehow drawn the fire of their disapproval. The Klan has no special party affiliations; it includes both Republicans and Democrats. And ominous as its existence may be both for individual security and for the legally established law-enforcing institutions of the country, there is no reason why one party should appear to spew it out of its mouth while the other party appears to overlook its existence. The Republicans in their Convention at Cleveland decided that discretion was the better part of their conception of valor: they ignored the Klan in their platform. The Democrats might easily have done the same thing, and in the present state of political morality they could hardly have been blamed for doing so.

When, however, the battle for the Democratic nomination disclosed itself as a fight between Smith and McAdoo, when to this was added the fact of Smith's Roman Catholicism and McAdoo's refusal to disavow the Klan, when the Smith forces were using all possible means to strengthen their coalition and McAdoo was meeting them with their own tactics, it was inevitable that the issue of the Ku Klux Klan should be fought out. A special committee of the Convention could not stifle it; they exchanged hot words in a stuffy room all through the night and into the next morning. William Jennings Bryan played a sensational trump card and actually brought the committee to their knees while he led them in a passionate prayer for party harmony; but the antagonisms were too great, and the

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dispute boiled out from committee to the floor of the Convention: Should the party roundly flay the Klan, or should it be just gently brushed in passing with a wisp of words? Discretion, or statesmanship—or cowardice—won the day; and the Klan was not attacked by name in the party platform. Its integrity was spared by the narrow margin of one vote. But the ghost of this battle is scotched, not dead; and it will rise up within the party in more than one way before November.

There is, perhaps, one last reason why the Democratic Convention may be regarded as "an historic occasion." In nominating John W. Davis on the 103rd ballot, after days of pettiness, bitterness, deadlock and drift, after nights of argument, lobbying and despair, after moments when the galleries were in an uproar and delegates were actually exchanging blows on the floor, the theory of the party Convention somehow vindicated itself. There is a world of encouragement in the fact that eleven hundred men and women in a herd, however tired of the performance they may have been, rejected one by one all the many other names which were presented, and would agree only upon "the most distinguished man of their party."

II.

AT the time of his nomination Mr. Davis was better known in England than in the United States. He succeeded Walter Hines Page as Ambassador to the Court of St. James, though he did not, of course, succeed to the war conditions to which, as much as to his own fine personality, Page owes his position in the hearts of Englishmen. For this reason he may have suffered in some ways by comparison with his predecessor. But if that was a difficult height to scale, he had his reward when George Harvey succeeded him. Possibly some few people in England then shared with many people in the United

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States a yearning for the better days of Davis. But be that as it may be.

The quality of his services in London is not generally recognised in this country. Good American ambassadors are not without honor save at home. Indeed, in the minds of many, he is actually handicapped in his contest for the Presidency, partly because he has "lived abroad" (*sic*) and partly because the place where he lived abroad happened to be England. For many of us still breathe rapidly in the excitement of 1776; others still breathe for the independence of Ireland; and others—on principle—breathe for a free and mighty India. So that it is not an advantage to a man in politics to have acquitted himself well as Ambassador to Great Britain.

Nor has Mr. Davis taken any prominent part in American politics. For years he was a lawyer practising privately in Clarksburg, West Virginia; then his admirers elected him to the House of Representatives, where he performed many valuable but inconspicuous services on important committees. President Wilson elevated him to the office of Solicitor-General, one of the most exacting of governmental posts; and there it was his business to draw briefs for the State and argue its cases before the Supreme Court. More than one of the justices, in private conversation, has paid tribute to his exceptional ability in argument, and perhaps has given a basis for the common saying that he is the ablest lawyer who has appeared before the Supreme Court within the memory of its oldest member. There can be no question about his dignity of manner, the lucidity of his mind, and his ability to make a logical and finished speech. His friendships are fairly wide and remarkably strong. But he is still nationally unknown; and it remains to be seen whether, in addition to his unimpeachable gifts, he has what Meredith called "an instinct for the majority."

In the coming campaign it will be no advantage to Mr. Davis that, until the day of his nomination, he was a

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partner in the law firm of Stetson, Jennings, Russell and Davis. It is a Wall Street firm, in the sense that J. P. Morgan and Co., the Guaranty Trust Company and the Standard Oil are numbered among its many clients. So that, though the leaders of his party have given him their formal blessing, the Western and Middle-Western wings are not happy in his company. Senator Wheeler of Montana, for example, has left the Democratic organisation to join a new political group under the leadership of La Follette of Wisconsin. Others will follow—people who vaguely regard Wall Street as the source of all their ills, and have not wit enough to make a distinction between Wall Street bankers and a lawyer who happens to have Wall Street bankers among his clients! Nor will Mr. Davis appropriate so many votes from the Republican field as a more liberal candidate would have secured. He is, in his philosophy, too much like President Coolidge to gratify his own liberals; and, by the same token, liberal-minded Republicans see in him no good reason why they should forsake their own conservative candidate for a Democrat of the same general cast of mind.

In the last few hours, before the New York Convention adjourned, an effort was made to add a little leaven to Mr. Davis' Eastern conservatism. It would probably be nearer to the truth to say that at midnight on June 8, bewildered by the ten names of second-rate men which had been presented for the Vice-Presidential nomination, the party leaders ordered an adjournment for an hour, and in this hour came to the conclusion among themselves that Governor Charles W. Bryan of Nebraska would be the most acceptable of a poor lot. It is hard to believe that his nomination adds strength to the "ticket"; he is said to be an excellent Governor; he is popular in his own State and will doubtless win it for his party; he has a certain following in the bordering States; he is, for better or for worse, for weakness or for strength, the brother of that somewhat bedimmed beacon of the party, William Jennings

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Bryan. But he is not a man of political stature; hardly the man to discharge the formal duties of a Vice-President, and certainly not the man to attain, by any accident of fortune, to the chief magistracy of the land. It is therefore doubtful whether his Western strength, such as it is, more than counterbalances the disappointment felt in many quarters when word came that he would be yoked into the same team with John W. Davis.

The outcome of this campaign rests, to an extraordinary degree, upon the personality of one man. The Republican President is solidly entrenched; he cannot be dislodged by Davis the ambassador, Davis the lawyer, Davis of the superior mind, the gracious personality, and the gift of finished speech. He cannot be defeated by the most distinguished man in the Democratic party. But if, in the course of the campaign, John W. Davis shows a power to *move* men and women, he will become President.

The rare power of moving men and women is most often joined with the equally rare capacity of being moved in imagination by them. Throughout his career as Solicitor-General, as diplomat, as lawyer for large interests, Mr. Davis has lived in the company of documents and precedents—he has had to keep his mind in gloves. It remains to be seen whether he can take them off. It remains to be seen whether he can be genuine without affectation, tolerant without condescension—whether, in short, he is merely an outstanding figure at the Bar, or whether he is, as well, an outstanding member of the human race.

III.

FOR President Coolidge is solidly entrenched. It would not be correct to say that he has a hold upon the affections of Americans. He has not; though the most distressing death of his young son early in July has aroused profound sympathy throughout the country. There is

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nothing of the easy comradeship of Harding about him. He has fewer friends—but friends of a finer grain. He does not speak so freely—nor so fluidly. The mythmakers now tell a story to the effect that a visitor at the White House asked how he might have a glimpse of the President. “Do you see a tree over there,” replied the guide, “and a man standing by it? Go over and say ‘Good afternoon.’ If the tree answers, then the man is Coolidge.” . . . But, after all, excessive reserve is sometimes an indication of dignity, clear-headedness and patience. These qualities are attributed to the President, and because the qualities themselves are at premium in our restless and uncertain days, the President has grown in favor. If you cannot marry for love, there are many arguments for a “practical” marriage. If you cannot find a candidate to whom to entrust your heart, you can find one in the White House to whom you can entrust your pocket book. The drawing-room politician, talking smartly, says that Coolidge is the dullest man alive. His opponents claim that he is secretive and devious. But there are millions up and down the face of the land who are of the opinion that he is honest, safe and courageous.

Not even his enemies would venture to deny him these attributes. And their dilemma is this—that to defeat him they must fasten upon a scrupulously honest public servant a good share of blame for the oil scandal, the Veterans' Bureau scandal, and the extravagances of the Shipping Board—all of which took place while Harding was alive and before Coolidge assumed his present office. It is too gross an absurdity, even in the heat of a campaign, to suggest that these disgraces bear any relationship to Coolidge personally. It is not unreasonable to hold him to some degree of responsibility for things which took place under Harding's Republican leadership; for, after all, Coolidge is the head of the party. But this point loses much of its weight in the opinion of those who recall the battles which the President has waged, from the day he

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took office, with the "leaders" of this same party. His Congress has not given him one major piece of legislation which he asked for, and his opponents, boring from within, really disavowed his leadership at the end of the Cleveland Convention, when they refused his appeal for a liberal running-mate who would satisfy the farmers, and gave him instead a Chicago banker, Charles G. Dawes.

Because Coolidge is generally supposed to have the highest standards of public conduct himself, it will be difficult to attack him with the Harding scandals, and because he has been conspicuously at odds with the "Old Guard" of the Republican party, it will be hard to charge him successfully with the party's malfeasances. His character is, indeed, the Republican platform—perhaps in more senses than Mr. Hughes meant it. For there is nothing whatever in that verbose, ambiguous document, and there is a great deal in his character. There is so much that the culprits of the party can sneak behind him and hide themselves pretty well.

What sort of person is this man, so very different from his fellows? It is hard to analyse him, hard to appraise him. One is glad to yield to Mr. Horace Green, who concludes his recent biography of the President—a singularly sober and judicious study—with these words:

Let us leave him, in the midst of his troubles . . . a dry, wry, shrewd, hardworking little man, wiry but not robust, uninspiring to the eye, but dignified in action; listening freely for advice, with an extraordinary gift for condensing public sentiment when he detects it; a man who would make more of a fighting impression were he cock-surer of his convictions and his physique; an honest, patient student with a large and philosophic view of the public good, doing his level best for the party and the country; a clean-cut, down East Yankee; . . . in short, to many who have tried to study him, rather lonesome, rather lovable and, so far, quite unsolved.

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IV.

THE campaign will begin on August 11 at Clarksburg, West Virginia, where Mr. Davis will deliver a speech accepting the Democratic nomination. It will be his first important statement since the Convention, and the country will listen to it attentively. For they are waiting to learn whether he will take a clearer position than his "platform" on the Klan issue and on the question of American participation in the League. They want to know whether he genuinely believes in the Democratic theory of national prosperity—that it should begin with the man at the bottom, or whether his training has shaped him to the traditional Republican point of view—that the welfare of the nation is best advanced when wealth first accumulates at the top of society, and later trickles down. They want, most of all, to have him reveal himself.

And then, on August 14, President Coolidge will similarly go through this somewhat ridiculous business of "accepting the nomination" of the Republican party. From that moment on, issue will be joined, and the contest will be continued through the summer and autumn months until a decision is reached on the fourth of November. If there are to be lighter intervals in what promises to be a dull campaign, they will probably not be afforded by the Presidential candidates, but by General Dawes on the one hand, whose picturesque personality and forceful language are now known abroad, and by Governor Bryan on the other. At the moment of writing news comes that the Governor has protested against the use of September 12 as "Defence Day," and will not, within his own State, lift a hand to further the civil and military mobilisation which the War Department has fixed for that date. He will, as Governor, transmit the plans of the Federal Government, but that is all. A candidate

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for the Vice-Presidency who can take such an emphatic stand on a matter of military policy without consulting his party superior, Mr. Davis, may be expected to provide other amusing moments in the course of the next few months. *C'est magnifique, mais ce n'est pas la guerre!*

Where there is smoke there should be fire. When there is a national campaign there should be national "issues" between the major parties. But the Democratic platform of 1924 will illustrate admirably how small a part "issues" play in a Presidential election. They appear, here and there, in a wordy statement ratified by the Convention, so long and so dreary that not more than a handful of people can have read it. But in this mass of words five major points of attack may be discovered:

1. The corruption of the Republican party.
2. Their failure to assist the farmer in his distress.
3. "The most unjust, unscientific and dishonest tariff tax ever enacted in our history."
4. The Republican policy of isolation in foreign affairs.
5. The protection of "special privilege" as shown by the incidence of the Mellon tax plan.

Yet among these five major points there is not one that may properly be described as an issue. Corruption in government is condemned; but no Republican would defend it. The lack of a practicable plan for agricultural relief is criticised, but no Democrat has come forward with one. The tariff act may be all the unpleasant things that it is said to be, but if the Opposition should come into power they would pass their own tariff act, with this difference, that the protection now chiefly accorded to Northern industries would be shifted to cover the industries of the South. These are not "issues" in any true sense of the word. The Republicans have pursued a policy of isolation? Doubtless. But the Democrats, after lashing themselves into a fine fury over this piece of cowardice and selfishness, propose to hold a nationwide referendum to determine the attitude of the voters

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toward some sort of qualified membership in the League. In a word, after denouncing the Administration for what it has failed to do in foreign affairs, the Opposition proposes a slow, expensive, cumbersome and probably unconstitutional scheme for discovering whether the Republicans have not been correctly meeting the desires of the majority all along. One could hardly regard that as the formulation of a burning issue.

Finally, when they attack the Mellon tax plan, they are tilting at a measure which never became law. It was defeated in Congress, and its broken frame is at best merely evidence of what the Republican theory of taxation probably is. Here, if it can be defined, *is* an issue. But if it were ever made clear and articulate, if "special privilege" were ever identified in terms of X and Y and Z, it is a safe prediction that the Democrats would run at the sight of their own *Djinn*. Their party funds are low, and they need money for the coming campaign. You sometimes can get funds from people who enjoy "special privilege." Their fight will be chiefly conducted in the Eastern States, and there is no political gain in alienating powerful Eastern interests. And, lastly, if the list of X and Y and Z were drawn up, it might be found to contain such names as Morgan, the Erie Railroad and the Standard Oil—to the embarrassment of their one-time counsel who was retained to defend such privileges as these companies enjoy, but who now happens to be running for President on the Democratic ticket. So even the most likely "issue" will probably not be an issue at all.

V.

AS each fourth year comes around, the changing host of political writers discover with fresh surprise that there are no important differences between the national programs of the two chief parties. That, of course, is the reason why the campaign so often resolves itself into a contest

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between two men, based upon their qualities of character. But why are there no important differences? They exist between British parties. They exist in France; and we have the assurance of expert political spectro-analysts that the differences are real. In the United States it is otherwise, and an explanation of the situation is rarely asked for and more rarely ventured.

If one merely looks at a map of the United States such as the geographies provide, it is easy to imagine that a liberal party (or a radical party) might unite all liberals (or radicals) within the country. And then, even without looking at the map, it is easy to imagine that all the conservatives might suddenly find themselves in opposition. The nation looks like a unit; it calls itself United. Why should there not be at least two parties opposed to each other on nation-wide lines over some fundamental economic issue?

Now when the United States of America were given their name, it was not so much a term of description as a symbol of aspiration, and after a hundred and fifty years there is a good deal of aspiration in it still. Disregarding refinements, there are three chief divisions within the nation—the South, the West and the East. Each division has traditions, prejudices, hostilities, and interests of its own as distinguished from the other two. Yet in all probability these sections would not enter as such into the arena of politics, were it not for the fact that one section insists upon entering as such into every campaign. The geographical South is the political “Solid South,” for reasons which it regards as final. The South is always overwhelmingly Democratic because it will not vote to entrust Federal powers, including those which bear on the Negro problem, into the hands of Republicans—whose grandfathers made havoc in Southern homes during the “War between the States,” and followed this havoc, in reconstruction days, by putting the Negro in such a position of authority that the property, the lives and the supremacy of Southern white men were endangered. And since the problem of the Negro is not appreciably

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nearer solution to-day than it was in 1866, the Southern white man is not appreciably nearer the day when he will abandon the Democratic party.

The Republican party descends from the same historic past. Excluded from the South, it must find support enough in the North East, Middle West and West to win against a heavy initial handicap. And since the electoral votes in these sections far outnumber the Solid South, the Republicans have a more than even chance of victory, provided their organisation is strong, and provided they raise no issues of importance which might convert their probable majority in a given State into a minority. A well-drawn platform, therefore, must satisfy as many as possible, alienate as few as possible, in as many States as possible, both in the East and in the West. In 1920, when the Republican platform committee had finished its work and had agreed upon a diabolic formula in which to express the attitude of the party to the League of Nations, Senator Lodge made a statement to the Press. “It is a broad plank,” he said, “one so broad that it will accommodate all, both those who believe in the League and those who do not.” Nonsense! Possibly—but an excellent example of the technique of Republican platform-making at its best.

If the Republican party is a catch-all with a widespread net, the Democratic “national” party is a coalition. It is composed of its Southern nucleus joined with what fragmentary States it can detach from the Republican preserve. Every four years their strategists, with the South in hand, have to decide how an effective appeal can be made to the necessary number of States in the East or in the West. It is *States* which count in the election, not the total number of popular votes. The whole vote of the State goes as the majority of its popular votes goes. So the Democrats must find a sectional grievance which looks promising, and concentrate their attack on this weak link of the Republican chain. This year, by attacking the Administration for its failure to assist the farmer, by inveighing against “special

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privilege," and by their especially bitter denunciation of the tariff, they are holding out their arms to the Middle West, hoping at the same time to win the valuable support of New York by the fact that John Davis is their own candidate for President.

With the Republican party determined that divisive issues will not be raised by themselves at least, and with the Democrats concerning themselves with sectional grievances rather than national ailments, party warfare has become a struggle between the "ins" and the "outs." When this is its nature, and when the alignment of States is practically fixed by the dead hand of the past, it is not surprising that we can have political change without political growth, and parties without distinguishing principles. A catch-all and a coalition will hardly dispute with one another over the will of God for the Republic.

VI.

FOR years past people have sighed for a new party. With it they could smash the Solid South, they claimed; they could overturn the Republican and Democratic organisations; they could rouse the country to an understanding of its present parlous condition; and from the welter, new parties representing deep-seated and antagonistic interests would emerge.

A third party has been formed, liberal-socialistic in character, and the way is open for their bloodless political upheaval. On July 4 in Cleveland, in the very temple where the Republican money-changers had gathered two weeks before, the Convention for Progressive Political Action met for this important purpose, and endorsed Senator Robert M. LaFollette of Wisconsin for President. It is a curious commentary on human nature to recall that this same LaFollette, six years ago, was the best-hated man in the United States. He was despised and derided for

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opposing the entrance of his country into the war. He was charged in public with being a pacifist and a pro-German, and additional abusive epithets were heaped upon him in whatever privacy exists at the club. But during all these intervening years, LaFollette kept the State of Wisconsin in his grip. When the war was over and the period of disillusionment began, he extended his fingers toward North Dakota, South Dakota, Minnesota, Montana and Iowa. Three years of severe agricultural depression in that section of the country strengthened his position—until in July of this year, after curbing his ambitions over half a life-time, he permitted his name to be put in nomination for the Presidency.

There is not a serious-minded person who believes that LaFollette has one chance in a million of becoming President by these elections. On the other hand, his appearance as a candidate at this time may mean the election of a few more Representatives and Senators who think as he thinks and will vote in Washington as he tells them to vote. It may also serve as a preliminary skirmish before a more important and more promising campaign in 1928. But the chief interest in his candidacy springs from a curious provision of the American Constitution, and from the possibility that he will win votes enough to set this provision in operation.

When the votes of the forty-eight States are counted, following the November election, if it proves that any man has a majority of votes over all other candidates together, he is thereby elected President. And this is what almost invariably happens. But if no man secures such a majority, the Constitution lays down the following procedure: the names of the three leading candidates are submitted to the House of Representatives as composed on November 3; and there the Representatives, voting by States, can elect a President if they give one man a majority over the total of the other two. Meanwhile, the names of the *two* (not the three) leading Vice-Presidential candidates go before

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the Senate, and the Senate, by a simple majority, elect a Vice-President. And then, if the contest in the House remains a deadlock, the new Vice-President automatically becomes President of the United States.

This is a contingency which does not require lengthy discussion. If it should happen to occur in November, there will be discussion then, and plenty of it. It is enough to say that it is a real, not a fantastic possibility. There is a chance that LaFollette will carry a block of five mid-Western States, shall we say, in which he is strong; that the contest as between Coolidge and Davis will be so close that neither will be able to gain a clear majority over the combined votes of LaFollette and the other; that the small LaFollette group in the House of Representatives, holding the balance, may dictate conditions upon which they will throw their vote to Coolidge or to Davis; failing that, they may hold the House in deadlock, while they dictate the conditions under which Dawes or Bryan will indirectly be elected President.

This third party group under the leadership of LaFollette has been in the process of formation for some years past. It is centred almost wholly in the chief agricultural States, and its political and economic principles, however they may be formulated, are based upon a desire to improve the position of the farmer in that section. It is of importance, therefore, that just now, in the first weeks after the public appearance of the new party, agricultural prices are taking a spectacular turn for the better. How lasting the improvement will be, how much of the profit from the rise will find its way into the farmer's pockets, how far this will tend to solve his grievances and keep him content with the older parties—these questions cannot be answered to-day. More will be known as the campaign proceeds. Meanwhile—because LaFollette is an outstanding political figure, because of the hopes of many people which have been stimulated by the prospects of a strong third party, stronger still in 1928, and because of

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the controlling influence which under the Constitution LaFollette may exert upon the elections—the progress of his campaign is being followed with vivid interest.

VII.

UP to this point, mention has scarcely been made of the foreign affairs of the United States, and of their importance in the coming elections. But to mention them briefly, at the end of an article, as if to say that in any well-ordered story they ought to find some place, is to accord them just about as much notice as they will attract during the campaign. The Democrats in their platform are vigorous in their denunciation of Republican Levites; but they give no definite assurances themselves of what they propose to do if placed in power. The Republican propagandists at home lay stress upon the achievements of the Washington Conference as proof that their principles are set forth in acts, not words. They have given an unformulated recognition to the importance of Europe's concerns in nominating Charles G. Dawes for the Vice-Presidency. And more than all, the Administration under the direction of Mr. Coolidge, with the unprecedented help of Mr. Hughes in London, Paris and Berlin, is exerting the influence of the United States at a critical juncture to compose differences which have arisen regarding the application of the Dawes report to Germany.

Judging from the acts of the Republican party (for they are in a position to act) and from the assurances of the Democratic party (for they are only able to assure) it would appear as if the Republicans were moving slowly, and with aggravating delay, back to the position they held before the war as exponents of a vigorous foreign policy; and that the Democrats were yielding, step by step, the position of leadership in foreign affairs which they appropriated to themselves under Woodrow Wilson.

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This at least can be said. That with the recent acts of the Administration in mind and with the Democratic platform in hand, with President Coolidge and John W. Davis still to make their speeches of acceptance and disclose their personal views, one would be hard put to it to decide whether American participation in European affairs would be more rapidly and more surely advanced under the one party or under the other. And this may be added: that the results of the election will turn on questions of internal policy, not on the position of the United States abroad. Whatever is done thereafter will be done not because of a popular mandate, but because of the convictions of the man who will be elected President in November, and will largely depend upon his strength in Congress and his power to treat with that body.

United States of America.

July 31, 1924.

THE ECONOMIC AND SOCIAL ASPIRATIONS OF THE INDIAN NATIONALISTS

The following article is from an American pen. The writer, who has recently returned from India, has a first-hand knowledge of political and economic questions in many parts of the world, including the Philippines and China, which gives to his views on the Indian problem an exceptional interest.
—EDITOR.

I. THE REAL PROBLEM

THE political aspirations of the Indian Nationalists have been given such prominence, in consequence of the non-coöperation campaign led by M. K. Gandhi, that but little attention has been paid to their demands for the improvement of social and economic conditions. An analysis of these, however, shows that they are the manifestation in India of the extensive movement for the betterment of the lot of the toiling masses, which produced, among other results, the French Revolution, the reconstruction of Europe after 1848, modern Socialism and Bolshevism. Certain of the more intelligent leaders of the Nationalists will admit in private conversation that the ideals of Gandhi and of the Ali brothers are impossible of realisation, but believe that the "Swaraj," or independence party, will perform a useful function in destroying the existing antiquated and rigid administrative structure,

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and will thus make it possible to erect a better social organisation on the ruins. The large sums spent for Bolshevik propaganda have evidently not been wasted. They are not well enough informed, however, to see that, while destruction is relatively easy, the elimination of economic evils is a difficult and toilsome process, which requires technical training, administrative experience and enormous sums of money, all of which they are totally unable to furnish, and which the British alone can provide.

If these elements of the Nationalists should succeed in securing control of the Government of India, they promise to carry out at once an extensive programme for the improvement of agriculture, the encouragement of industry and commerce, the construction of additional irrigation systems, good roads and other public works, adequate sanitation and medical care, and free, universal, compulsory education. It is not surprising that the details of these projects have not been sufficiently elaborated. Indians of all classes, however, are often able to make valuable criticisms and suggestions, some of which are included in the following pages. It is alleged that the policy of the British Government has always been to keep India as a source of foodstuffs and raw materials, and as a market for British manufactures, which involved the deliberate discouragement of Indian industries, and the progressive destruction of its handicrafts. This is held to be the main cause of the poverty and misery of India. It is said that the people have been left without education, as ignorance notoriously produces submission. The doctrine is preached that, as the negligence and deliberate disregard by the British of the interests of Indians are directly responsible for their wretchedness, the only remedy is to drive out their foreign masters, and to create a new India, ruled by Indians for their own benefit. These ideas find most converts among the Hindu students, are less appreciated by the Moslems, and are not always understood by the people. If Gandhi and other idealists

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should eventually be supplanted by the younger elements, these views would become dominant. In any event, they are likely to exert a strong influence, especially upon the members of the various legislative bodies.

There are indications that Gandhi is realising more and more the importance of the economic problems, as distinguished from the purely political ones, and the following editorial written by him in his organ, *Young India*, merits careful consideration, especially the sentences in italics. He says that the proposal to protect the iron and steel industry by the imposition of high customs duties affords an opportunity

of dispelling the illusion that I am inimical to capital, and that I would destroy machinery and its products, if I had the power. I am a confirmed protectionist. Free trade may be good for England, who dumps down her manufactures among helpless people and wishes her wants to be supplied from outside at the cheapest rate. But free trade has ruined India's peasantry in that it has all but destroyed her cottage industry. Moreover, no new trade can compete with foreign trade without protection. I would any day welcome protection for mill industry, although I give and would always give preference to handspun *khaddar*. Indeed, I would give protection to all useful industries. *Much of my opposition to the Government would abate, if I found that it was truly solicitous for India's economic and moral welfare.* Let the Government protect the cloth industry to the point of prohibition of all foreign cloth, let it popularise the *charka* by making all its purchases of cloth in *khaddar*, let it abolish without regard to revenue the drink and drug traffic, and cut down the army expenditure to the extent of the loss of that revenue. *When such a happy event takes place, my opposition will lose its point.* It will pave the way for a real discussion of reforms. To me the two steps will be a striking sign of change of heart which must precede any honorable settlement.

Political ambitions, sedition and rebellion are not the real issues in India: they are only the manifestations of the successful attempts of agitators to direct the pent-up energies of the proletarian masses, which are making agonised efforts to save themselves from being crushed under the wheels of the car of the relentless juggernaut

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of the existing economic system. It is an axiom that peoples whose normal condition is one of hopeless misery afford the most fertile soil for revolutionary movements, like the French Revolution, and it is well known that the population of India is underfed, badly clothed and housed, with no margin for comforts and luxuries. It is not, however, generally realised that certain tendencies have recently been operating in such a manner as to make the economic crisis not only acute, but intolerable. A succession of bad harvests has decreased the food supply (in the last thirteen years only three harvests have been good and two fairly good), and the return from abroad of large numbers of Indian soldiers and workmen, occupied in various fields in the war, has caused intense unrest to spread widely even among the more remote villages. They have circulated the idea that the Indian laboring classes are entitled to conditions more like those of other lands, and they have greatly undermined the respect for the *Sahibs*, which was formerly one of the main bulwarks of British rule. Resignation to one's lot in life has been for ages a basic tenet of many of the Indian religions, but a new spirit is manifesting itself, largely as a result of the teaching given in the educational institutions of Great Britain and India, where the students have imbibed Anglo-Saxon ideals of liberty, equality and self-assertion. No other consequences could logically be expected. The Indian masses will no longer starve and suffer in silence, or without a struggle. They have demonstrated that even the adherents of leaders who preach non-resistance do not hesitate to resort constantly to violence.

The one outstanding fact which dominates the whole Indian problem is the grinding, hopeless poverty and degradation of the greater part of the population. If the total production of the majority of Indian agricultural and industrial laborers were given to them individually, with no deduction for rent, taxes, interest, superintendence, or fixed charges of any kind, it would not provide them with

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adequate food, shelter, housing and the few comforts and luxuries necessary for adequate standards of living, even according to the extremely moderate ideas of the Orient. The only possible remedy is to increase the daily output per man. It is not enough to augment the proportionate share of the worker of the total, as Socialists teach. There must be more to divide. It is not justice but efficiency which is necessary. Until this economic requirement has been met, no extension of the Montagu-Chelmsford reforms, no complete Dominion self-government, not even independence, will soothe the prevalent revolt against the existing order. A famished and anguished people in this age will never cease to struggle for betterment of conditions. From this there is no escape. Bombs make revolution easy. Public sentiment in the British Empire will never tolerate the concentration camps and other Prussian methods which are necessary to break down the passive resistance and guerilla warfare of a people if it is once thoroughly aroused against its rulers. The existing relative quiet in India is only a truce, and lasting peace will only come with a visible, determined effort to solve both economic and political problems. It is this situation which gives to Indian Nationalism the strength of Antæus.

II. THE FACTS AND THE ECONOMIC PRINCIPLES INVOLVED

ANY intelligent discussion of the issues obviously requires a careful consideration both of the facts and of the economic principles involved. There seems to be very little difference of opinion about the facts. Few persons who have lived in India deny that conditions are appalling. They may even be the worst in the world, taking everything into consideration. It is a question whether there is not more suffering in the slums of Calcutta and Bombay than in those of Canton and Shanghai. In the first place, it seems probable that the "Law of Malthus" is manifesting

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itself in spite of disease, pestilence and famine. In 1872 the population was 206,162,360, and in 1921 it was 318,942,480, an increase of 112,780,120, or over 54 per cent. in fifty years. It is hardly probable that the methods of cultivation (which are practically unchanged) have been improved, or the tilled area increased by irrigation or the use of unutilised land sufficiently to augment the annual production of food and raw materials in the same proportion. Population, therefore, has apparently increased more rapidly than the means of subsistence. There may be some foundation for the Indian proverb, "Every twenty years there must be a war, a pestilence, or a famine," and for the assertion that the lot of the Indian masses was much more endurable before the advent of British rule. The "Pax Britannica," with its elimination of war, and its attempts to decrease disease, may have brought some undesirable results. The endeavors of enthusiastic officials in the Philippine Islands to stop head-hunting and to stamp out disease in one of the districts resulted in such an addition to the population as to bring it to the verge of starvation. This was only averted by the hurried introduction of new food plants, seed selection, irrigation, fertilisers and other improved methods of cultivation.

The distress of the Indian lower classes is inconceivable by those who have not witnessed it. The more reliable estimates give the annual per capita income from 60 rupees to 90 rupees, and the agitators affirm that it is much less. The average daily wages in Bombay in 1921 of men who worked full time were 1 rupee 4 $\frac{7}{12}$ annas (16 annas go to the rupee), and weavers operating two cotton looms only earned 1 rupee 10 $\frac{2}{12}$ annas. About 72 per cent. of this had to be spent for food and rent, 10 per cent. for clothing, leaving about 18 $\frac{1}{2}$ per cent. for sickness, furniture, alcohol, tobacco, transportation to and from work, and all comforts and luxuries. Single rooms housed 97 per cent. of the working class families in Bombay (and

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the average of these was 4.03 persons per room, London 1.78). Rooms containing ten or more persons sheltered 13.7 per cent. of the population. Hence it is not surprising to learn that the average infant mortality for Bombay in one-roomed tenements was 828.5 per 1,000 of registered births. The death-rate per 1,000 for India in the influenza year, 1918, was 62.46; in 1921, 30.59 (about the average); and in 1922, the lowest, 24.02. The United States' death-rate in 1923 was 12.6, and Great Britain's 11.7. The Indian birth-rates for the same years were respectively 34.52, 31.97, and 31.85. The United States' birth-rate in 1923 was 22.8 and Great Britain's 20.1. The birth-rate shows a declining tendency in India, as the lowest previously since 1900 was 36.27 in 1916, and the highest, though not much above the average, 40.87 in 1904.

It may be a brutal statement, but it is only these high death-rates which prevent the population from multiplying so rapidly as to bring the whole country to starvation. Even the economic remedies proposed will be mere palliatives unless there is a great decrease in the birth-rate, such as usually accompanies a great improvement in the standard of living. The usual diet is deficient in proteins, sugars, fats, vitamins, fruits and other elements necessary for proper nutrition. The adult males of Bombay ate daily 1.29 lb. of cereals and .09 lb. of pulses, while the gaols gave a ration of 1.5 lb. of cereals and .27 lb. of pulses, and the famine code allows 1.29 lb. of cereals (no pulses) to diggers whose task is three-quarters that of the ordinary worker in normal times. It would take a volume to describe adequately the terrible conditions which exist, and only a few striking instances are given from the most reliable sources.

Agricultural wages are inconceivably low. The Labor Office of the Bombay Government, from whose publications the above statistics were taken, states that the average daily wages of field laborers in the Presidency increased

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from 3 annas in 1900 to 9 annas in 1922—an anna is about a penny. The cost of living increased so that the real wages improved only about 45 per cent., but they showed a decrease of 6 per cent. from those of 1914, though the real wages of most classes in India have actually increased since 1914. It seems almost impossible to support a family on such pittances, even though they may be increased by the earnings of the wives and children, and by the cultivation of garden plots. Housing and firewood do not usually have to be paid for in agricultural regions, and there are sometimes allowances of grain in addition.

It is very difficult to draw reliable conclusions as to the causes of these conditions, and to decide what the proper remedies are, and to what extent they can be applied. It may, therefore, be desirable to consider first certain general economic factors which may be active, and then to proceed to the discussion of specific subjects. Possibly circumstances may have caused the social evolution of India to lack social and economic balance. The colonial policy of Japan has been summed up by Baron M. Saito, Governor-General of Korea, in the words: "The economic development of the country must come first. Education and the raising of the standards of the people will follow. Afterwards political development may be possible." This plan has also been followed generally in the French and Dutch colonies, where there is little unrest, but the order has been reversed in the Philippines and in India, and there are some investigators who feel that the political difficulties in both countries are largely due to a failure to provide sufficient economic foundations to support top-heavy educational and governmental systems.

The social structure of India is such a complex mixture of clashing races, religions, manners and customs that it is most difficult to disentangle from the wilderness of details the dominant tendencies. Persons familiar with India will be able to raise valid objections to any attempt to apply economic principles to many specific instances,

Facts and the Economic Principles Involved

but this does not militate against the fact that, in the long run, fundamental economic laws must prevail over all obstacles, though often at the cost of intense national and individual suffering. There is reason to believe that the underlying, but unseen, cause of the various movements in India, which constantly threaten to confound the efforts of the trained officials and to overthrow the British administration, is the irresistible impact of the industrial system of the Occident, based upon power-driven machinery, upon the loosely organised handicraft organisation of the Orient. Fortunately, about 72 per cent. of the Indian population is engaged in agriculture, and so is only indirectly affected, but the effect on the 11 per cent. occupied in industry is overwhelming. Similar conditions existed in the early part of the last century in the United Kingdom, when the opposition of the handicraft workers to the introduction of textile machinery led to riots and the destruction of spindles and looms. In time, the difficulty was adjusted by the absorption by the mills of the weavers and other hand workers who had lost their means of livelihood. This was, of course, due to the increased demand for manufactured articles, made possible by the greater buying power of the operatives, who received more wages because they produced more each day than formerly.

In India, however, it was machine-made articles from abroad which undersold the hand-made goods. Until recently there was only a very small demand in India for mill workers, so the unemployed hand workers were not absorbed, and the buying power of the industrial population was diminished, instead of being increased. Even in 1920 there were 34,323,041 hand workers, artisans and mill workers of all kinds, most of whom were competing with difficulty with machine products. In the early days of the British East India Company, Indian hand-made cotton goods were sold at such low prices in England that British textile industries had to be protected by high tariffs and prohibitive regulations. With the introduction of ma-

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chinery, however, the situation was reversed and Indian textile industries declined rapidly. In the last half century British cotton cloths made from American cotton formed one of the principal articles exported from Great Britain to India. The extremely low import duties afforded inadequate protection to Indian craftsmen. Mr. Gandhi seems to be influenced in part by an imperfect understanding of the situation when he requests his followers to dress only in *khaddar*, coarse cloth spun and woven in India by hand, and to refuse to buy imported cloth, especially of British origin. He is trying to defeat the operation of an economic law by appealing to sentiment. This is rarely successful in the long run. A Delhi bazaar cloth dealer said that the buyers would pay a ha'penny a yard more for *khaddar* than for British cloth, but if the difference was a penny, they bought the latter, summing up his views in the words, "Patriotism for Gandhi's *khaddar* is not worth a penny." Similar, though less important, conditions exist in many other industries, and the bazaars of India are stocked with large quantities of imported goods which replace those formerly made with Indian labor. The results are obvious. It is a manifestation of the world-wide tragedy that being undersold bankrupts a man and ruins a nation.

The progressive substitution of machinery for human muscle has always produced similar results all over the world, but the peculiar caste organisation of Indian society has caused the disruptive results to be unusually destructive. In former times a large portion of the rural life of India was not founded upon free production and sale, or even on barter, but on quite a different plan which still persists in various localities. In many villages the local carpenters made the furniture and agricultural implements, the blacksmiths the ploughs and tools, the potters the water jars and household utensils, and the weavers the clothing. Their products were not paid for with money, but they supplied the wants of their neighbors, and received in

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return yearly payments, often in the form of a stated share in the harvests. Thus they were provided with a modest livelihood, without the necessity of finding a market for their wares. While the system was rigid, yet everyone was born with his appointed place in one of the 2,000 or so castes. Although individual initiative was severely restricted and a man could not change from his hereditary occupation in order to better himself, yet he was guaranteed against starvation except in time of famine. The plan was to keep up the wages of the workmen by limiting the supply, rather than by increasing the demand, which is the method of intelligent modern trade unions. It was the strictest kind of a closed shop, much more arbitrary than any Occidental trade union. Only the children of artisans could be apprentices and under no circumstances could an outsider work at any trade. Strike breakers and scabs were unknown. The scheme was the logical result of some of the tendencies of modern trade unions.

III. SUGGESTED REMEDIES

MANY of the difficulties of the British in India to-day are due to their failure to recognise what has been taking place, to provide for the transition from the old order to the new, and to plan in advance to take care of the surplus population. The remedies, fortunately, are both obvious and possible of application, but there is no magical formula, or patent cure-all, and what is required is intelligent, patient, persistent effort over a long period of years. British rule has justified itself abundantly by substituting safety for life and property for the bloody chaos which existed after the downfall of the Mogul Empire. This is not enough for the future, and if British supremacy is to endure it must also provide continuous improvement in the economic condition of the submerged elements of the population. It is, of course, quite true

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that much has been done in this field and more is projected, but there has been too much delay and the programmes are not sufficiently definite and adequate. Prompt action is necessary to make up for lost time. Valuable information can be secured by a study of the success or failure of the experiments tried by the Dutch, French, Japanese and Americans. The Japanese are the only ones who appreciated the threatened economic crisis, and deliberately installed the industrial system in Japan early enough to prevent their social organisation from being crushed by the impact of Occidental civilisation, and managed cleverly to substitute the factory system for their former handicrafts.

Lack of personnel is one of the main obstacles to the carrying out of those portions of the Nationalist economic programme which are practical. Extremely intelligent Indians assert that the British officials, while entirely competent to administer in the time-honoured manner, are obviously not qualified to carry out a programme of agricultural and industrial improvement, and that while the British plan of education may produce cultivated and conscientious gentlemen, it certainly does not train experts in tropical agriculture and industry. Some of the answers to ordinary inquiries made by Provincial Directors of Agriculture and Industry are certainly startling to those who have either practical experience or some familiarity with the literature of the subjects. Some of the subordinate officials show astonishing ability and understanding, but their initiative is repressed by the failure of their superiors to comprehend economic problems, as they have been promoted by seniority and not because of special fitness for their positions. There is a feeling that adequate governmental effort is not being made in agriculture and industry, and that such steps as the curtailment of the activities of the Department of Commercial Intelligence are designed to restrict Indian commerce in the interests of British trade.

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When the objection is raised that the execution of the Nationalist programme would require enormous sums, which the present Indian and Provincial budgets cannot supply, and that all parties agree that additional taxation is practically impossible, the Nationalists reply that the necessary funds can be secured at once by the reduction of the army to a reasonable peace basis. They assert that the British and Indian armies absorb about 47 per cent. directly of the revenues of India and about 60 per cent., including the contributions from the Provinces and Indian States, and that the existing forces are maintained to keep the people of India in subjection and for the general military purposes of the British Empire, and not for the defence of India. There is also a widespread belief that the sums annually devoted to the construction of New Delhi should be productively employed. The incomplete buildings could be covered to prevent deterioration and it seems probable that when the new buildings are occupied, the expense of conducting the government will be greatly increased. There is, further, a growing opposition to the annual migrations to Simla and other Hill Stations, the climate of which is often not appreciated by Indians.

Some even insist that India cannot afford the existing bureaucratic system, and that the civil administration must be simplified so as to resemble the less expensive methods of the more progressive Indian States, which are said to be more satisfactory to the people, even if less perfect theoretically. There are even British officials who are convinced that the supervision exercised by the secretariats has increased so greatly in recent years that it has become detrimental to the service. They recommend that the amount of reports, forms and other "paper work" should be reduced to a minimum, so that they may spend their time usefully in the field, instead of chafing at their desks. These suggestions may seem radical, but it is evident that, if Gandhi ruled India, his administrative system would be much less complex. Mussolini's career

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exemplifies the statement that it takes a revolution to simplify a cumbrous administrative system, to reduce expenses, to discharge employees and to reform abuses against the united opposition of powerful vested interests. The details of his measures merit careful study with a view to their applicability to India. Many of the younger members of the Indian Civil Service could offer valuable suggestions. The recommendations of the Inchcape Commission, while in the main excellent, are considered not to be radical enough as they contemplate only improvements in existing methods, and not the substitution of others.

Very considerable additional revenues could also be obtained in the near future if the railways owned by the Government were adapted to the needs of the country, according to the statements of experts who have studied them. There is constant complaint from Indian sources that the agricultural and industrial growth of the country is being strangled by inadequate transportation. There is a chronic shortage of goods wagons, there are exasperating delays, and mills have had to curtail operations on account of lack of coal. There was great dissatisfaction when the railroad administration refused the offer of the jute mills, to provide, at their own expense, wagons for the transportation of coal. The Indian Press abounds with statements that the accommodation for third class passengers is totally inadequate, both in quality and quantity. The root of the trouble is that Indian railways are patterned after those of Great Britain, where relatively small quantities of compact and valuable goods are moved short distances through a thickly settled country. In India, large amounts of cheap and bulky foodstuffs and raw materials are transported long distances through thinly settled districts, the conditions to which the railroads of the United States have necessarily been adapted. Even some British railway experts believe that American locomotives, wagons (with American couplers) and heavy rails would permit the movement of much larger trainloads at a less expense per ton. The

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most pressing need is the improvement of the terminals where goods wagons are stored and transferred from one line of rails to another. Many of these are badly designed and so are the terminals at the docks of the large sea-ports.

The required improvements would necessitate large purchases of goods wagons, locomotives and rails, the enlargement of tunnels, the construction of heavier bridges, new terminals, and numerous other expenses, but the increased railway revenues would alone justify the expenditure, not to mention the inestimable benefit to the country, which would be reflected in additional income from taxes. There is a demand that the railway budgets should be separated from those of the Governments, and if London bankers do not desire to supply the funds, American financiers have expressed a willingness to assist, if officially requested to do so. They would also finance irrigation systems or other public works. These purchases would tend to relieve unemployment in the United Kingdom.

There seems to be a general agreement that Indian agriculture is in need of immediate assistance. In many districts the problem is essentially an agrarian one, similar to those which caused civil strife in ancient Rome, in France before the Revolution, in Ireland, in Russia under the Czars and in Mexico to-day. As in these cases, unrest will persist until the land of the State and of the large landholders is distributed among the peasants in parcels adequate to support them and their families in comfort. It is to be hoped that it will not take a revolution to bring this about, but it must be done eventually, peacefully or by force. The whole land system of India, especially land taxation, is antiquated, often oppressive, and should be revised intelligently. A great injustice was perpetrated when, in some places, the tax farmers were made practically feudal landlords. Rack-rent is often being forced out of plots which are too sterile to pay economic rent, and the evils of absentee landlordism are rife. The

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most obvious method of giving lands to the landless peasantry is by bringing water to arid areas. This has been done upon an enormous scale, and the systems of the British engineers command the admiration of all who have studied them. Funds are necessary to carry out projects already approved, especially in the north-west. Careful studies should also be made, to supplement those of the Madras and other Governments, as to the advisability of the greater use of pumps for irrigation from the 3,000,000 wells and the numerous rivers and streams. Experiments are desirable with various types of pumps operated by men, cattle, windmills and engines supplied with charcoal, coal, alcohol, petrol, kerosene and fuel oil. The costs of all these should be compared with those of the common lifting devices. In many cases the flow of wells would not justify the purchase of pumps, but often it would be warranted by the large profits from the cultivation of cotton, sugar, betel and other profitable crops, when the rainfall is not adequate.

The most striking results will come from the employment of tractor ploughs on the large areas suitable for cultivation, but which are not at present in use, as the native ploughs drawn by small bullocks cannot break up the roots of the tough grasses, shrubs and jungles. The necessary large scale operations can only be carried on by the Governments or wealthy landowners. It would be desirable to settle in these new districts colonists from villages where the holdings are too small to support them—often only three acres and sometimes only one-sixth of an acre. This would necessitate providing them with cattle and implements and supporting their families until the harvest.

While governmental agencies can assist in many ways, the agricultural regeneration of India can be accomplished only by the persistent efforts of its cultivators and landlords. The budgets of the Governments have now no funds to spare to assist even a small number of the millions

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who need aid. "The destruction of the poor is their poverty," and there seems to be no escape from the vicious circle. The cultivators are poor because they cannot afford to buy implements and fertilisers, and without these they cannot increase their incomes. If results are to be secured the Governments will have to raise money to start the process, by loans if necessary. Experiment farms will have to be enlarged and multiplied, the existing system of *taccavi* loans should be extended, and thoroughly trained men should be provided to advise and stimulate the farmers.

Coöperative societies under Government supervision are doing excellent work in many places in providing cattle, tools, seeds and fertilisers, and especially in freeing their members from peonage to money lenders. It is felt in some quarters, however, that their success is being hampered by the theory that the initiative should come from the members, and not from the Government, while with the present state of primary education, the officials must not only stimulate but direct these societies.

The encouragement of industry and manufactures, so that India may become increasingly self-supporting, has seemed so necessary for the ultimate welfare of the country, especially in time of war, that it has been adopted as a permanent policy of the Government of India, after careful study. There is a strong desire among Indian business men to press for the enactment of a high protective tariff on a large variety of manufactured goods to overcome the handicap with which new industries always have to contend when they compete with successful factories abroad. The well-known arguments for and against such policies apply in this instance, and there are some who advocate instead bounties to new plants, or their operation by local Governments. Much progress has already been made, as there were, in 1921, 545 textile mills with 654,028 hands; 154 engineering shops with 189,979 men; 990 concerns used 116,105 people to make building materials; 625

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chemical dye, oil and fertiliser factories employed 41,010 workers; box factories, paper and printing plants, rope walks, and other miscellaneous industries demanded 352,649 laborers; with a grand total of 1,599,944 employees in 7,514 large industrial establishments.

Nevertheless, these imposing figures are not sufficient for the needs of the country. Large quantities of manufactured goods are imported which could theoretically be made cheaper in India. Considerable quantities of raw materials are exported which could be at least partly manufactured. Hides, skins and tanning materials are shipped separately and not as leather. Raw cotton is sent to Japan and elsewhere, while cotton cloth and yarn are brought in. It is quite true that, at times, the Indian textile and some other industries have made very large profits, but it is asserted that it has been at the expense of the well-being of the factory workers who have been often ruthlessly exploited. The efficiency of the operatives is very small, though the low wages make them really cheap in certain cases. There is a great lack of Indian superintendents, foremen, repair men and of trained experts of all kinds. The administration is often very poor, especially in mills operated by Indians and the exasperating rattle of badly adjusted textile mills is a cry of help for scientific management and efficient engineering. In very many cases the failure to pay dividends is caused by bad business methods, not only in operation, but in buying and selling.

It is quite evident that there is pressing need for more schools to give technical and manual training to all classes, from the weaver and mechanic to the manager. It is also advocated that experimental plants should be operated to demonstrate the practicability of promising industries. An astonishing amount of Indian capital has been invested during the last ten years in companies of many kinds, many of which have not been successful. If an industry proves profitable, it is likely to be overdone, as was the case

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with the rice hulling plants of the Madras Presidency, whose capacity is said to exceed considerably the total production. Requests for Government assistance are being made in many fields, as Indian capitalists, as a rule, not only lack experience, but energy and initiative. There are, of course, some notable exceptions. The problem of Governmental aid to industry is always a difficult one, and there is great difference of opinion among experts even in Occidental countries. It is particularly difficult in India, as an effort has been made to hasten industrial development much faster than conditions warranted, partly for emotional and political reasons. The business depression of the last few years has impaired the soundness even of some existing enterprises and has discouraged the progress of new ones. The Indian and Provincial Governments, therefore, seem justified for the present in declining to engage in expensive business experiments of doubtful utility.

The plans of certain of the younger Nationalists for the future, when opposition to the Government has made the legislative system of the Dyarchy unworkable, are most interesting. Apparently some of them intend to combine with the "captains of industry" to exploit the resources of the land, as did those who surrounded President Diaz of Mexico in his old age. This is also the scheme in the Philippines, when they extort their independence from the United States. Some of the intelligent and wealthy men state frankly that the British Administration has shown that it has neither the ability nor the desire to cope with the economic problems of India, and admit that they have contributed funds to Gandhi because they expect him to break down the existing barriers, and intend to control the reorganisation of society. Opinions may differ considerably as to the probability of the success of such plans. There is much criticism of the higher officials, both Indian Ministers and British Members of Council, because they have neither comprehension nor interest in such matters.

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Some of the younger officials, however, are very enthusiastic, and complain that they cannot secure a hearing for their ideas, much less support from their superiors.

The suggestion comes from many quarters that the whole university system of India needs immediate modification, so that it will cease to produce large numbers of graduates (or "failed to pass" men) in excess of the demand for clerks, Government and railway employees, and "pleaders." The present cultural course gives a general training which is not suited to conditions, and the graduates, unable to earn a living in congenial pursuits, become agitators, or even propagate sedition and violence. Many of the troubles of the Government come from this source. The universities have even been called "Government factories for revolutionists." The logical plan would be extensive primary education, supplemented with technical and vocational schools, designed to prepare boys for occupations in which they are needed. Coöperation with employers is most desirable. There would be much opposition both from European and Indian sources to such a utilitarian plan, but it has been adopted deliberately in most of the Western States of the United States for reasons similar to those which exist in India. It seems probable that agitation for better educational facilities will continue until they are provided. The Bombay Presidency, as well as other Governments, has taken interesting steps in this direction.

Improved sanitation and medical care, and the provision of hospitals for the sick and of asylums for the insane and infirm are among the demands of the progressive Nationalists which must eventually be granted. The mortality from preventable diseases is appalling. In 1920, out of a total of 7,355,654 deaths, 5,480,773 were from cholera, small-pox, dysentery and diarrhoea, plague and fevers, which are usually classed as preventable. The great death-rate of men in the prime of life means a huge loss in potential production, but the decrease is even

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greater from absence from work caused by illness—in May, 1923, it was 34·3 per cent. in Bombay from all causes. It is impossible to estimate the loss of vitality from chronic diseases, but in some places 90 persons out of 100 were found to be suffering from one or more intestinal parasites, which constantly sap their energies. These can be eradicated by a few simple treatments. It is extremely difficult to answer the criticism of the Nationalists that millions could have been saved from death and suffering if the sums "squandered" on New Delhi had been expended on the health of the masses. While it is undoubtedly true that the difficulties in combating disease in India are unequalled elsewhere, and that religious and social customs make it almost impossible to employ the usual methods to eradicate plague, cholera and malaria, yet progress is being made, the demand for inoculation with anti-plague vaccine is growing, vaccination against small-pox is possible, and prejudices are being overcome. It has been proved in the Philippines that health is mostly a matter of money, and that it can be bought if really desired. Visits to free hospitals, clinics and dispensaries will convince the most incredulous of the necessities of the case.

The attitude of the Indian Princes is rarely discussed, as it is a delicate subject, yet a few words may not be amiss. The more radical agitators advocate the immediate violent removal of all Indian Princes and wealthy landowners, calling them "useless parasites battenning on the life-blood of the people." The advisers of some of them have decided that their salvation lies in justifying their existence by carrying out voluntarily the agricultural and industrial programmes of their opponents, and thus spiking their guns. Certain liberal political changes have been made, and others are projected. They are causing experiments to be made in the selection of seeds and the use of fertilisers, especially for rice, cotton and wheat, in the introduction of agricultural machinery and improved strains of cattle, and in the design of ploughs and other

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agricultural implements, suited to local conditions and within the reach of the poverty-stricken cultivator. They are further trying to exploit the resources of their territories, and are adopting various means to encourage the erection of factories and the growth of different industries. Their schools for manual training and for instruction in the use of machinery are performing a useful function. The silk industry also seems to have possibilities. It is believed by some that it will be demonstrated that the Indian Native States are able to provide these economic and educational facilities more efficiently and at a much lower cost than the Provincial Governments. One of the great drawbacks of the factory system is the congestion of the operatives in the tenements of city slums. In some of these States large factories are being deliberately erected at a distance from the chief industrial centres, in order that the workmen may have separate houses, with a bit of garden. Care is being exercised not to sacrifice the welfare of the individual to the desire to make profits. This idea could be generally adopted in the extensive territory in which electrical power can be generated.

Some of the Indian Princes have now been forced by the agitators to realise that the duration of their dynasties depends upon supporting the British rule, though there was at one time a feeling that their interest lay in associating themselves with the Nationalist movement. It is believed that some British Residents in their capitals have made mistakes in methods, and that young men with experience in economic subjects could assist materially in securing cordial coöperation. In some States there is evident need of financial advisers whose opinions would carry weight, to replace the existing senior officials.

It is most creditable to the British nation to note that the attacks by the intelligent Nationalists on the Administration do not accuse the British officials in general of corruption, incompetence, oppression, extortion, injustice, negligence, or undue severity, except in a few cases. There

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is little fault found with the British character. On cross-examination they will admit that the majority of the experienced officials are conscientious, honest, patient, long-suffering, persevering, and try to do their duty to the best of their ability. The opinion seems unanimous, however, from the cultivator to the Maharaja, that the personality of the Britons who have been sent to India during the last ten years is much less satisfactory than formerly; they are not considered *Sahibs* (gentlemen); they are often less tactful and self-controlled and their manners are sometimes distinctly bad. The underlying grievance often manifests itself with astonishing ferocity—it is resentment against the imputation of racial inferiority, which underlies all the political, business and social relations between the two races. Politeness is too often regarded as condescension from a superior to an inferior. Rudeness is felt to be the bearing of a master to a slave. Explosions of anger, profanity and blows stir in the impassive Oriental fierce desires for bloody retaliation. Some of the upper class educated Indians are bitter because their British acquaintances do not invite them to their clubs and homes, as they did in England. The graduates of the Indian universities feel aggrieved because Europeans fill the places in the government services for which they consider themselves better qualified. Some observers are convinced that if British rule comes to an end, it will not be on account of the grievances with which the Indian Press is filled, but because of the bland and unconscious disregard by most Britons of the *izzat* of almost every Indian individual with whom they come in contact. This is often translated “face” or “dignity,” but it defies definition, for it is a combination of racial and personal pride, self-respect, conceit, standing with one’s caste brothers, superiors, equals and inferiors. It is often more precious than life itself. When a Japanese *samurai* lost it, he committed suicide by *hari-kari*. It is still the motive power of modern Japan, and of many in India and China.

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This situation must be remedied, if British rule in India is to endure.

If a similar situation were placed before a trained American administrator, he would call together his subordinates, high and low, at a "smoker," and would explain to them the problems, the dangers, the means to be adopted, and what they were designed to accomplish, and ask for their enthusiastic coöperation. The British plan is merely to rely upon the well-justified fundamental principle of the Empire, "England expects every man to do his duty," but without enlightening him as to where, how and why. One of the Provincial Governors stated that he felt that British officials should be judged not by their success as administrators, but by their ability to train Indians to replace them; but he was evidently hampered by the almost united opposition of his subordinates.

One of the real issues cannot be evaded. What would the effect be upon the welfare of the United Kingdom if these economic demands of the Nationalists were carried out? The looms of Bombay have been busy, while those of Manchester have been idle; the jute industry has largely migrated from Dundee to Calcutta. It is no longer possible to retard the industrialisation of India—it has already taken place—and self-government has gone too far to make restrictive measures possible. However, the United Kingdom in 1921-22 still held 57 per cent. of the import trade of India, compared with the average of 63 per cent. in the years 1909-14. The manufacturers of Great Britain must meet the situation and make the goods which India does not produce, especially the finer goods and articles which require greater skill. The United States and Germany are among the best customers of the United Kingdom, in spite of their developed industries, and the factors which bring this about will apply in the case of India. There will be a growing demand for iron and steel, machinery, tools, utensils, instruments and appliances, especially for electrical apparatus. British industries will find an excel-

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lent market while the resources of India are being developed, which will take many years.

Whether for good or ill, the day of the British officials in India is passing: that was decided when the Montagu-Chelmsford Reforms were instituted. Progress toward Dominion self-government is inevitable. The highest authorities feel that the Indian Legislatures have assumed functions which were never contemplated. There will be, however, a career for British youth, with greater possibilities of profit, if less agreeable, in the agricultural and industrial development of India, as it will be more than a generation before Indians in sufficient numbers can be trained for the purpose. Caste prejudices still oppose formidable barriers. The Britisher of the new type will have to be carefully trained to secure the confidence of his Indian employer. British managers and foremen in Indian mills rarely have cause to complain of their treatment. The technical expert, however, will be forced to work nearly the same hours as his plant, he will have few hours in the day for sport or social life, his vacations will be shorter and less frequent, and his life less pleasant than that of the officials of the past.

The coöperation of a large fraction of the Indian population is obviously necessary for the success of any of these plans. If a definite and detailed programme of agricultural, industrial, sanitary and educational betterment were adopted, embodying the demands of the more intelligent Indians, it might be possible to enlist the support, if not of Gandhi, at least of some of the less radical leaders, and certainly of the business men and landholders, who would profit most by it. Indian cultivators have a vein of shrewdness, which might be utilised. Like most Orientals, their underlying thought is what their personal interests are. In the past, they have been so harried by the police and harassed by the tax gatherer that they have been apt to forget the safety for life and property and the civil and criminal justice, which are the best gifts of the British rule.

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If it also educated their children, cured their sick wives, liberated them from bondage to the money lenders, gave them land and cattle, and showed them how to raise larger crops, it would develop an interested loyalty, which would be the best guarantee against sedition. It has so far failed to make the masses appreciate that it is constantly benefiting them materially.

The economic salvation of India depends upon the investment of considerable amounts of capital to introduce cheap transportation, and modern methods for the development of the agricultural and mineral resources of the country, including both large scale production and improved processes of manufacturing at low cost a large variety of articles which can be made and used profitably in the country. Part of the funds may be furnished by Indian investors, but much must be drawn from London. British capitalists cannot be expected to make investments unless they are convinced that their money will be safe in India. This cannot be guaranteed until the existing unrest has been eliminated. Few Indians have the technical or administrative training required to conduct large enterprises, and British supervision will be essential until a whole generation of Indians has been instructed. The existing system of managing agents must be replaced by more specialised organisations. The difficulties are not insuperable, if those charged with the responsibility are willing to study their problems carefully, and to learn from the experience of others, even if it involves the abandonment of cherished traditions. The British Administration must justify its continued existence by providing something which the Indians cannot secure without its assistance. It must be realised that the world is now dominated by economic factors, and not alone by those of politics. A perfectly definite, detailed programme must be adopted, and its advantages made clear to the Indian masses, whose loyalty to the British "Raj" must be stimulated by improvements in their health and happiness.

EDITOR'S NOTE

THE IRISH BOUNDARY QUESTION

*The following note amplifies and brings up to date the note which appeared in our last issue.**

I.

LAST Easter brought us, in Great Britain, a reminder that there is still something which we are called upon to do under the Irish Treaty. Immediately after the breakdown of the Conference between Sir James Craig and President Cosgrave, the latter required us to set up the Boundary Commission. It is so long since the Treaty was signed and so much has happened since, that it may be of use to set out a few of the main facts. Our own obligation is defined by two British Acts of Parliament, the Irish Free State (Agreement) Act, 1922, which gave the Treaty the force of law, and the Irish Free State Constitution Act, 1922, by which it was ratified.

The relevant clauses of the Treaty are set out below. Our obligation to carry it out has been recognised by this Government as well as by its predecessors.

The present boundary, which was shown on a map in our June issue, was established when Ireland was for the first time divided by the Government of Ireland Act, 1920, into two political units. To understand the line the boundary follows it is, however, necessary to go a little further back. The idea of partition was mooted during the debates over the 1912 Home Rule Bill. In June, 1912, Mr. Agar Robartes moved that four counties should be excluded. In January, 1913, Sir Edward Carson proposed that the province of Ulster should be left out. Both these motions were negatived. Early in 1914, however, after the arming of Ulster, partition was again proposed, this time by the British Prime Minister. The proposal was now county

THE ROUND TABLE, June, 1924, No. 55, p. 643.

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option. Mr. Asquith would have let any Ulster county vote itself out for six years. This proposal was rejected by Ulster. Then came the great war. It found us on the verge of civil war, but in face of the external danger the operation of the Home Rule Act was, as a compromise, suspended until a year after the end of the war, and a pledge given that coercion would not be used against Ulster. Amending legislation to deal with her was to be passed. Next came the 1916 rebellion, and after it, feeling it impossible to wait for peace, the Government deputed Mr. Lloyd George to negotiate with the Irish leaders a settlement that would permit of Home Rule coming in at once. The partition scheme now took a new form. There was still no question of Home Rule for the area to be excluded. But there was a change in the area suggested. This time it was neither the province, which consists of nine counties, nor county option, but something between the two, *i.e.*, six counties, the same six as now constitute Northern Ireland. In four of these counties, Down, Antrim, Derry and Armagh, there was a marked majority of Protestants. In the whole six-county area the Protestant majority was considerably larger than in the province as a whole; but in two of the six counties Fermanagh and Tyrone, though the religions were more evenly balanced, according to the 1911 census,* the Catholics were more numerous than the Protestants. The pro-

* Area.	Total Population.	Catholics. per cent.	Non- Catholics. per cent.	Majority. Catholic.	Non- Catholic.
Ulster	1,581,696	690,816 (43·67)	890,880 (56·33)	—	200,064
Six Counties (including Boroughs of Northern Ireland)	1,250,531	430,161 (34·40)	820,370 (65·60)	—	390,209
Antrim	193,864	39,751 (20·50)	154,113 (79·50)	—	114,362
Armagh	120,291	54,526 (45·33)	65,765 (54·67)	—	11,239
Belfast County Borough	386,947	93,243 (24·10)	293,704 (75·90)	—	200,461
Derry	99,845	41,478 (41·54)	58,367 (58·46)	—	16,889
Derry County Borough	40,780	22,923 (56·21)	17,857 (43·79)	5,066	—
Down	204,303	64,485 (31·56)	139,818 (68·44)	—	75,333
Fermanagh	61,836	34,740 (56·18)	27,096 (43·82)	7,644	—
Tyrone	142,665	79,015 (55·39)	63,650 (44·61)	15,365	—

An appreciable migration of Protestants over the border from the South is alleged in Ulster to have taken place since this census was taken.

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posal was accepted on June 12, 1916, by the Ulster Unionist Council, in spite of protests from Cavan, Monaghan and Donegal, where Unionists had also signed the Ulster Covenant. The proposal, however, came to nothing at this time, partly owing to a misunderstanding—Mr. Redmond thinking that Ulster was bound to accept the decision of the Imperial Conference after the war, and Sir Edward Carson that the six counties could stay out permanently—and partly owing to dissensions in the British Cabinet, to which reference has already been made in these pages.* In 1917, just after America entered the war, the offer to leave out the six counties was again repeated by Mr. Lloyd George, who was now Prime Minister. The arrangement was to be reconsidered in five years, and Home Rule to come in at once for the rest of Ireland. As an alternative, an Irish Convention was suggested. The Convention was chosen by Mr. Redmond, but after eight months' discussion it, too, came to nothing, and the pre-occupations of the war, and after it of the peace, put the Irish question out of people's minds for the next two or three years, though the sands were fast running out.

The next step in the history of the Boundary question was the Government of Ireland Act of 1920, which became law in the dark period of the Irish troubles. The influence of Sinn Féin had completely superseded that of the old constitutional Nationalists. Partition now became a legal reality. Ireland was divided into two parts and a limited measure of Home Rule conferred upon each of them. In its first section the new Act provided that Northern Ireland should consist of "the Parliamentary counties of Antrim, Armagh, Down, Fermanagh, Londonderry and Tyrone, and the Parliamentary boroughs of Belfast and Londonderry." Southern Ireland was to include "so much of Ireland as is not comprised within the said Parliamentary counties and boroughs." The reason for this measure was the rooted objection of the Protestant majority

* THE ROUND TABLE, No. 43, June, 1921, p. 481.

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in the North East to enter a Home Rule system with the rest of Ireland in which the population was predominantly Catholic. Its machinery contemplated the possibility of union by agreement. Northern Ireland accepted the new Act—regretfully, according to its spokesmen, who would, they said, have preferred to remain under Westminster—and has worked it for the last three years. Southern Ireland would have none of it, and the struggle with Sinn Fein continued until the truce in 1921, which led to the signing by the representatives of the British Government and of Sinn Fein of the Irish Treaty, under which the Irish Free State was brought into being.

Northern Ireland was not represented at the Conference which arranged the Treaty. Sir James Craig accepted the original invitation, but then Mr. de Valera ignored his official position, and he declined to meet him “until he recognises that Northern Ireland will not submit to any authority other than H.M. the King and the Parliament of the United Kingdom, and admits the sanctity of the existing powers and privileges of the Parliament and Government of Northern Ireland.” Later on when he was again invited, he was ready to meet Mr. Lloyd George informally, but not to enter into Conference while there was any question of a Parliament for All Ireland.* An informal meeting was arranged.

On November 29, Sir James Craig read the following statement to the Parliament of Northern Ireland, which had been, he said, agreed upon between himself and Mr. Lloyd George :—

By Tuesday next either the negotiations will have broken down or the Prime Minister will send me new proposals for consideration by the Cabinet. In the meantime the rights of Ulster will be in no way sacrificed or prejudiced.

On December 5, Mr. Lloyd George wrote to Sir James

* For the Government's invitations and the line taken by Sir James Craig, see *ROUND TABLE*, No. 44, pp. 767, 768, 783 to 792, and White Paper, Cmd. 1561.

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Craig, announcing that the Treaty had been signed and drew his attention to the clauses which permitted Ulster to vote herself out of the Free State but prescribed a Boundary Commission if she did so (Clauses 11 and 12).

In his reply, on December 14, the Ulster Prime Minister objected strongly to the Boundary Clause. It was, he said, a breach of the Prime Minister's promise, and of the 1920 Act, and it was unprecedented in the history of the British Empire for territory to be taken from an established Government without its consent. He reminded Mr. Lloyd George that when they met on December 9, Mr. Lloyd George had explained to him that “it was only intended to make a slight readjustment of their boundary line so as to bring into Northern Ireland loyalists who are now just outside our area, and to transfer correspondingly an equivalent number of those having Sinn Fein sympathies to the area of the Free State.” He also reminded the British Prime Minister that he had reserved to his Government the right of dissenting from the appointment of any Boundary Commission.

We now come to the Treaty. It is unnecessary to set out the whole document. Clauses 11 and 12 are enough for our purpose. They read as follows :—

11. Until the expiration of one month from the passing of the Act of Parliament for the ratification of this instrument, the powers of the Parliament and the Government of the Irish Free State shall not be exercisable as respects Northern Ireland, and the provisions of the Government of Ireland Act, 1920, shall, so far as they relate to Northern Ireland, remain of full force and effect, and no election shall be held for the return of members to serve in the Parliament of the Irish Free State for constituencies in Northern Ireland, unless a resolution is passed by both Houses of the Parliament of Northern Ireland in favour of the holding of such elections before the end of the said month.

12. If, before the expiration of the said month, an address is presented to His Majesty by both Houses of the Parliament of Northern Ireland to that effect, the powers of the Parliament and Government of the Irish Free State shall no longer extend to Northern Ireland, and the provisions of the Government of Ireland Act, 1920 (including those relating to the Council of Ireland), shall, so

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far as they relate to Northern Ireland, continue to be of full force and effect, and this instrument shall have effect subject to the necessary modifications.

Provided that if such an address is so presented, a Commission consisting of three persons, one to be appointed by the Government of the Irish Free State, one to be appointed by the Government of Northern Ireland and one who shall be Chairman to be appointed by the British Government, shall determine in accordance with the wishes of the inhabitants, so far as may be compatible with economic and geographical conditions, the boundaries between Northern Ireland and the rest of Ireland, and for the purposes of the Government of Ireland Act, 1920, and of this instrument the boundary of Northern Ireland shall be such as may be determined by such Commission.

The address to the King permitted under Clause 12 was presented, with the result that Northern Ireland, as the Treaty prescribes, remains outside the Free State and continues, as Clause 12 makes clear, to function under the 1920 Act, the provisions of which are declared by the Treaty to be still, in so far as they relate to it, of full force and effect.

So much for the history of the question. As a result of the Republican rebellion, the Imperial Conference, general elections and changes of Government, and finally of Sir James Craig's illness, which made it necessary to put off the last attempt to settle the matter out of court, it has been long in coming to a head. The first attempt at agreement was made early in 1922 by Mr. Michael Collins and Sir James Craig. It failed and they issued an agreed statement giving the reason for the breakdown. The Irish signatories, it appeared, believed that the British Government had agreed with them "that large territories were involved," while Sir James Craig had been "given privately to understand" the contrary. The British Government denied that anything had been said to justify Mr. Collins' statement. Events have conspired to make agreement difficult, especially the invasion of Ulster territory in 1922, and on the other hand, the more recent bitterness produced by changes made or contemplated in the electoral system of

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Northern Ireland which have the effect of reducing Catholic representation.

It remains to say a word about the present attitude of the parties. Briefly, there are hopes in the Free State, based on population statistics and arguments which are set out in a handbook published by its Government, of getting Fermanagh and Tyrone, or the greater part of those counties, Derry City and Newry, as well as slices out of other border counties. What the Ulster case would be under the Treaty can only be conjectured. According to Lord Birkenhead, the undertaking was to set up a Commission, the purpose of which was not to reallocate territory, but only to adjust inconvenient boundaries, and the other British delegates have also said that only rectification or readjustment of the existing boundary was intended.* A writer in *The Times* has reminded us that the Government of Ireland Act, 1920, provides that Northern Ireland shall consist of the six counties and that the provisions of this Act are expressly kept alive, in so far as Northern Ireland is concerned, by the words of the Treaty, which itself is only to have effect "subject to the necessary modifications." A claim which amounted to dismembering the existing Northern State and setting up a new one with a new boundary would, in his opinion, be extravagant, as a refusal would be on the other side to give up "an inch of sacred Northern territory." But these are other people's arguments. Ulster herself has never got as far as attempting to state a case for the Boundary Commission. Sir James Craig is ready to try and settle minor rectifications of the boundary with Mr. Cosgrave direct, but Ulster refuses to have any part in the Commission. It was agreed to, she says, contrary to the promises of the British Government,

* Mr. Lloyd George's speech in the House, on December 14, 1921, has been quoted by both sides. He said "If Ulster is to remain a separate community, you can only by means of coercion keep them (a majority of the people in two of the Northern Counties) there." Later on he explained that the proposal was a readjustment of the boundaries of the North of Ireland.

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without her consent and over her head. From her standpoint the 1920 Act was a final settlement. On its side, the Free State says that Ulster is taking advantage of part of the Treaty and refusing to recognise the other part. It turns to us and points to the undertaking Great Britain has given. For if, it says, Ulster is still part of Great Britain, it is the duty of the British Government to see that its word is honoured and her law obeyed. The Free State Government remind us that they themselves have fought their own fellow-countrymen in order to carry out their part of the Treaty.

II.

WE now come to the events of the last quarter. After the unsuccessful meeting between Mr. Cosgrave and Sir James Craig, in Easter week, the British Government, in response to Mr. Cosgrave's demand that the Boundary provisions should be carried out, appointed Mr. Justice Feetham, a South African Judge, Chairman of the Boundary Commission. Professor Eoin McNeill, the Free State representative, was appointed a year ago. Mr. Justice Feetham arrived in England on June 30, and has already made a personal tour of the boundary and conferred with the authorities in the Free State and Northern Ireland.

As Northern Ireland, however, still declined to appoint her Commissioner, the British Government, at this stage, felt it necessary to have the legal position cleared up and referred several points to the Judicial Committee of the Privy Council, the Chief Justice of Australia and Mr. Justice Duff of the Supreme Court of Canada being brought to England specially to serve on the panel which considered these questions. The other judges were Lord Dunedin, Lord Blanesburgh, and Sir Lawrence Jenkins, formerly Chief Justice of the Bengal High Court. After hearing the British Law Officers and Counsel for Northern Ireland—the

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Free State did not send any representative—the Judges communicated their decision to the British Government on July 31. The questions referred to them and their answers are set out in the Appendix. They make it clear that unless Northern Ireland appoints her Commissioner, the Boundary Commission cannot be set up under the existing law.

On July 31, a meeting took place between the Government, the Conservative and Liberal leaders and the British signatories of the Treaty who are still in Parliament, to consider the interpretation of Clause 12, but no decisions were arrived at.

The next day the Colonial Secretary announced in Parliament the Government's intention of introducing legislation unless Northern Ireland should see her way to appoint her Commissioner. On August 2, there was a meeting between the Colonial Secretary and Mr. Cosgrave and Lord Londonderry—Sir James Craig was unfortunately ill—but it came to nothing, and the Free State pressed for immediate legislation. Indignation was expressed as early as August 1 in the Dail at even the possibility of hesitation or delay. The Labour leader, Mr. Johnson, according to *The Times*, went so far as to declare "that as a result of the British Government's obvious failure to discharge its obligations under the Anglo-Irish Treaty in regard to the Boundary Commission the time had come now when the whole question of Treaty revision should be considered by the Dail. Britain had not fulfilled her bond and the Free State automatically was released from its contractual obligations in consequence of the British default." Mr. Cosgrave denied that any breach had occurred. On August 3, a personal visit was paid to Dublin by Mr. J. H. Thomas and Mr. Henderson. The Government was, as a result, sufficiently impressed by the danger of delay to advance the date for the second reading of its Bill, which had been intended for October 28, by nearly a whole month.

With the Privy Council's ruling a new phase begins.

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Individuals continued to hold very different views with regard to Ireland, but hitherto nothing had occurred to bring the Treaty into party politics. A variation from its terms was made on an important point in 1922. It was necessary to keep the 1920 Act in full operation in view of the probability that Northern Ireland would vote itself out of the Free State, and among other things the Free State and Northern Ireland were themselves empowered to alter the provisions about the Council of Ireland by passing identic Acts.* This departure from the Treaty was allowed to pass without opposition because the Free State and Ulster had agreed that it should be so. With this exception it had simply been a question of carrying out cut and dried terms. Few people gave the boundary a thought.

To-day the situation is different; an unforeseen contingency has appeared, and the Irish question is once more on everyone's lips. There is no longer the same unanimity. The Government has made its attitude clear. It hopes that even at this eleventh hour the Free State and Northern Ireland will come together, but if no agreed settlement is arrived at, it intends to pass the Bill set out in the Appendix to enable it to appoint a Commissioner for Northern Ireland. This Bill was put before the House of Commons on August 6 and the second reading is fixed for September 30. The failure to foresee that the setting up of the Boundary Commission might be prevented by a refusal on the part of the Government of Northern Ireland to appoint their Commissioner is described by the Judicial Committee as a "casus improvisus" in an Act of Parliament; that is to say a contingency not foreseen by Parliament when it enacted the Treaty, and the Government view is that the honour of the nation (which approved of the carrying out of the Treaty, as so enacted, at the general election of 1922) is involved in remedying a technical

* There is a time limit of five years, and as regards rates, taxes, etc., in Northern Ireland, the Railway and Canal Commissioners can effect modifications till there is a Council of Ireland.

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defect which, on the Privy Council ruling, was unforeseen, though it was, Mr. Thomas pointed out in the House of Commons on August 1, the undoubted intention of the Treaty that the Boundary Commission should function. Mr. Lloyd George announced in Parliament, on August 1, when the Government first made its intention clear, that the Liberal party would support it.

It is too early to judge what line the Conservative party will finally take. In the House of Lords, on August 6, if Lord Curzon correctly interpreted its attitude, there was no sympathy or agreement with the terms of the Government's declaration. At a Conservative fête at Hemel Hempstead, the same evening, Mr. Baldwin is reported to have used the following words:

I think it only right to add this, that should unfortunately no settlement be arrived at and the Bill come before Parliament, any Bill which sets out to so alter the Treaty by changing the character of that body that has the arbitrament of this most difficult question, any such Bill will be opposed to the utmost by the party which I have the honour to lead. A great deal has been said in the House of Commons on this question about the honour of our country. No one is more sensitive of that great honour than I am, but there is an honour to Ulster under the pledge given her in 1920, and that is the honour which we abide by, and which we shall strive to maintain.

This speech, however, *The Times* did not apparently take to be a final and official declaration of policy, and in neither House, when the Government produced its Bill on this same day, did the Conservative party disclose its attitude. There have, however, been other expressions of dissent from the Government's proposals besides Mr. Baldwin's. Some think that as the Treaty did not provide for the case of the failure of one of the Governments concerned to appoint a Commissioner, there is no need for us to do anything more, especially in view of our obligations to Ulster. Others go further and deny that there is any defect in the Treaty. One writer doubted if the case was even unforeseen. Mr.

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Austen Chamberlain has, however, since assured us that it was not foreseen that Ulster would refuse to appoint her representative.

Proposals have been made with a view to satisfying Northern Ireland that there is in any case not to be any radical diminution of its area, only the sort of rectification of the boundary that British signatories had in mind when they signed the Treaty. Some would add an interpretative clause if there is to be legislation to make sure of this. Mr. Austen Chamberlain is confident that a judicial interpretation would reassure Ulster and perhaps result in her taking part in the Commission. What was agreed to was, he says, in the opinion of the Lord Chancellor and the Law Officers of the day, the rectification of the existing boundary, not the creation of a new one. The issues, in Lord Birkenhead's opinion, involve much not only to the Conservative party but to the Constitution under which we live.

Our own view is that the Boundary Commission must be set up and that the Government Bill should be supported.

APPENDIX

REPORT OF THE JUDICIAL COMMITTEE OF THE PRIVY COUNCIL.

By an Order in Council of date June 25, 1924, Your Majesty was pleased to refer to this Committee the following questions:—

1. Whether, in the absence of a Commissioner appointed by the Government of Northern Ireland, a Commission within the meaning of Article 12 of the Treaty will have been constituted, or can be competent to determine the boundary under that Article?
2. Whether, if the answer to the first question is in the negative, it is competent for the Crown, acting on the advice of Ministers of the United Kingdom, to instruct the Governor of Northern Ireland, in default of advice from His Ministers, to make an appointment, and for the Governor of Northern Ireland to act upon that instruction; and whether, if the Governor of Northern Ireland makes an appointment in

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pursuance of that instruction, the Commission will be duly constituted?

3. Whether, if the answer to the preceding questions is in the negative, it is competent for the Crown, acting on the advice of Ministers of the United Kingdom, to make the appointment, and whether, if the Crown so appoints, the Commission will be duly constituted?
4. If the answer to all the preceding questions is in the negative, whether there is any constitutional method of bringing the Commission into existence, so long as the Ministers of Northern Ireland maintain their refusal?

By another Order of date July 25, 1924, the following supplementary question was referred:—

5. If a Commission is duly constituted composed of (a) two persons or (b) three persons, whether in case (a) in the event of disagreement the Chairman will have a casting vote and in case (b) in the event of disagreement the vote of a majority will prevail?

The Lords of the Committee thought it right to afford an opportunity to the representatives of the Irish Free State and of Northern Ireland, respectively, to put forward any considerations which, in their opinion, ought to have weight in arriving at the answers to the above questions. The representatives of Northern Ireland appeared before their Lordships by Council; the representatives of the Irish Free State intimated that they did not desire to be heard. Your Majesty's Attorney-General for England intimated a desire to be heard, which was acceded to. Their Lordships had submitted to them the correspondence which had taken place between the Government of the Free State and Northern Ireland and the Colonial Office and the Prime Minister of Great Britain.

Their Lordships having taken into consideration the questions submitted beg to report as follows:—

It appears to their Lordships that the question which really underlies and provides the key to the first four questions is what is meant in Article 12 of the Schedule appended to the Act of Parliament, entitled "The Irish Free State Agreement Act, 1922," 12 Geo. V., ch. 4, by the expression "the Government of the Free State, the Government of Northern Ireland, and the British Government," by whom respectively the appointments are to be made.

Their Lordships have no hesitation in holding that the expression is to be taken in its natural and ordinary meaning, namely, the respective Executive Governments responsible to their respective Parliaments. In the case of the Free State, that is the Parliament which is being created by the Act. In the case of Northern Ireland it is the Parliament created by the Government of Ireland Act,

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1920. In the case of the British Government it is the Imperial Parliament. In the cases of the Free State and of Northern Ireland the determination of the Government would be constitutionally expressed through the mouth of the Governor as advised by his Ministers. The expression so construed has not only its natural and everyday meaning, but it is so used again and again in the Government of Ireland Act, 1920, which Act it is the purpose of the Act of 1922 to alter and amend.

Keeping this cardinal point in view, their Lordships humbly submit the following categorical answers to the questions put :—

1. Their Lordships think it right to point out that the words "in the absence of a Commissioner appointed by the Government of Northern Ireland" are susceptible of a double meaning. They might mean that no Commissioner had been appointed. They might mean that a Commissioner had been appointed but had absented himself from all deliberation. It is clear to their Lordships, from the terms of the second question, that the meaning is the first of those mentioned. The answer to the question is in the negative. The Tribunal designated by Article 12 is a statutory Tribunal brought into existence by the terms of the Article. It is no existing body. Any Tribunal, therefore, which did not exactly correspond to the words used in Section 12 would not be the Tribunal which, under the Act of Parliament, had alone power to determine the questions for which that Tribunal was created.

2. The answer to this question is also in the negative. The reasons have been given in the preliminary observations submitted. The appointment is not committed to the Governor, who only acts in this matter as the mouthpiece of his Ministers responsible to Parliament. Their Lordships consider that the Governor of the Irish Free State expressed himself with perfect correctness when, in his dispatch of July 19, 1923, he intimated that, pursuant to Article 12, "my Ministers have nominated" a certain gentleman as the representative of the Irish Free State to act on the Boundary Commission.

3. This also is answered in the negative. The same considerations as dictated the answer to question 2 apply here. In addition, their Lordships consider that any view of a remanent prerogative in His Majesty to make such an appointment cannot be entertained. In the first place it is not a question of settling boundaries but of supplying a *casus improvisus* in an Act of Parliament, a procedure to which the prerogative could not be held to extend. But further, even supposing it could be looked on as a question of boundary, their Lordships consider that the case of *Attorney-General v. De Keyser's Royal Hotel, Ltd.*, 1920, Ap. Cas. 511, settled that once any matter which includes something which might fall within

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the prerogative is dealt with in an Act of Parliament to which His Majesty has necessarily assented, all within the ambit of the matter so dealt with can only be dealt with in the future as the Act of Parliament directs and cannot be affected by an exercise of the prerogative outside the provisions of the Act.

4. There is in their Lordships' opinion under the above hypothesis no constitutional method under the existing statute law.

5. In view of the answers already given, it is apparent that this question cannot apply to any existing state of affairs. Categorically, however, their Lordships answer thus :—

(a) If there were a Commission of two there would be no casting vote appertaining to a Chairman as such unless power to that effect had been specifically given in the constituting instrument.

(b) If three Commissioners had once been appointed, then, although in private arbitrations unanimity is necessary, it is otherwise when the matter to be determined is of public concern. This was settled so long ago as 1798 in the case of *Grindley v. Barker*, 1 Bos. & Pul, p. 229, where Chief Justice Eyre says: "I think it is now pretty well established that where a number of persons are entrusted with powers not of mere private confidence, but in some respects of a general nature, and all of them are already assembled, the majority would conclude the minority and their act will be the act of the whole." This case was followed by Lord Chancellor Cairns, Lord Selborne and several other members of the Judicial Committee in the matter of an arbitration between the province of Ontario and the province of Quebec, where the matter was referred by His Majesty to the Judicial Committee.

The case is reported in 4 Cartwright's Cases on the British North America Act, p. 712. The case had to do with Section 142 of the British North America Act, where a certain matter was to be referred to the arbitrament of three arbitrators, one appointed by the Government of Ontario, one by the Government of Quebec, and one by the Government of Canada. One of the arbitrators had retired. Lord Selborne says: "The view which prevails that unanimity is necessary when power is given to three persons does not depend on anything peculiar to arbitrations, it surely would be a general view subject to control either by something expressed in the instrument or by something to be collected from the nature of the power and the duty to be performed under it." And then he puts the question, "Is not one reason for the distinction that in the public interest it is necessary that the thing should be decided?" ; and their Lordships' answers were given in accordance

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with this view. These authorities seem to their Lordships conclusive. They have no doubt that this is a matter of public interest and not a matter of merely private concern between the parties concerned and they, therefore, answer that though in accordance with their answer to question 1 if no appointment is made the Commission cannot go on, yet, if once the three appointments had been made, a majority would rule:

All of which is humbly reported to Your Majesty by Your humble and obedient Servants

(Signed) DUNEDIN.
BLANESBURGH.
LAWRENCE JENKINS.
LYMAN P. DUFF.
ADRIAN KNOX.

IRISH BOUNDARY COMMISSION.

TEXT OF AMENDING BILL.

A Bill to Confirm a certain Agreement supplementing Article Twelve of the Articles of Agreement for a Treaty between Great Britain and Ireland to which the force of law was given by the Irish Free State (Agreement) Act, 1922, and by the Constitution of the Irish Free State (Saorstát Eireann) Act, 1922.

Be it enacted by the King's most Excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows:—

1. The Agreement set forth in the Schedule to this Act, being an agreement supplementing Article 12 of the Articles of Agreement for a treaty between Great Britain and Ireland to which the force of law was given by the Irish Free State (Agreement) Act, 1922, and by the Constitution of the Irish Free State (Saorstát Eireann) Act, 1922, is hereby confirmed, and the said Articles of Agreement for a treaty and the Irish Free State (Agreement) Act, 1922, shall have effect accordingly.

2. (1) This Act may be cited as the Irish Free State (Confirmation of Agreement) Act, 1924.

(2) This Act shall come into operation on the date on which the said Agreement is confirmed by Act of the Parliament of the Irish Free State, or, if such an Act is passed before the passing of this Act, shall come into operation on the passing of this Act.

The schedule is as follows:—

Agreement supplementing Article Twelve of the Articles of Agreement for a Treaty between Great Britain and Ireland to which the force of law was given by the Irish Free State (Agreement)

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Act, 1922, and by the Constitution of the Irish Free State (Saorstát Eireann) Act, 1922.

Whereas the Commissioners to be appointed under the said Article Twelve by the Government of the Irish Free State and by the British Government respectively have been duly appointed by those respective Governments, but the Government of Northern Ireland has declined to appoint the Commissioner to be so appointed by that Government, and no provision is made by the said Articles for such a contingency:

Now it is hereby agreed, subject to the confirmation of this Agreement by the British Parliament and the Oireachtas of the Irish Free State, that if the Government of Northern Ireland does not before the date of the passing of the Act of the British Parliament or of the Act of the Oireachtas of the Irish Free State confirming this Agreement, whichever is the later date, appoint the Commissioner to be so appointed by that Government, the power of the Government of Northern Ireland to appoint such Commissioner shall thereupon be transferred to and exercised by the British Government, and that for the purposes of the said Article any Commissioner so appointed by the British Government shall be deemed to be a Commissioner appointed by the Government of Northern Ireland, and that the said Articles of Agreement for a Treaty shall have effect accordingly.

Signed on behalf of the British Government:

J. RAMSAY MACDONALD.

Signed on behalf of the Government of the Irish Free State:

LIAM T. MACCOSAIR.

August 4, 1924.

UNITED KINGDOM

I. THE THREE MINORITIES

THE Irish question has wheeled up again from under the rim of the horizon. Baffled politicians can set about recasting their horoscopes for a space, some more and some less hopefully. If Ireland were again to claim a front place in British politics, the course of party policies might be simplified for a time, at what injury to national interests need not be said. It might, for a time, emphasise the reality of political divisions between Conservatives and Liberals, which under present conditions the electorate finds it harder and harder to rationalise. As in the last election, fought on free trade, the revival of one of the historic issues would give Liberalism room to breathe and fight and enlarge its independence.

The Conservative party, a small die-hard faction apart, has certainly no wish to be made to fight in this field especially with its responsibilities extended consequentially to a defence of the unreformed House of Lords. Nor do the far-sighted in the Labour party welcome Ireland back to the realm of controversy. They regard the Liberal party as a superfluous encumbrance of politics, an unnecessary complication of their prospective warfare for collectivism. They would deplore whatever tended to prolong its independent existence. They would also deplore a new Irish quarrel as a distraction from their own programme and a definite setting-back of the political clock.

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While this is broadly true of the Labour position, it is also true that the most radical of the parties—a fine paradox, this—has the most interest for the present in maintaining the balance of things as they are. There is no reason to doubt the sincerity of those Ministers who have prophesied several years of office for themselves. The intention of the Cabinet is to sit tight and govern for as long as the Oppositions—a term, strangely enough, including the Liberal members who keep them in power—and their own extremists will let them. Wise men prophesy an election in the autumn. Other wise men elect for the spring and a “budget election.” They are also wise, perhaps, who refrain from prophecy. Labour will hardly seek a dissolution before it is convinced that it can add decisively to its strength in the country, or before it is compelled to do so.

The by-elections suggest some progress, but nothing to justify a considerable adventure. There is no sign yet of the Oppositions combining to overthrow the Government. It has managed to keep its own fiercer spirits, more and more restive under compromises, in check so far. Some of the back-benchers would prefer that the Government should don its Socialist colours and ride for a fall. The Government and the bulk of its supporters are satisfied that their rôle is to continue with measures tacitly adjusted to the swallowing power of Liberals and to prove themselves to the electorate as men of statesmanlike sobriety, competent in home administration and worthy of trust in Imperial and foreign affairs. This rôle, moreover, is not only well adapted to current exigencies, as Labour tacticians may appraise them, but also to the convictions of more than half the party. More Labour members have accepted the Socialist label than have absorbed the Socialist doctrine. They are not discontented with the programme as it is. They are ready to consider the future when it arrives in the best British spirit of opportunism.

Ireland apart, therefore, a question-mark continues to

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ride in the heavens over a condition of politics which everyone knows to be provisional and even precarious and of which no one can foretell the time and manner of its ending. Between the two opposing fires the Liberals have naturally the weakest tactical position. For a time after the elections they cherished the expectation that a Parliamentary defeat for Labour on some question of confidence would be followed not by a General Election but by a summons to Mr. Asquith to form a Government. That expectation is no longer seriously entertained. The Liberals are left, as they have been fond of asserting, with the powers of life and death over the Government. But these powers are not so formidable as they sound when it is remembered that they have equally little to gain from the exercise of either. The Liberal party therefore continues to vote for legislation which it criticises and for which it receives no credit. The Government, while careful in the preparation of policy not to overstep forbidden lines—it has accepted ten defeats in the Commons, none of them on crucial questions—accepts contemptuously the support which Liberals cannot withhold, though less contemptuously, perhaps, of late. Earlier in the session Mr. MacDonald and Mr. Lloyd George were wont to diversify the routine of voting in the same division lobby by exchanging acrimonious speeches in the country. The tone of their relationship, if no more cordial, is now less heated. Towards the adjournment for the summer holiday Labour, with the usual accumulation of business on its hands, thought well to stoop to the conveniences of consultation. But there has been no co-operation in any real sense. Nor, if Labour has its way, will there be.

It follows from what has been said that Liberalism has lost some ground in the country. At the same time the party holds together in Parliament. There is a marked distinction between Liberals who, on the most testing issues, vote with the Labour party and the minority who vote with the Conservatives or abstain. But there is no

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secession to left or right. Captain Guest, a former Liberal whip and one of those who think with Mr. Winston Churchill that nothing essential now divides the two older parties, has announced his intention of acting on that belief. But Captain Guest is too much identified with the late Coalition to be an influential example.

His gesture is not reciprocated by the Conservatives. They make no advances and reply to none. A considerable section of his party has been urging Mr. Baldwin to broaden his appeal in such a way as to rank behind him those right-wing Liberal voters without whom he has no hope of an independent majority. The more rigid practitioners of Conservatism, however, who were left in control of the party councils by the break-up of the Coalition, remain in control. In an important speech at Lowestoft on July 17 Mr. Baldwin was expected to make some move in the direction of those Liberals whom he described as disillusioned. But he was content to promise them a welcome if they faithfully adopted the Conservative creed and to encourage them, if they had accepted that creed, to come forward like men and say so. It hardly requires saying that the speech has not stirred the waters. Nor has the creed itself, represented in a somewhat dull publication recently issued and entitled *Looking Ahead*. On the whole Conservatives can point to no particular progress. In the by-elections they have gained two seats in three-cornered contests by minority votes. In Glasgow, where a more extreme form of Socialism has largely obliterated the boundary between Conservative and Liberal, and Conservatism is of a broader pattern than in the South, they have gained their one considerable success.

In general all parties alike continue to hold back from coalition. All are awaiting circumspectly the impact of some event or the pressure of some tendency to compel them to actions and associations which they decline to anticipate. This may prove to be nothing less than the

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weariness of the electorate after a protracted trial of the unfamiliar minority system. The only alternative to that system now in sight is coalition, or rather, fusion. The country's experience of coalition in one form is too recent, and its experience of minority government too brief as yet, to make an early change likely. But, despite Mr. Lloyd George's brave speeches and his insistence on Liberalism as a living and fighting force, it is impossible to resist one conclusion from the greatly reduced Liberal poll throughout the by-elections. The country is already expressing a tentative preference for dualism in so far as it has begun to eliminate the third party. How far that preference is likely to be carried and how far it is desirable that it should be carried are other questions.

It has been said and proved that England does not love coalitions. It has still to be proved that England loves minority government any better and that anything can ultimately satisfy British political instinct short of a restoration of the majority principle. The main disadvantage of the régime we now live under is its perpetual uncertainty. A more explicit indictment is that the Government, in the legislation it brings forward, does not profess to be applying its own principles. It can protest that it carries something less than the full responsibility for policy which a Government based on an independent majority would be willing to take and in any case forced to take. While, as a minority, it is debarred from legislation on frankly Socialist lines, its Socialist professions and the susceptibilities of the more ardent Labour believers narrow the outlet for action in the individualist sense. In home affairs, where the full release of economic enterprise—private or public, according to the point of view—is, by universal admission, imperative, the dilemma has had almost paralysing force for a time. Fortunately the development proposals which Mr. Snowden introduced before the House rose showed in practical terms a greater readiness to recognise that this is not yet a Socialist country and an

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attitude towards private enterprise rather better than neutral.

In Imperial and foreign affairs the minority system has worked to less disadvantage and may even be said to have displayed some advantage of its own. If we except preference, the Singapore base, and our relations with Russia, the Government is continuing the policy of its predecessors in these matters. Its lack of independent control over the House of Commons enables and requires it to follow the track of general agreement. When Mr. MacDonald is dealing with M. Herriot he speaks, as he must, the voice of Parliament and not of one party. Under these conditions British foreign policy has lost nothing of force and authority.

II. THE RECORD OF THE MINISTRY

BESIDES the budget, discussed in the June number of *THE ROUND TABLE*,* the Housing and Agriculture Acts are the only two first-class measures for which the Government is so far responsible. In partial fulfilment of Labour pledges there have been amendments to the Pensions and Insurance Acts extending the payment of social benefits. But housing and agriculture, as was to be expected, were the first concern of Labour legislators. The Government is hardly prepared to accept full responsibility for the Agriculture Act, a poorer thing than it intended and not altogether its own. Its own proposals contemplated the establishment of a system of District Wages Boards crowned by a Central Wages Board, sitting in London and endowed with over-riding powers. The House of Commons refused to agree to this centralisation of wage-control and deprived the Central Board of its proposed jurisdiction. The Government, while protesting that the heart had been

* *THE ROUND TABLE*, No. 55, June, 1924, p. 540.

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cut out of the Bill, decided to continue with it. Liberal attempts in the Commons and in the Lords to introduce a specific weekly minimum wage of 30s. were resisted by the Government and defeated with Conservative help.

In the Housing Act the Government has had more of its own way though even less approval from Parliament. It is not easy for any politician to cast a vote which will later be described as a "vote against houses." In its subtler forms this argument has been freely employed by the Minister of Housing, Mr. John Wheatley, a "favourite son" of the Clyde, the most effective debater on the Labour front bench, and no mean connoisseur of electoral values.

What Mr. Wheatley has set out to do is to build more houses, and more houses at a rent which working-class tenants can afford to pay. For this purpose he first summoned a conference of the building industry and invited it to state what increase in output it could guarantee in return for the security of a fifteen-year building programme. The industry has pledged itself to a total of 2,500,000 houses in that number of years. Its peak of production—225,000 a year—is to be reached in the tenth year. It promises an adequate supply of materials and labour. Its depleted ranks are not to be recruited direct from the able-bodied unemployed—a course for which Conservatives and Liberals contend but which Labour has always resisted, and the builders declare to be unhelpful—but mainly by an increase of apprentices to the trade. If, on a triennial survey, it appears that the scheme is unduly costly or that two-thirds of the promised output is not forthcoming, the Act may be suspended. While the builders have this pledge of fifteen years' full employment, the Local Authorities, who will, as before, be responsible for the housing schemes, have also a pledge, which seems contradictory, that they are free to withdraw their co-operation if, for example, the financial burden grows too heavy.

The essential feature of the Wheatley scheme, however, is the subsidy to rents. His frame-work is the Chamber-

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lain Act passed last year. That Act provided for a housing contribution of £6 a year from the State for twenty years. The Local Authority had to find the rest. Mr. Wheatley makes the contribution £9* from the State up to £4 10s. from Local Authorities, and the period forty years. Broadly speaking, then, Mr. Wheatley has taken the Chamberlain Act, added to the subsidy and applied the whole of the increase to the reduction of rent. The houses are to be erected to the same specification, but the tenant of a "Chamberlain" house will pay more than the tenant of a "Wheatley" house. If the plan works, the new liability for the State will not expire until 1980 and, in the peak years from 1940 to 1963, will amount to over £23,000,000 annually. For a genuine solution of the housing question this would not, perhaps, be an excessive price. Criticism is less directed to the cost than to the slenderness of the guarantees as to labour and materials on which the promised houses themselves depend. The strike in the building industry has given it point.

In the last stages of the housing controversy a good deal of interest has been aroused by Lord Weir's account to the House of Lords of a new method of house-construction with steel and timber which dispenses with the bricklayer and plasterer and with skilled labour in general. A suggestion from an industrialist of Lord Weir's reputation which promises a substantial contribution at relatively small cost simultaneously to the problems of housing and unemployment was not to be ignored. Mr. Wheatley has promised enquiry and announces that he will organise an exhibition of alternative methods of house-construction.

The Government has suffered the penalty of extravagant statements in opposition in the eagerness with which its lack of invention in face of the unemployment problem has been assailed. It had no policy, its critics could argue till recently, except to obliterate the traces of Mr. Baldwin's

* In rural areas, £12 10s.

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fiscal policy. It had refused to prolong the McKenna tariffs, and though it had, as promised, left the preference resolutions of the Imperial Conference to a free decision of the Commons, the Cabinet's decision to vote against them had sealed their fate. In parenthesis it may be recalled that the majorities against the preferential remission of duty fell, even so, to single figures, a fact which indicates the internal divisions of Labour on the fiscal question and its lack of veneration for the ark of the Liberal covenant.

Since the earlier months Labour has improved on its own and its predecessors' record with certain legitimate, and that is to say necessary, plans of capital development, of which both employed and unemployed should reap the benefit. After long delays the Empire Wireless scheme is under way. As an undeserved reward for delay it starts with the advantage of Mr. Marconi's latest discovery, the system of beam transmission. Two airships for experiment in long-distance air travel are being built, one by the State and one by a private company. Mr. Snowden has announced other developments. The importance of the sugar-beet crop in rural industry is recognised by a subsidy. Still more important, the Government has begun enquiries with a view to the encouragement of the use and spread of electric power throughout Great Britain. In this Mr. Lloyd George has helped to make the pace. His report on the coal industry, with recommendations for the better organisation of the industry and for the scientific exploitation of our coal resources, whatever may be thought of its merits, was undoubtedly one of his timelier strokes of policy. It is a commonplace that our industrial future is bound up with the production of cheap power. Like most commonplaces, it has not been acted on to any significant extent. In this all-important respect our principal competitors have outstripped us. The Government has propounded a plan which can be more usefully examined when it takes legislative shape. Broadly, under co-ordi-

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nating powers to be conferred upon the Electricity Commissioners, private enterprise will be guided to the erection of super-power stations at points throughout the country convenient to the coal deposits. The State will intervene only so far as may be necessary to the orderly distribution of power or to supplement private enterprise where such tasks as the provision of main transmission lines are beyond its capacity.

The industrial outlook is unchanged and unpromising. A brilliant and busy season, which thronged England with visitors to Wembley and the Advertising and other Conventions—not to speak of Royal visits from Roumania, Italy and picturesque Abyssinia—brought together the lawyers of Britain, Canada and the United States, and culminated in the great review at Spithead, has supplied a cheerful surface and, perhaps, a moral tonic. But the figures of unemployment hover above the million and do not descend. The engineering and allied industries, in which the true index of national prosperity is to be found, have no prospects of improvement to report. Agriculture, however, takes some comfort at last from rising prices and the promise of a good harvest.

There have been two serious strikes. An unofficial strike by railway shopmen in June spread to some centres in the country and involved the London tubes. It was as much a revolt against the railway union as a strike, and collapsed after ten days in the absence of support from the trade union movement. In the building industry a simultaneous strike and lock-out have been in progress for six weeks. The cause of the dispute is that both sides of the industry at Liverpool have hitherto stood outside national agreements. The Liverpool employers have now rejoined the national organisation. The operatives, who would thereby accept a lower wage level, decline to follow. The employers' federation refuses in consequence to ratify the new national wages agreement. Either side charges the other with bad faith. Another strike for higher

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wages, which might bring industry to a stand-still, is threatened by the electricians. In the building and other disputes the Government has made free use of its power to appoint a Court of Enquiry, on the whole with good effect. It can claim that the number of days lost through strikes since it took office has been less than in the same period in the two preceding years.

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I. CURRENT POLITICS

THE third session of the fourteenth Canadian Parliament came to an end on July 19, and its termination finds all parties suffused with a certain sense of disillusionment. The Liberals now realise that the stimulus which the Budget, passed eventually by a record majority, gave to their fortunes has been only transitory in character, and that their general record of performance during the session has not improved their credit with the electorate. The Conservatives approached the session with high hopes that they would drive the Ministry into a succession of tight corners and probably compass its defeat in the House. On one or two occasions they have pressed the Government hard, but they were rarely able to drive their attacks home and did not once come within measurable distance of bringing down the Ministry. The Progressives, who profess a serene indifference to the perennial struggle for the spoils of office, found themselves at the end of the session, "by schisms rent asunder, by heresies distrest," temporarily incapacitated for coherent and effective action.

In some aspects this Progressive schism, which is the outcome of a long series of events and a deep-rooted cleavage of opinion within the party, is the most important development of the session. By a curious sport of fate the independent political movement, which sent to Ottawa in 1921 a group of 66 members styled Progressives, fell under the leadership of its most conservative elements; and

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their restraining hands, motivated by a fond tenderness for their ancestral party, the Liberals, prevented the new party from fulfilling its appointed rôle as an independent radical party of protest. A little judicious blackmail was levied upon the King Government at intervals, but in general the party was led to act as a sort of foreign legion of the Liberals. Such a policy was bound to have fatal results in the country, and it has alienated thousands of supporters of Conservative antecedents whose reversion to their original allegiance was a large factor in the defeat of the Progressive Government in Ontario. But the radical wing of the party also, who had chafed under the cautious leadership of Mr. Crerar, grew exasperated at the positive timidity of his successor, Mr. Forke, and in June twelve Progressive members, constituting the most able and vigorous element in the party, renounced their allegiance to their leader and withdrew to a separate tabernacle. The actual number of the insurgents is not imposing, but in co-operation with two Labourites and an Independent who all happen to be able parliamentarians they have already demonstrated their capacity for effective guerilla warfare against the Government. Since their insurgency is backed by influential organs of agrarian opinion and commands a large volume of Progressive support in the country, other members only require contact with their constituencies to gravitate to the new radical group. The expectation is that the followers who still give allegiance to Mr. Forke either will seize a convenient opportunity of donning the Liberal uniform, or will be defeated at nominating conventions by rivals who pledge their definite adherence to the insurgent group. The schism is extremely disconcerting to the Government and their allies among the Progressive leaders, for it upsets their projected strategy of fighting the Conservatives with two separate armies, the Liberals holding the East and the Progressives the prairie provinces, with an understanding that a Coalition Government would be organised after the

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next election as a barrier against a Conservative Ministry. But the prospect now is that the next election will send to Ottawa a Progressive group, diminished possibly in numbers but more radical in temper, greatly strengthened in debating power and general political capacity, and quite uninterested in the maintenance in office of Mr. King and his colleagues, if not predisposed to hostility to them. Before this insurgency developed an early restoration of the old bi-party alignment was freely predicted, but it must now be assigned to the more distant future; and especially if the Conservative party gains seats at the expense of the Liberals, the Progressives may be an even more decisive factor in the next Parliament.

The most important legislative measure of the session was the Redistribution Bill which, in conformity with the established practice, was relegated to a special committee. For most of the provinces a satisfactory accord was reached without difficulty, but over the readjustments in Ontario there developed a bitter controversy, chiefly because certain Government supporters on the committee are said to have insisted on regarding the Bill as a providential instrument for salvaging the seats of the Liberal members in Ontario who expect to face rough seas at the next election. The earlier drafts of the new political map of Ontario which the Liberals propounded were quite unpalatable to both Conservatives and Progressives, and not only did they resort to tactics of obstruction and protest in the committee, but they threatened to keep the House indefinitely in session until the plan was drastically amended. Since the Government by its failure to secure passage for a large portion of the estimates had left in their hands a powerful weapon of obstruction, after some weeks of wrangling, suggestions of compromise received consideration. Eventually concessions were made which, while still leaving some striking anomalies, eliminated the worst injustices of the original plan. The Conservatives made vigorous protest against the retention of a huge disparity between the

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average size of the urban and rural units, arguing that the improvement of communications and the rise of a class-conscious agrarian party had obliterated the conditions which were the original reasons for the discrimination. It seems hard, indeed, to justify an arrangement which gives only 14 members, with an average population of 55,000 in each seat, to the four chief cities of Ontario and 68 members, each representing an average population of about 26,000, to the rest of the province. Apparently a bargain was struck between the Liberals and Conservatives whereby the latter acquiesced in this disparity in return for the abandonment of a Bill introducing the Alternative Vote. The Conservatives regarded this measure as very dangerous to their prospects, and their efforts to smother it were abetted by many French-Canadian Liberals who pine for the restoration of the two-party system. The main result of the Redistribution Bill is a loss of two seats by Nova Scotia, whose representatives pleaded piteously but in vain to an unsympathetic House for a statutory minimum quota of 16 members, and an increment of 16 seats for the West, changes which give further weight in Parliament to the more radical section of the Dominion.

But much greater popular interest was excited by the Bill which sought to give legal effect to the plan for a union of the Presbyterian, Methodist, and Congregational Churches. It had been consigned to the mercies of the Private Bills Committee, at the sittings of which a resolute minority of Presbyterian opponents of union staged a stubborn campaign of resistance. The presence of many French-Canadian Roman Catholics on this committee accounted for the intriguing spectacle of eminent French-Canadian counsel discoursing with great eloquence and erudition before it upon the fundamental tenets of the Presbyterian faith; and French-Canadian support, animated, it was charged, by fears of the emergence of a unified Protestant Church comparable in numbers to the

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Roman Catholic body, helped the "anti-unionists" to insert a delaying amendment which the "unionists" regarded as fatal to the Bill. But sundry dark hints about the raising of the religious issue at the next election were not without effect upon the leaders of French-Canadian Liberalism and, when the Bill came before the whole House, they assisted the "unionists" to mitigate the terms of the obnoxious amendment. This result was only achieved after a long and lively debate in which party lines were dissolved and temper occasionally ran high. All three party leaders were Presbyterians; though the Prime Minister studiously avoided an actual declaration of his views, he was clearly anxious to cling to his ancient religious lights and supported a proposal to delay the operation of the Bill until the Supreme Court had pronounced upon its legal and constitutional aspects; but the combination on the "unionist" side of Mr. Meighen, Mr. Forke, and eight Liberal Ministers sufficed to secure for the Bill a much larger majority than even its supporters hoped for. The Senate only inserted one minor amendment and the dissentient Presbyterians must now pin their hopes on the law courts, where they are continuing the struggle.

The national railways and their correlative problems furnished the material for several contentious debates, and the Conservative party deployed at intervals to critical assaults upon the administration of Sir Henry Thornton. A strange transaction whereby the Hotel Scribe in Paris was purchased as European headquarters for the Canadian National Railways aroused such general disquietude that the Government consented to the appointment of a special committee to investigate the financial and other administrative methods employed in the State system. Its report exonerated Sir H. Thornton and his officials from the charges laid at their door, but offered a variety of suggestions for the cure of obvious flaws in the existing system. Sir H. Thornton has made some mistakes since he assumed his present duties, but if he had done nothing but perform

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two services admittedly to his credit, the consolidation of the disjointed systems into a unified organisation and the creation of a real *esprit de corps* among the employees, he would deserve the fullest consideration and allowance. The tactics employed against him by some leading Conservative politicians, chiefly members of the Senate, have excited more reprobation than approval. The fundamental problem connected with the State railways is the reconciliation of immunity from political interference in the details of management with a measure of popular control over a vast public enterprise which makes huge annual demands upon the Federal Treasury. This year the Senate became the target for bitter criticism in the western provinces because it exercised its pruning-knife very vigorously upon the extensive programme of new branch lines proposed by the Canadian National Railways. Communities which expected to benefit by the deleted lines are sorely aggrieved, but in the eastern cities the Senate gets high commendation as an invaluable Cerberus of economy.

But the practice of governmental economy is an immensely difficult art in all new countries. No session ever began amid such a unanimous chorus from Press, public, and politicians of Canada that rigid economy was the country's most urgent need, and few sessions have ended in such an orgy of votes for new public works. Escorted by a viaduct for Toronto, a mammoth new bridge which will span the St. Lawrence across the harbour of Montreal glided past all the dragons of economy, and substantial largesse in the shape of harbour improvements, elevators, etc., was doled out for the placation of Vancouver, Quebec, and other importunate communities whose members might have combined to halt the bounty destined for Montreal and Toronto. It is true that most of these new obligations took the form of indirect guarantees, but these have an unhappy habit in Canada of coming home to roost; and among intelligent people there is some natural misgiving about the aggregate wisdom of a Parliament capable of

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sanctioning, in a single session, in face of falling revenues and dubious crop prospects, for a country whose basic economic handicap is the possession of physical equipment far in excess of the needs of its present population, fresh public works whose ultimate cost must exceed 100 million dollars.

The Home Bank disaster had a variety of parliamentary by-products during the session. It had made practically inevitable a system of governmental inspection of banks, and legislation for this purpose was passed without difficulty and with the approbation of leading bankers who had formerly resisted it. More radical reforms aiming at State control of currency and credit, strenuously advocated by a group of credit reformers, were thwarted by a combination of Liberals and Conservatives. Concerning the claims of the Home Bank depositors to compensation out of public funds, on the ground that their losses were due to the negligence of the Finance Department, the Banking Committee, concurring in the report of Chief Justice McKeown of New Brunswick, who had held a special inquiry into the disaster, reported that while the depositors had no legal rights of redress they had a strong claim on moral and equitable grounds. Quite unexpectedly the House of Commons gave this report unanimous endorsement without any debate, and although the Government has not yet committed itself, some degree of compassionate allowance is now regarded as inevitable. There was also an interesting political repercussion. A veteran Conservative member charged Mr. Murdock, the Minister of Labour, with using information obtained in his capacity as a Cabinet Minister to avert financial loss by the timely withdrawal of deposits from the Home Bank, thereby violating the honour of Parliament. Although the House of Commons after an acrimonious debate sustained the majority report of a committee exculpating the accused Minister, his future political utility has been seriously impaired and his accuser has resigned his seat to test the opinion of his constituents upon the verdict.

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There were some lively debates upon the problems of migration which have now a double facet in Canada. While many members pressed for an aggressive immigration propaganda to fill the gaps left by emigration to the United States, the small Labour group and the radical wing of the Progressives protested against any further expenditure of public funds for the allurements of people to a land which fails to give large numbers of its existing population an adequate livelihood. There was the usual crop of amending legislation, and the Government obtained sanction for some useful administrative reform, such as the transference of the collection of income taxes to the Department of Customs and Excise and the appointment of special tariff experts to the Department of Finance. Apart from the discussions on the Treaty of Lausanne, which are dealt with elsewhere, and some cursory exchanges about the Halibut Treaty and Oriental immigration, Imperial and international problems were sedulously sidetracked. It is very surprising that, first, the Premier did not offer Parliament any account of his stewardship at the last Imperial Conference, and that, secondly, Parliament did not demand it.

The session ended with a dramatic declaration of war upon the Senate by the Prime Minister, the immediate *casus belli* being the Upper House's insistence upon severe amendments to a new Pensions measure. Declaring that this interference was the crown of a long series of offences against the rights of the popular chamber, Mr. King announced that the Government would during the recess carefully explore the problem of curbing the Senate's irresponsible tyranny, and hinted that the methods of the Asquith Government in dealing with the House of Lords would probably be imitated. Difficult indeed is a reasoned defence of the existing Senate, especially of the principle of nomination for life by the Government of the day, which is its source of recruitment. Not only is there a large volume of prejudice against it among supporters of the Liberal and Progressive parties, but even Conservative

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papers like the London (Ontario) *Free Press* and the *Winnipeg Tribune* admit the need for its reformation. Inasmuch, however, as one of the prime movers in the amendments to the Pensions Bill which aroused the Premier's wrath was Senator Dandurand, the Government leader in the Upper House, the ground for battle was not chosen with consummate skill. Moreover, the problem bristles with difficulties. Confederation in Canada was a pact between a group of separate Colonies, which was transmuted into a constitution by a statute of the British Parliament. The structure of the Senate was planned of set purpose to allay the fears of anxious minorities and erect for them bulwarks against any tyrannical domination by elements numerically more powerful. Ontario through the mouth of its Attorney-General has already served notice that her consent and co-operation must be secured for Senatorial reform; and Quebec and the maritime provinces, for whose special protection the Senate was given its present form, will view the project with scant enthusiasm. Older observers of Parliament, too, recall at the close of bygone sessions similar ringing challenges to the Senate by Sir Wilfrid Laurier and Sir Robert Borden, and point out that the Senate survived those threats chiefly because its position was impregnable through the complication of provincial rights.

In some quarters Mr. King's declaration of war is interpreted as presaging an appeal to the electorate this autumn, and it is an open secret that the electioneering strategists of the Liberal party believe that the chances of a successful verdict will never again be so propitious. To-day the Progressive party is disorganised by its internal fissure and seriously discredited in Ontario, and the Conservatives are not prepared for an election; it would still be possible to extract some political capital out of the Budget; and the Senate's mutilation of the Canadian National Railways branch-line programme could be saddled upon the Conservative party in many western constituencies. Meanwhile the

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Federal revenues are showing an ominous downward curve, and, unless the rate of decrease, which for the first quarter has been double the estimate allowed for by the Finance Department, is checked, the result must either be a Budget imposing fresh taxation or a deficit seriously impairing the national credit. Neither outcome is likely to improve the Ministry's electoral prospects. Furthermore, the Budget of 1925 will present other perplexing difficulties. The prairie provinces, exasperated by a poor crop and failure to secure relief from their debt burdens, will be more exigent than ever in their demands for tariff reductions; and on the other hand many Quebec Liberals during the Budget debate bluntly intimated that they would countenance no more sacrifice of Eastern industrial interest for the satiation of the voracious free trade appetite of the West. Such considerations would seem to counsel an early election; but the Prime Minister is known to be personally averse to any such venture until the appointed term of Parliament is nearer expiration, and the unfortunate failure of the western wheat crop to realise expectations will create a bad electioneering temperature this autumn, and give him a valid argument for delay. But at least four by-elections are impending, and as neither Mr. Fielding, the Finance Minister, nor Mr. Murphy, the Postmaster-General, is expected to resume his duties, and some process of Cabinet reorganisation is inevitable, there will be ample opportunity of testing the sentiment of the country before Parliament reassembles. But even a few more by-election defeats might not drive the Government to the country; for the law of inertia has a habit of prevailing, and no more enduring foundation for Ministerial immunity from defeat has ever been invented than the generous \$4,000 indemnity now paid by the Canadian people to their parliamentarians.

Lausanne and its Aftermath

II. LAUSANNE AND ITS AFTERMATH

THE communications which passed between the British and Canadian Governments respecting the negotiation, signature, and ratification of the Treaty of Lausanne have been published in Canada, and the House of Commons and country have heard the views of the party leaders upon the action of the Canadian Government. The inferences to be drawn from this action depend chiefly on these communications and views, so a résumé of them is an essential preliminary to any comment.

On October 27, 1922, the British Government informed the Canadian Government that

Yesterday invitations were sent by the Governments of Great Britain, France and Italy to the Japanese, Roumanian, Yugoslav, Greek and Turkish Governments (both of Constantinople and Angora) to send representatives to Lausanne, November 13, to conclude Treaty to end War in the East which will replace Treaty of Sévres. . . . According to arrangements agreed upon with French and Italian Governments each Government would be represented at Lausanne by two plenipotentiaries. Secretary of State for Foreign Affairs will personally act as chief British plenipotentiary and it is proposed he should be accompanied by the British High Commissioner at Constantinople. Dominion Governments will be kept informed from time to time on the general lines of policy on which British plenipotentiaries propose to proceed and of course of negotiations and in case of other Treaties arising out of the peace will of course be invited to sign new Treaty and any separate instrument regulating the status of the Straits. His Majesty's Government trusts that this procedure will be in accordance with the wishes of your Government. Plenipotentiaries are fully acquainted with the Imperial aspect of the problem and with the keen interest taken by the Dominion Governments in its solution.

On October 31, 1922, the Canadian Government replied :—

Our Government has no exception to take to the course pursued by His Majesty's Government with respect to the conclusion of a

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treaty to end the war in the Near East. As, however, it is proposed to keep our Government informed from time to time of the general lines of policy on which British plenipotentiaries propose to proceed, and of the course of negotiations, and to invite us to sign a new treaty and any separate instrument regulating the status of the Straits, we deem it advisable to avail ourselves of the earliest opportunity to inform His Majesty's Government that in our opinion the extent to which Canada may be held to be bound by the proceedings of the Conference or by the provisions of any treaty or other instrument arising out of the same, is necessarily a matter for the Parliament of Canada to decide and that the rights and powers of our Parliament in these particulars must not be held to be affected by implication or otherwise in virtue of the information with which our Government may be supplied.

Subsequent communications added little to clarify the meaning of this statement of the Canadian Government, though a suggestion from the British Government that signature and ratification should follow the precedents of Versailles and Washington brought from the Canadian Government a statement of their inapplicability, since Canada had not been separately represented at Lausanne, and representatives appointed on the recommendation of the Canadian Ministry had not signed the Treaty. There is, however, a striking statement in an explanatory communication of the Canadian Government on December 31, 1922 :—

In the case of the main political treaties concluded since the War, in general the rule seems to have been followed that, wherever the Dominions could be said to have a direct or immediate interest, the procedure was shaped to include their participation in, and signature of, the proceedings. That in the case of the Conference at Lausanne a like procedure has not been followed with respect to representation and participation by Canada, has been regarded by us as evidence that in the opinion of the countries by whom the invitations to the Conference at Lausanne were extended, Canada could not have been believed to have the direct and immediate interest which she was supposed to have in the Conferences at Versailles and Washington.

Requests of the British Government on February 22 and March 21, 1924, for the Canadian Government's con-

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currence in His Majesty's ratification of the Treaty, brought from the Canadian Government on March 24, 1924, this reply :—

The Government of Canada not having been invited to send a representative to the Lausanne Conference and not having participated in the proceedings of the Conference, either directly or indirectly, and not being for this reason a signatory to the Treaty on behalf of Canada . . . my Ministers do not feel that they are in a position to recommend to Parliament the approval of the peace Treaty with Turkey and the Conventions thereto. Without the approval of Parliament they feel they are not warranted in signifying concurrence in ratification of the Treaty and Conventions. With respect to ratification, however, they will not take exception to such course as His Majesty's Government may deem it advisable to recommend.

Turning now to statements made in the Canadian House of Commons on April 2, 1924, before the foregoing communications had been published, the Prime Minister, Mr. King, in outlining these communications chronologically, said that the Canadian Government had replied to the requests of the British Government for concurrence in His Majesty's ratification

that as Canada had not been invited to send a representative to the Lausanne Conference and had not participated in the proceedings there, either directly or indirectly, and for this reason was not a signatory of the Treaty, our Government did not feel that it was in a position to recommend to Parliament the approval of the peace Treaty with Turkey and the Conventions thereto, and that without the approval of Parliament we did not feel that we were warranted in signifying concurrence.

On June 9, 1924, the Treaty was debated in the Canadian House of Commons—or, rather, the procedure of negotiation and signature, and the resulting obligations were debated; for except for Mr. Meighen's objection (hereafter to be mentioned) to the Britannic Commonwealth involving itself in a guarantee of any European territorial settlement, the terms of the Treaty were ignored. For

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the first time it was publicly stated that the British Government had confidentially given to the Canadian Government reasons why individual representation of the Dominions at Lausanne had not been arranged.

The crux of the debate was Mr. King's epitome of the position of the Canadian Government respecting ratification of the Treaty, the point of which is now italicized :—

In the presence of the Prime Ministers of the other Dominions and the members of the British Government (at the Imperial Conference) I made it clear that because we were not represented, and because we had no part in the Conference, this Government did not feel that it could bring into the House a treaty negotiated as this Treaty had been negotiated, and expect to have the approval of Parliament of the obligations it carried with it. I made that clear, but I also made clear that we did not intend to embarrass the British Government in the matter when it came to the final ratification of the Treaty, and that whatever position the British Government might wish to take with regard to it, we would raise no objection. In other words, *if the British Government recommended the ratification of the Treaty, so far as Canada was concerned, we were quite prepared that ratification should bind us. We never raised the question as to Canada not being bound by ratification.*

But in the circumstances of the negotiation and signature of this Treaty he distinguished the effect of such concurrence :—

There is a distinction to be drawn between the purely legal and technical position in which this Dominion may be placed and the moral obligations which arise under treaties depending upon the manner in which such treaties are entered into, upon the parties who are present, and the representative capacities in which they acted while negotiations were proceeding. Legally and technically Canada will be bound by the ratification of this Treaty; in other words, speaking internationally, the whole British Empire in relation to the rest of the world will stand as one when this Treaty is ratified. But as respects the obligations arising out of the Treaty itself, speaking now of inter-Imperial obligations, this Parliament, if regard is to be had to the representations which from the outset we have made to the British Government, will in no way be bound by any obligation beyond that which Parliament of its own volition recognises as arising out of the situation.

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We have not in the past, we do not now hold the view that Canada as a part of the British Empire will not be legally bound by this Treaty when it is ratified, but we do say that the moral obligation resting upon this Parliament and country under this Treaty, when it is ratified, will be vastly different to the moral obligation which is imposed upon the country under the Treaty of Versailles, having regard to the different manner in which the whole negotiations were carried on.

With these extracts set forth some comment may be attempted. First a misconception, which Mr. Meighen noticed, but to which the debate added currency, may be cleared away. Versailles and Washington have been generally cited, and were appealed to by the Canadian Government, as having initiated and fixed a right of the Dominions to representation at international conferences. In a sense this is true; but such a right does not depend on invitation. For neither to Versailles nor to Washington were the Dominions invited by the Powers convening the Conferences held there—France in the one case, the United States in the other. In both cases invitations were addressed by the convening powers to the British Government on behalf of the Britannic Commonwealth. The method of Dominion representation was a matter of internal economy for the Commonwealth itself; though the number of plenipotentiaries who expressed the views of the British Empire Delegation was on occasion a matter for arrangement with the other Powers represented at the Conference. For certain purposes the Delegation was a panel from which the agreed number of plenipotentiaries was drawn; for others—full sessions of the Conference—the Delegation appeared *en masse*. The political circumstances in Britain when the communication of October 27, 1922, was despatched may be worth noting: the coalition Government had fallen, but Lord Curzon was still in charge, and practically in command, of foreign affairs. It should also be noted that, though the communication of October 27, 1922, states that “each Government would be represented at Lausanne by two plenipotentiaries,” it does not

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necessarily follow that these need have been always the same two; and, though the concluding sentence of the despatch gives no encouragement to the formation of a British Empire Delegation on which the Dominions might have been individually represented, the creation of such a panel, from which the two plenipotentiaries might have been drawn, is not expressly excluded.

Respecting the arrangements for representation of the Commonwealth at Lausanne, and the terms of this communication of October 27, 1922, to the Dominions, plain speaking is necessary. Somebody—Lord Curzon certainly, and perhaps somebody else—blundered. The action of Mr. King and his colleagues, however, seems to have lacked foresight in view of the stand assumed later on. The British Government, when acting as the organ of the whole Commonwealth in foreign affairs, must not act and inform the Dominions, but consult the Dominions and act—in that order of events. The Dominions must be confronted with no *fait accompli*. This is true at all times; and in October, 1922, especially, care was required since the alarms raised by the Chanak incident of a few weeks before had not died down. Reasons have been given above for believing that the British Government's communication of October 27, 1922, need not, as respects representation of the Dominions at Lausanne, have been treated by the Dominions as a *fait accompli*: but Mr. King had "no exception to take to the course pursued." As has been said, confidential reasons why representation of the Dominions at Lausanne was not pressed by the British Government were given to the Canadian Government. Did Lord Curzon in the preliminary discussion of the Lausanne Conference hear for the first time the preposterous French suggestion that representation of the Dominions would involve the representation of Algeria, Tunisia and Senegal? Mr. Bourrassa is not much of a believer in Imperial co-operation, but he does not timidly acquiesce in this demand: he says that "M. Poincaré

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puts . . . the eldest sons of old France on the same footing as the Algerians, the Tunisians, the Senegalese, and the other adopted children of many stripes of the France of to-day," and that "the idea of comparing the present status of the Britannic Dominions to that of the French colonies is so farcical that it ceases to be insulting," and though he expresses no regret that Canada was not represented at Lausanne, he says that Canadians have been treated as "the white niggers of the Empire." And if his Lordship's reading of history ignores the developments of the past ten years, others who envisage a real co-operative partnership in the Commonwealth's rights and responsibilities refuse to share his interpretation.

But Canada's chief concern is with the responsible Government of Mr. King. If it is not disingenuous, what, for a protagonist of autonomy, could be stranger than the autonomous abdication of December 31, 1922, quoted above? Has Canada no "direct and immediate interest" in a peace settlement, even if she may be only legally bound to support it? And is "the opinion of the countries by whom the invitations to the Conference at Lausanne were extended" to be accepted instead of the opinion of her own responsible Government, when the question to be decided involves the terms on which she shall join in making peace with an enemy? "Canada could not have been believed to have the direct and immediate interest which she was supposed to have in the Conferences at Versailles and Washington" had she relied only on "the opinion of the countries by whom the invitations to the Conferences (at those places) were extended." "The direct and immediate interest which she was supposed to have" in "the preservation of the halibut fishery of the Northern Pacific Ocean" or in "the suppression of smuggling operations along the international boundary between the Dominion of Canada and the United States, and assisting in the arrest and prosecution of persons violating the narcotic laws of either Government,

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and for kindred purposes," "Canada could not have been believed to have," had not her own responsible Government so assured her. As responsible government, this will never do.

THE ROUND TABLE circulates in areas remote from the Canadian political scene; and to those not intimately acquainted with the sources and divergent tendencies of Canadian political thought, and with the exigencies of party allegiance and recruitment, the communications of the Canadian Government and the expressions of its leader may do little to dispel the mystery about Canada's attitude to the Treaty of Lausanne. It is true that to find any basis of principle is hard. Mr. King's difficulties seem to arise from an attempt to conciliate groups of supporters whose views are divergent—an attempt which necessarily prevented the adoption of a clear-cut policy. Mr. Meighen expressed more definite loyalties and desires: though his critics may think that his emphatic denunciation of what he called the Government's return to a position of colonial subjection arose from some desire to gain support which his opponent is anxious not to lose. He was, however, the only participant in the debate who definitely objected to the policy and terms, rather than to the procedure, of the Treaty, and he ranged himself definitely in support of the ideas discussed in the last two numbers of THE ROUND TABLE,* that the Britannic Commonwealth should be regarded as a world, rather than as a European Power, and that it should guarantee a European settlement. This is a policy which probably appeals to the great majority of Canadians, whether they support or oppose him. They regard any other as definitely opposed to traditional British practice, as well as to the peaceful auguries of to-day. Their views are not necessarily dictated by the attitude of the United States, but they regard the co-operation of the American and Britannic Commonwealths as more

* THE ROUND TABLE, No. 54, March, 1924, p. 285, and No. 55, June, 1924, pp. 518 and 519.

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likely to secure the peace of the world than European territorial guarantees, and they contemplate unwillingly the possibility of being involved in a struggle of unlimited liability because a partner in their Commonwealth is committed to maintain the territorial pattern of one continent.

But the mist surrounding the consequences of Lausanne did not persist long. The inter-allied Conference now meeting in London was summoned, and a preliminary conference of delegates of Britain and the Dominions was called to arrange for representation at the Conference proper. Mr. Ramsay MacDonald asked if Canada would be represented at this preliminary conference, and Mr. King replied that she would be pleased to be represented. His statement to the Canadian House of Commons is as follows:—

In order that there might be no mistake in our position in the matter of our representation we intimated immediately that, in our opinion, representation, according to the terms of the resolution passed at the last Imperial Conference, should follow the precedent set at Versailles and Washington, whereby each Dominion would be separately represented by its delegates, bearing full powers from his Majesty to act, as respects the Dominion, in the name of his Majesty. In reply to that communication an intimation was given by the British Prime Minister that he was unable to say whether he could place the same interpretation upon the application of the resolution of the Imperial Conference as we placed upon it. It was, however, suggested that the representatives should meet and confer and the question of representation be decided as the result of the conference.

At the preliminary conference . . . it was intimated that it would not be possible for more than three representatives of the British Empire to be present at the Inter-allied Conference, and the despatch rather suggested that the three in question would necessarily be members of his Majesty's Government. We intimated that this would not be satisfactory to the Dominion; that, in our opinion, this Parliament would expect that the precedents set at Versailles and Washington should be followed and that our Government would expect that a Canadian representative with full powers from his Majesty in respect of Canada should represent this country as a member of the British Empire delegation. *We drew attention*

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to the fact that the internal organisation of the British Empire delegation was a matter, in our opinion, for the British Empire itself to decide; that any objection from other nations as to the manner in which representation was arranged within the Empire was something that was none of their affair. . . . My opinion is that there will probably be no difficulty in arranging for Canada's representation in the manner I have described.*

This is good. It would have been equally good if it had been said on October 27, 1922. And, if it is consistently adhered to for the future, a genuine practice of Imperial co-operation will grow up, and Lausanne may be remembered only for warning.

Canada. July 25, 1924.

* The passages in small type throughout are taken from the Canadian Hansard. The italics are our own.

AUSTRALIA

I. AUSTRALIAN FISCAL POLICY

THE settled fiscal policy of Australia, generally accepted by all political parties, is protection. The last great increase in import duties occurred in 1920, when a "three-decker" tariff of a familiar type was passed providing for a British, an intermediate and a general list of duties on a scale ascending in the order named.

Since then the administration of the tariff has been altered on some important details. The Tariff Board Act of 1921 provided for a Board whose general function was to enquire into and report upon fiscal matters for the guidance of the Minister for Trade and Customs. The Customs Tariff Act of 1921 provided for certain "deferred duties" which were to become operative at various dates, unless the Tariff Board were to certify to the Minister that the goods upon which the deferred duty was imposed could not be produced in Australia by those dates. Apart from matters which may be referred to it by the Minister, such as the necessity for new, increased, or decreased duties, and the deferring of existing or proposed duties, the Board has general powers to investigate on its own initiative the general economic and fiscal effects of the tariff. In the same year advantage was taken of this new machinery to provide by legislation for special "anti-dumping duties" to come into operation at the discretion of the Minister for Customs if, after inquiry and report by the Tariff Board, he is satisfied that the "dumping"

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would be a detriment to Australian industry. Several kinds of "dumping" were provided against by means of appropriate duties, notably imports from countries whose currencies had depreciated, though this part of the Act had to be amended in the following year to meet the case of the slump in the mark. Last year the Tariff Board Act, which originally had been intended to last for two years, was extended for another year.

The work of the Tariff Board has been to advise as to the admission of goods under departmental by-laws, to recommend the imposition or withholding of deferred duties on goods as varied as portland cement from Norway, cotton shoe-laces from Germany, maize from South Africa, silk stockings from the United States of America, and wire-netting from Great Britain. In the great majority of cases, however, the duties have been applied to goods from countries with depreciated currencies, and every one concerned both in the legislation and its administration has taken for granted without any proof at all that the mere fact of depreciation of itself gives an advantage to exporters from that country over exporters from other countries. It will be seen that the Federal Parliament has allowed considerable discretion to the Minister for Customs, and there have been frequent complaints of the danger of this course because of the element of uncertainty which it introduces into business life.

It may be advisable to indicate what are the aims and objects of Australian fiscal policy. The chief economic and political aim seems to be the all-round, "well-balanced" commercial and industrial development of the country. This is often expanded into the ideal of a self-sufficient or self-supporting community providing within its own borders for the needs of its members, and therefore in time of war in a stronger position than if it were dependent on external sources of supply. Again, one very strong factor in making protection acceptable is the widespread and firmly held belief that it is the only way in which

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to achieve the aim of preserving for Australia the comparatively high standard of life secured for the average man. To these ends the policy of import duties is expected to lead, especially when imposed upon manufactured goods, to encourage the growth of Australian industry. That there may be serious economic loss in such a policy is rarely admitted and, indeed, hardly ever considered. The consumer's interests are either ignored or if considered at all are thought to be sufficiently safeguarded because any loss is certainly outweighed by political, naval and military considerations. It is easy to see that the people engaged in protected industries realise the benefits of the policy, but it is not so easy to see how those engaged in agricultural and pastoral industries have been brought to realise the blessings of protection. They appear, however, to have been satisfied with the argument that protection means for them a home market, "the most valuable of all markets," and that any difficulty which may incidentally arise from the higher prices which they have to pay for all or most of the goods which they use is the price they pay for this advantage, while they will be further benefited by attempts to secure for them a market abroad for their surplus products. Lately, however, farmers and graziers seem to be more uneasy under the burden of a heavy tariff. Mr. Bruce recently said that there were no free-traders in Australia. Though this is mere rhetorical exaggeration, it is undoubtedly true that no important group in the community stands for free trade. In part this is due to the fact that those who otherwise might have advocated free trade have been reluctant to introduce another cross-division into politics. The farmers and pastoralists who stand behind the Country party might be expected through their representatives to express rather different fiscal views from the official policy, but until recently their protests have been few. The Labour party which at one time contained many avowed free-traders is now, outwardly at least, as protectionist as any other party. The Press is in

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the main protectionist in expressed opinion, and two of the most influential dailies, the *Sydney Morning Herald* and the *Melbourne Argus*, while still free-trade in principle, some time ago regretfully "sank the fiscal issue," though the latter paper has recently attempted to resuscitate it.

Preference to British goods, introduced in 1906 and extended in 1920, is a concession to sentiment, which, however, is not allowed to interfere with business, for Australian legislators have not hesitated to impose a duty on British goods whenever there was even a possibility of starting an industry in Australia. It is only where this possibility is remote that British goods are admitted free. The policy of preference, then, is to impose duties high enough to "protect" Australian industries against the competition of British goods, and to raise duties still higher on goods from other countries. Coupled with this is the hope that reciprocal arrangements might be made with Britain which, by facilitating the marketing of Australian products, especially fruit, would go far to solve the problem of immigration. There is, again, no doubt that this policy commands the wholehearted support of the majority of people in Australia, although few may have considered what kind of advantage was being sought from Britain, what effect it was likely to have upon her fiscal policy, or who would bear the burden of reciprocal Imperial preference.

One last point of great practical importance is that the Australian tariff has the double aspect of protection and revenue. There may be some inconsistency in attempting to pursue both aims simultaneously, but the practical necessity of avoiding recourse to heavier direct taxation has been a dominant feature of tariff policy, as may be seen from the fact that about 40 per cent. of the tax revenue of the Commonwealth is raised in this way.

When Mr. Bruce left to attend the Imperial Conferences, he had behind him in his proposed advocacy of reciprocal preferential trade the fairly unanimous public opinion of

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Australia. At the Economic Conference he not only accepted gratefully the offers of preference made by the Baldwin Government, but he raised in no uncertain way the larger issue of a general protective tariff for British agriculturists with adequate preference for the Dominions. He made no secret of the fact that he would prefer this solution above all others and of his belief that it would achieve all the objectives which he had in mind. Indeed, although almost all the Dominion representatives strongly protested that they neither intended nor desired to attack the existing British fiscal policy, it seems clear that they considered that no solution of Imperial economic problems could be satisfactory without a great change in that policy. In discussing the general problem of Imperial trade and markets, Mr. Bruce said: "There is no real difficulty in the solution of this problem if it can once be established that you can give a certainty, or a reasonable certainty, to the Dominions of this market for their primary products without increasing the cost to the consumer in Great Britain." The trouble exactly lies in establishing this, and those who think it can be done easily are stronger in faith than in knowledge.

In the narrower issue of existing and proposed preferences granted by Britain to Australia, and by Australia to Britain, Mr. Bruce was not very convincing. In the same speech in which he strongly urged the necessity of Government action of a fiscal nature, he emphasised his own creed: "I believe in the law of supply and demand, no Government interference, no sort of control. I believe in letting trade and industry flow in its own channel." His attempt to calculate the cash value of the preference which the Australian tariff gives to British manufacturers was not very successful. The £7,600,000 at which he estimated it for 1922-3 is obviously a measure of the gain to the Australian consumer, though the existence of a preference may be a benefit to British manufacturers. To suggest, as he did, that part of this sum could be "returned

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by the British Government in the form of subsidies" merely obscures this fact by making it appear as a gain to the British Government. His argument did not go unchallenged from another point of view, for at the Economic Conference, Mr. Burton of South Africa said: "Calculations of that sort are apt to be very illusory because . . . the actual benefit to the British producer is very little for the simple reason that whether preference were there or were not, he would probably have the business in any case."

Mr. Bruce welcomed, as indeed did the Australian public, the offer of further preferences made by the British Government. The emphasis which he constantly laid on the connection between settlement in the Murray valley, for example, and the preferential marketing of fruit products in Britain ensured this. He accepted what was offered as an indication that Britain at last understood what reciprocity meant, and at the same time, fully realising that a country with a revenue tariff cannot give much preference, he asked for more.

Mr. Bruce arrived in Australia in March of this year expressing his confidence, despite political changes, that the British Parliament would accept at least those proposals for preference which involved no increase in existing duties. As soon as possible after his arrival his Government placed before the re-assembled Parliament three resolutions moved in the House of Representatives by the Prime Minister, and intended to give general approval to the conclusions both of the Imperial Conference in regard to foreign relations, treaties and defence, and of the Imperial Economic Conference in regard to Imperial preference and an Imperial Economic Committee. A great part of his speech was concerned with defence and the Singapore base. He pointed out once more that the recommendations of the Conferences were not binding on any part of the Empire until they had received the sanction of its Parliament. After reiterating the policy of protection and preference for Australia he indicated his belief that

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the British Parliament would grant substantial preferences. The leader of the Opposition, Mr. Charlton, unexpectedly caused some confusion during the debate by refusing to discuss the resolutions on the general ground that the Prime Minister's visit and the Conference had been failures. None of the Labour party spoke, but the debate continued, and although it naturally centred largely around the question of defence, it served to show the general strength of the feeling of Parliament in favour of protection and of reciprocal Imperial preference. After the debate was over Mr. Charlton admitted that had the three resolutions been taken separately the Labour party would have voted for the third resolution on Imperial preference.

At the official opening of the Royal Agricultural Society at Sydney in April, Mr. Bruce outlined his Government's fiscal policy and announced some new proposals. He re-asserted his belief in a general policy of protection which he rightly said was endorsed by an overwhelming body of opinion in Australia, though the fact that at the same time he announced his willingness to fight for the policy appears to indicate some doubt in his own mind whether opinion might not change. He claimed that protection had been afforded both to primary and to secondary industries because the growth of secondary industries encouraged by the tariff had built up a "home market." The objective of the Government was to secure further markets for Australian products, and this was to be done by adhering to a protective tariff to encourage secondary industries and by using some of the tariff revenue to assist primary producers to secure overseas markets. He announced that to this end it was proposed to devote some of the existing budget surplus, and he promised a definite appropriation to this purpose of part of the Customs revenue for 1924-5. This money is to be used in facilitating transport by freight subsidies and co-operation between States and Commonwealth to reduce freights and

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shipping charges, in finding new markets, providing efficient marketing, and in advertisement. Mr. Bruce holds that one great advantage of a protective tariff is that it produces a great deal of revenue, and his Government has decided to share some of this advantage with the primary producer. Considerable criticism of this policy has been aroused amongst primary producers and others. On the one hand, it savours too much of an attempt to purchase political goodwill. On the other hand, even those who would benefit by the policy prefer that the advantage of a revenue surplus should take the form of reduced direct taxation.

At the same time Mr. Bruce announced that his Government is determined "that it will do nothing to undermine the initiative, enterprise and self-reliance of our people." The Federal Government will only assist those industries which make themselves efficient. "It is clearly unfair," the Prime Minister said, "to saddle an efficient Australian primary industry, or secondary industry, with the cost of maintaining an inefficient and uneconomic one." The Government "is determined not to handicap other industries and increase the cost of living to the people in Australia by fostering and protecting inefficient industries." How these wholly admirable sentiments work out in practice may be seen from some recent instances.

In April, a deputation of representatives of the meat industry waited on the Prime Minister to ask that the Government would renew the export bounty upon meat granted a year before. It was pointed out to them that it was their duty first to find markets, and that they would receive Government assistance, provided that in the meantime they had materially improved their organisation.

In March, the Federal Government accepted a local tender for fourteen locomotives for the Port Augusta-Oodnadatta railway line, despite the fact that the local tender was for £136,000 and the lowest British tender even allowing for duty was £35,000 less. The Prime Minister

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defended this decision on the grounds first, that industrial depression in Great Britain was responsible for the lowness of some of the tenders of British firms and next, that it was necessary to give the contract to a local firm in order to give the local industry a chance to become efficient. This shows clearly what price Australia is willing to pay for the encouragement of her local industries.

Wire-netting manufactured in Great Britain is normally admitted free into Australia, but in April the anti-dumping duties were applied. The ground of the decision, according to the Minister for Customs, was that the netting was being sold cheaper in Australia than in England, and that the duty merely adjusted this difference. The Act provides that if after inquiry and report by the Tariff Board the Minister is satisfied that such a case exists he "may publish a notice in the Gazette" to this effect, and the anti-dumping duty then becomes operative. Speaking in the House of Representatives the Minister said that "although the word 'may' is used, it practically means 'shall,' so that he had no option but to impose the duty." Against this decision there were some fairly strong protests both in Parliament and in the Press. Representatives of pastoral interests naturally objected to the duty because wire-netting is extensively used by pastoralists in protecting their properties against rabbits. This is an instance of the obvious clash between the policy of protection and the interests of primary producers. Country members appear to favour bounties as a method of encouraging the local manufacture of wire-netting rather than anti-dumping duties.

When the proposals of the British Budget became known in Australia it was realised that, while existing preferences were not to be abolished, the British Government reserved full liberty to propose to Parliament the reduction or abolition of duties on commodities to which preference was applied. At the same time it was proposed that the preference on dried fruits should, by a reduction in duty, be automatically reduced from 1s. 6d. per cwt. to 7d. The

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promise was made also that the resolutions of the Economic Conference should be placed before the House of Commons for free and full discussion. Australians were keenly disappointed, especially the fruit growers, but all realised that the British Government had only exercised a right which every Dominion Government claimed. None the less, the disappointment drew from Mr. Bruce a statement which has by no means been endorsed by the Press or by his supporters. He said :

If we could not extend our trade with Britain we would have to go elsewhere. . . Australia was faced with the decision as to whether she should wait any longer for a response from the Motherland or whether she should go out and offer her goods to other countries which were prepared to take them.

This suggests that there are opportunities of preferences in foreign countries which Australia might take on terms which would give an advantage to these countries at the expense of Great Britain. It is not the first time that the Prime Minister has used similar language, but he is unlikely to be widely supported in this attitude.

At the time of writing we are still awaiting the free and full discussion of the proposals of the Economic Conference, but in view of the reception given in the House of Commons to the Budget, and of the fate of the McKenna duties, the most ardent protectionist in Australia would be rash to feel any confidence that the British Parliament will give a general endorsement to the policy of Imperial preference.

II. AUSTRALIAN NAVAL DEFENCE

IN Australia, as in some of the other countries which participated in the world conflict, public interest in naval and military matters has been languid since 1918. The visit of Lord Jellicoe in 1919 at the request of the Government excited some attention, but his admirable report did

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not result in any change of policy. Heartily sick of war and acutely conscious of the financial obligations to be honoured by the Commonwealth, the electorate favoured a minimum expenditure on the several arms of the service. The decisions of the Washington Conference of 1921 were received with profound satisfaction and faithfully observed. All warship building and naval base construction was suspended ; the personnel of the fleet and the ships in commission were reduced ; the *Australia* was dismantled and sunk. Within the last few months, however, as the result of the decision of the Imperial Government not to proceed with the construction of the naval base at Singapore, the visit of the Special Service Squadron, and the speeches delivered by the Prime Minister since his return from the Imperial Conference, the naval defence of Australia has again become the subject of public concern.

The spirit of party politics is so active that any statement of policy by the leader of one political group almost invariably evokes a counter-blast from the chief of the opposing party. The controversy arising out of the recommendations of the British Admiralty anent Singapore not only cleft opinion here as elsewhere, but threw into bold relief the conflicting views of responsible leaders on that particular issue, the general problem of Imperial defence and the larger and more important question of international disarmament.

"The considered view of my Government," said Mr. Bruce, the Prime Minister, "is that the wisest course to pursue in the interests of future world peace and international arrangement for the reduction of armaments, is that the Singapore base should be constructed. . . The decision that it should not be proceeded with has caused the deepest regret to the overwhelming bulk of the people of Australia." He publicly deplored "a distinct lack of Empire vision which is dangerous in our present circumstances." "I think," said Mr. Bowden, the Minister for Defence, "that the British Government was thoroughly

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sincere in the attitude it took up (about the Singapore base), but I believe it was absolutely wrong." To reassure those who were fearful that the Washington naval agreement might be violated in the spirit, if not in the letter, Senator Pearce, the Minister for Home Affairs, who was Australia's delegate at Washington in 1921, stated emphatically that "the establishment of the base was not an infraction of the Pacific treaty either in the spirit or the letter."

It was clearly and distinctly understood (he continued) not only by the British delegates, but also by the American and Japanese delegates, that such a base was to be established. The British and naval authorities at the Conference admitted that the Singapore base could not be used for the purposes of aggression, either against Japan or America, but was essentially for the defence of British interests in the Pacific. At no time during the Conference was an attempt made by any Power to influence Great Britain to give up the intention to establish the base.

On the other hand, Mr. Charlton, the leader of the Opposition in the Federal Parliament, has announced that the Labour party will be no party to committing Australia to the establishment of a naval base at Singapore.

Australians have neither the occasion nor the inclination to fight other people. But they are not so fatuous as to ignore the warning conveyed by the unjust and humiliating treatment of Greece last year by a powerful neighbour, despite the existence of the League of Nations, then in session; the post-war expenditure on armaments of several European Powers; the statement of the Parliamentary Secretary to the Admiralty that by April 1, 1929, at the present rate of construction, Great Britain would have 32 cruisers and 31 submarines, while Japan would have 40 cruisers and 79 submarines; the disparity between the density of our population and that of neighbouring lands; and the difficulty of reconciling the claim to racial equality with the White Australia dogma. With the exception of a small group of genuine pacifists and of those amateur strategists who regard the difficulties which would beset

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an invader as our stoutest shield, there is a general consensus of opinion in favour of a measure of naval preparedness.

Ten years ago the policy of the Labour party with regard to naval defence was clear and positive. The Royal Australian Navy may be regarded as its symbol. But now it is harder to ascertain. The practice of trade unionism testifies to the faith of the party in force as the ultimate sanction for the maintenance and improvement of the wage earners' standard of life. But, on the issues arising out of Imperial and international relationships, Labour's political leaders to-day speak in less certain accents. Mr. Charlton's reluctance "to have a voice in foreign affairs, with its secret diplomacy," lest we should be in duty bound to stand by the Empire in the event of war may be interpreted in various ways. Possibly it indicates an amazing abandonment of the democratic principle that a people should be heard in the determination of matters vital to its own interests; or, it may be, he prefers that the foreign policy of Australia should be determined by Australians regardless of Imperial considerations. So, too, the Labour party's contemptuous reception of the Prime Minister's report of the proceedings of the Imperial Conference, which they refused even to discuss, shows a disconcerting lack of appreciation for the deliberations and conclusions of that meeting of Governments.

With regard to the Singapore base, the party stands four square behind Mr. Ramsay MacDonald. As Mr. Charlton frequently observes, the world wants peace. The urgent need of to-day is an extension of the principles of the Washington naval agreement. It is thought that, however defensible the development of the dock at Singapore might be on strategic grounds, it might offend the susceptibilities of other Powers and impair their faith in the sincerity of Great Britain's advocacy of a proportionate international reduction of armaments. The abandonment of the base is welcomed as a magnificent moral gesture to the world.

But apart from the abhorrence of war as such, social

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reformers, handicapped by the indebtedness due to the last war and anxious to promote various productive and beneficent purposes, can discover no enthusiasm for an outlay of millions on warships and docks. And their opposition to the project is strengthened by the advice, given publicly to Australia by Sir Percy Scott, that we should refuse to support such "a wicked, wilful and wanton waste of taxpayers' money." Further, as the result largely of the study of the causes of recent wars, such schemes are closely scrutinised nowadays for some mark of the "capitalist's" cloven hoof. There are some in our community unable to banish the suspicion from their minds that the big oil, mining, shipping and commercial interests are behind the campaign to spend millions of the taxpayers' money in the construction of a great naval base that would protect what they had won and facilitate the commercial penetration of China.

The Prime Minister, fresh from the Imperial Conference and in possession, possibly, of secret information bearing on defence, is anxious for disarmament. He ably represented Australia at the annual Assembly of the League in 1921, accepts the principles on which it rests and has faith in its capacity. But he believes, perhaps more ardently, in that other League of Nations which is the British Commonwealth, and he would welcome an Imperial policy likely in his judgment to strengthen the ties and ensure the safety of that association of free States. He shares with many of his fellow-citizens the view that, without the assistance of the British fleet, Australia is powerless against a strong naval and military Power; that, as Lord Jellicoe pointed out, "it is not possible to consider the naval requirements of Australia without taking account also of the naval requirements of the Pacific and Indian Oceans"; that, again to quote Lord Jellicoe, since "Singapore is undoubtedly the naval key to the Far East," as much should be spent there as is necessary to enable the base to cope with the docking of and repairs to modern capital ships and to be adequately fortified,

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and to that necessary expenditure, Australia should contribute according to the measure of her resources. He would continue the work there begun by the Baldwin Government simultaneously with the negotiations with other States on the subject of disarmament, so that, in the event of the latter being fruitless, the relative position of the British Government would not be weakened. Alternatively, if the hopes of right-minded people be realised, then the undertaking could be abandoned, as were the capital ships already on the stocks, when the naval agreement was reached at Washington. In short, the present Government of Australia finds the Imperial policy of the Conservative party more acceptable than that of either of the other two political groups in Great Britain.

Doubtless the Prime Minister took advantage of the presence of Vice-Admiral Field to discuss this problem in its various aspects. In the course of numerous speeches the Admiral, while careful to avoid any reference to Singapore, gave seasonable advice on naval matters. While frankly recognising that the policy of Dominion navies was unalterable, he stressed the necessity for unity of command and administration in time of war and the desirability, in times of peace, of standardising ships, guns, and methods of training and education, and of giving the Australian naval officers an opportunity of studying fleet exercises in British waters, in order that the Australian unit might be welded into the Imperial Navy anywhere in the world at a moment's notice.

A statement on the naval policy of the Commonwealth is expected from the Prime Minister. Its general nature, so far as it has been foreshadowed, would seem to be as follows:—Two cruisers of 10,000 tons each, armed with 8-in. guns, will be constructed to replace the light cruisers, *Melbourne* and *Sydney*, which are due for replacement in 1928. It is expected that they will take three years to build. Thereafter, a new cruiser will be built every three years, giving four new ships in about nine years. Two new cruiser submarines will be purchased. Sea-plane bases will be

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built in Sydney Harbour, Albany and the North, and a new aeroplane base will be constructed near Melbourne; the naval personnel will be increased to prepare for the commissioning of the new cruisers; the Commonwealth Munition Works will be gradually improved to make them equal to supplying the needs of the defence forces; and a base for oil fuel will be established in the North for the convenience of the destroyers and other fuel burning vessels which go beyond Brisbane.

III. THE NEW LABOUR GOVERNMENTS IN WESTERN AUSTRALIA, SOUTH AUSTRALIA AND TASMANIA

TWELVE months ago there was only one Labour Ministry in office among the seven Governments of the Commonwealth, and that was in Queensland. Its position was precarious, for it had only a majority of two. Moreover, the elections for the Federal Senate had resulted in an anti-Labour victory, and the Brisbane municipal Labour party had been disastrously defeated at the polls. Small wonder, then, that political prophets saw the writing on the wall for Labour in this, its last Australian stronghold. There are to-day (June, 1924) four Labour Governments in office in Australia. The Queensland party has improved its hold on Parliament by increasing its majority from one to fourteen and has just swept the polls in the Brisbane municipal elections. In Tasmania a change of administration occurred in October, 1923, which placed Labour in power without an election. In March, 1924, Western Australia elected a Labour Ministry to succeed a Nationalist Government, and in April, 1924, South Australia followed the example of her western neighbour.

Some people regard these things as signs of a general revival of Labour in politics, others attribute the Labour successes to the disappointment of the electorate with the administration of the non-Labour parties, while others

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maintain that the efficient cause of these results has been the rise of Country parties, which have split the anti-Labour vote. There is some truth in all these contentions. It is unsafe to generalise about States so widely different and distant as those in question. Each of them has local peculiarities which affected their political changes and ought to be considered. Broadly speaking, all that can be said is that Labour has in all cases profited by the divisions of its opponents and by the usual electoral swing away from the party in office.

The Queensland elections of 1923* were discussed at some length in this journal and readers may be referred to those issues.†

The Tasmanian Labour party is in power because the Nationalist administration has lost the confidence of Parliament. In the elections of 1922 the parties fared as follows:—12 Nationalists, 12 Labour, 5 Country party, 1 Independent. A period of Nationalist administration followed, marked by a series of rather obscure political intrigues in the face of a difficult financial position. This was ended by the defection of some Nationalist members. The Premier, Sir Walter Lee, resigned, protesting that the position called for a dissolution. The Administrator, Sir Herbert Nichols, thought otherwise, and asked Mr. Lyons, the Labour leader, to form a Government. This Mr. Lyons did, and his Ministry has been carrying on since then. It has won admiration for its painstaking administration and its resolute attempts to straighten out the tangled finances which it inherited.

In Western Australia, the Nationalists went to the polls on March 22, 1924, from a House composed of 9 Nationalists, 5 Nationalist Labour, 15 Coalition Country party (supporting the Government), 3 Official Country party

* In the previous Parliament Labour had a majority of one; the elections gave Labour a majority of fourteen.

† THE ROUND TABLE, No. 52, September, 1923, p. 860; No. 53, December, 1923, p. 162.

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(opposing the Government) and 18 Labour members. The elections resulted as follows:—10 Nationalists, 7 Coalition Country party, 6 Official Country party, and 27 Labour. Labour is thus in a majority over all parties in the House and can count as well on the support of the Official Country party in opposing the late Ministerialists. There seems little doubt that a redistribution of seats Bill is needed in West Australia, but the late Premier would not introduce it. Labour has certainly profited by this in some of the goldfield seats which contain few voters. On the other hand, it holds a big proportion of the markedly under-represented suburban and Government areas. It is a striking fact that eleven of the Labour seats were uncontested. On the whole, it seems that there has been a considerable turnover of votes to Labour, which is, in this State, a right-wing trade-unionist party. Mr. Philip Collier, the new Premier, appears to be a shrewd leader and an excellent debater, and his Ministry has been described as a "team of likely administrators."

Sir Henry Barwell, the South Australian Liberal leader, also chose to face the electors without having previously faced the question of electoral reform. In this State the old "first past the post" method of election is still in use, and the Premier, though urged to do so by the Country party, resolutely refused to alter it to one of preferential voting. The result was unfortunate to the Liberals, for in many cases the Country party candidates split the anti-Labour vote. The last Parliament contained 26 Liberals, 16 Labour and 4 Country party. The electors on April 5 returned a House composed of 27 Labour, 17 Liberals, and 2 Country party members. Consequently Mr. John Gunn succeeds Sir Henry Barwell as the new Premier. The South Australian Labour party, like its western neighbour, is not regarded as being revolutionary. Indeed, its election speeches are mainly criticisms of the Liberals' mistakes, and promises of reforms most of which could have been undertaken by a Government of any political

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colour. A good deal of party capital was made of the Liberal Premier's denunciation of the White Australia policy. It has been asserted that the result of the elections is a travesty on the votes cast, and that preferential voting would not have given Labour an absolute majority over all parties. This is difficult to prove. Four safe Labour seats were uncontested, and the new Premier has publicly stated that of the votes cast, Labour has a clear majority of five thousand over all other parties. Moreover, the late Premier has admitted that one of the chief causes of his defeat was the swing of the electorate from Liberal to Labour.

In Victoria, where also a Country party is causing embarrassment to the Nationalists, there has been a series of political scuffles and changes ending in a dissolution, and the elections will take place on June 26.* Here, perhaps more than anywhere in Australia, is a Redistribution Bill long overdue. In the past twenty years there has been a considerable accession of population in the metropolitan areas and a comparatively slight increase in the country. Yet the electorates have been revised but little for a generation. There are 44 country seats to 21 metropolitan seats, whereas it has been calculated that, on a population basis, the metropolis should have 36 seats against the country's 29. The late Premier brought forward a Bill adding three new metropolitan seats and leaving the country electorates untouched. Labour refused to regard this as anything but a flourish of Mrs. Partington's mop and voted against it. The Country party also opposed it, presumably because the existing anomalies suited the country politicians. The Bill was rejected and upon the great political principle of redistribution the Government has gone to the country! In such a jig-saw puzzle prophecy

* The Victorian elections on June 26 left Labour the largest single party, though inferior to a combination of Nationalists, Liberals and Country party. The latter parties, however, have not come together. The Nationalist Government was defeated in mid July and Labour is now in office.

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would be ridiculous rather than idle. The attitude of the Country party towards the other two groups, especially in regard to second preference votes, will be watched with great interest, because of the repercussions of the Victorian situation on the position of the composite Federal Ministry. Victoria has not yet returned a Labour majority, and it would be amusing if the vagaries of machine politics accomplished what most Labour supporters have ceased to hope for while the existing inequitable distribution of seats remains unaltered.

Australia. June 21, 1924.

SOUTH AFRICA

I. THE NEW GOVERNMENT

THE elections which took place for the House of Assembly on June 17 resulted in a complete defeat for the South African party, which since the formation of the Union in 1910 has carried on the Government of the country. The strength of the respective parties before the election was :—South African party 72, Nationalists 47, Labour 13, and Independents 2. To-day the Nationalists have 63 members, the South African party 53, Labour 18 and there is one Independent. (The last delimitation increased the number of members in the House by one.)

The Nationalist and Labour parties formed, for the purpose of common action at the election, a combination known as the Pact. Its object, as originally announced, was to unite the anti-Government forces for the elections, so as to ensure that their voting power would not be dissipated in the constituencies. An arrangement was to be come to as to which seats were to be contested by Nationalist and which by Labour candidates, and the candidate when chosen was to receive the votes of both parties at the poll.

As regards the allocation of seats and candidates, the Pact worked with complete success. The question, however, on which most interest was centred during the election campaign was whether it would last after its original purpose had been fulfilled—in other words, whether it was merely a temporary co-operation of two parties,

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who had nothing in common beyond the desire to displace the Government, or whether it was a more permanent union in the nature of a coalition.

The former view was that which found favour in the country districts. There, with one or two exceptions, Nationalist speakers vigorously repudiated the suggestion that there was anything in the nature of an alliance with Labour, whose doctrines have hitherto been anathema to the land-owning Boers. In the towns and industrial centres the speakers on Labour platforms were almost equally definite in their assertions that there was no intention of forming an alliance or coalition with any party which did not accept the Labour programme. Indeed, it was clearly stated by leaders of both parties, including General Hertzog himself, that the Pact would come to an end on the day of the poll. When questioned as to whether, if called on to form a Ministry, he would invite Labour leaders to enter his Cabinet, General Hertzog, after giving somewhat inconclusive answers, finally declined to give any answer at all. The one Nationalist leader who consistently put forward a different view of the relations of the two parties was Mr. Tielman Roos, now Minister of Justice in the new Government. It was he who first put forward to a somewhat startled party the suggestion that they should form a working arrangement for election purposes with the Labour party, and, ever since it began to take root in his party, he has from time to time hinted at a more permanent and far-reaching combination, but these hints had not seemed to find favour in any quarter in the party, and in some had been definitely repudiated.

At the elections the arrangement worked with complete success, and the results were beyond the most optimistic forecasts. Immediately after the full results were known, when it was clear that General Hertzog would inevitably be asked to form a Government, he announced that it was, and had been, his intention, in such an event, to work with Labour, and that he would invite two Labour leaders

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to enter his Ministry. A congress of the Labour party was therefore held to decide whether his invitation should be accepted. It was generally expected, amongst those who claimed to be most closely associated with Labour politics, that the party would decide against associating itself, in the Government of the country, with a party which not only did not accept the Labour programme, but whose policy had hitherto been that of the conservative, not to say reactionary, sections of the community. In this matter, however, as in so many others connected with this election, public anticipations were falsified, and the congress, after a long debate, decided by a three-to-one majority in favour of Colonel Creswell and Mr. Boydell accepting portfolios in the Ministry which, on the inevitable resignation of General Smuts, the Governor-General had asked General Hertzog to form.

The distribution of votes as between the parties at the election is remarkable when it is compared with the distribution of seats resulting from it. Four members were returned unopposed—three Nationalists and one belonging to the South African party. Of the remaining 133 seats, the South African party secured 52 with a total poll of 153,029; the Pact with a total of 153,581 votes hold 80, while one was won by an Independent against a South African party candidate. This is an aspect of the election of which more will no doubt be heard from the advocates of some form of Proportional Representation, who, at present, are not very numerous in South Africa. In the meantime it serves to provide a measure of consolation for the defeated party.

The victory, unexpected in its extent, and the personal defeat of General Smuts, have caused a wave of enthusiasm among the supporters of the new Government. The South African party has been long in office, and has, indeed, been the only party that has held office since the Union was constituted. During its period of rule South Africa has passed through a period of unprecedented unsettlement.

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The Great War divided the people into a deep and sharp line of cleavage. The rebellion of 1914, led by General de Wet, roused the sympathy, open or tacit, of the whole Nationalist party. The revolt on the Rand of 1922 carried with it the sympathy of the great majority of the Labour party, and of a considerable section of Nationalists. In each case the Government was blamed for the outbreak, and bitterly attacked for the suppression. Criticism, untempered by any sense of responsibility, ran to the wildest extremes, and has left a mark on popular sentiment which tended to spread as the memory of the actual events became fainter. On the other hand, the acute depression which set in towards the end of 1920 brought with it drastic retrenchment of Government expenditure, restriction of credit, and unemployment, while a succession of droughts of unusual severity aggravated by visitations of locusts, on a scale unknown for many years, drove hundreds of families off the land to swell the numbers of the unemployed in towns and on relief works. The result of all this was to pile up a long account in the sentiments of large sections of the people against the Government, and to accentuate the desire for a change of rulers which is natural to a democratic community. Neither of the Opposition parties had had experience of the sobering effects of responsibility, which would have tempered the severity of their criticisms, and abated their confidence in their own capacity to set everything right. It is natural, therefore, that their coming into power, in the dramatic circumstances in which it has happened, has given occasion to demonstrations of hopes and enthusiasms which may have embarrassing reactions.

The question of immediate interest is: What will they do? So far they have told the country nothing definite on that point. It seems fairly certain, however, that they will not do—at any rate not immediately—some of the things which both their friends and their opponents have been expecting of them. The so-called “segregation” policy as applied

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to the native population has long been preached by General Hertzog, but with a complete absence of practical detail. It will no doubt be made a subject of inquiry, and it is undoubtedly a subject which needs profound inquiry. The idea of a State Bank, which has been held up before the eyes of the electors as the instrument by which they were to achieve their economic freedom from the domination of the oversea capitalist, will also be found to require careful examination before it can become a matter of practical politics. There will inevitably be disappointments and disillusionments, and it may be doubted if the new alliance will be strong enough to stand the strain.

The general opinion is that the combination in any case cannot last, and will probably not survive an ordinary session of Parliament. Indeed, the Nationalist leaders seem already to be preparing for a breach. The formation of the Pact was loudly acclaimed, more especially by the Labour leaders, as a death-blow to racialism. But on the very morrow of the election Mr. Tielman Roos, the deputy leader of the Nationalists, and, shortly afterwards, General Hertzog himself, issued appeals to the Dutch-speaking members of the South African party to “come out of the house of the stranger” and join their brethren in the Nationalist party. The policy of General Botha and General Smuts, in taking an active part in the war on the side of the Empire, and, later, in bringing the Unionist party—representing practically the British urban population—inside the South African party, split the Dutch-speaking population into two opposing political camps. The idea of reuniting and closing up this breach has always made a deep and widespread appeal to the Dutch South Africans, and, in one form or another, it will continue to press for realisation. If the Nationalist leaders should succeed, with the advantage of the strong position which they now hold, in bringing about a large measure of reunion on a racial basis—and so far no other has been suggested by them—they would undoubtedly make themselves inde-

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pendent of Labour, and secure themselves in power for an indefinite period. Politics would become again largely racial, until the slow disintegrating effects of economic pressure produced divisions along other lines—provided always that South Africa is not visited in the meantime by one of those recurrent crises which in the past have revived and embittered the racial cleavage.

One of the terms of the Pact is that the Nationalist party will not raise the question of secession during the life of the present Parliament. The official statement of the party's policy on the relations of South Africa to the Empire is contained in an article of the party programme. It is an article which was evidently drafted to meet conflicting points of view, and with such success that it is impossible to extract from it anything very clear or definite. There is no doubt, however, that the ideal of sovereign independence for South Africa is held, with varying degrees of enthusiasm, by the vast majority of the party. Labour speakers during the election campaign were at great pains to reassure their audiences that secession, as a political issue, was dead. It may be that they spoke more truly than they knew. Responsibility will bring to bear on this, as on other questions, a new point of view, and a better understanding of what partnership in the British Commonwealth really means for us. On this, however, it is too early as yet to speculate.

General Smuts has resisted the temptation to take a rest from South African politics, and has been returned unopposed for Standerton, where the sitting member gave up his seat for him. His presence in Parliament was indispensable. On him with special weight the blow of the party's defeat has fallen, and he alone can retrieve it. He has been through defeat before, and has learned how to build an enduring structure out of apparent disaster. Under him the policy of the Opposition will doubtless be to give the new Government a fair opportunity of doing what they can for the country. That is the attitude of the public

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generally. It was the desire for a change which, more than anything else, brought the new Government into power. They are now in power with a majority amply sufficient to carry out whatever they decide upon, and there is everywhere a disposition to wait upon events and to judge them by what they accomplish in office rather than by their record in opposition.

II. THE PACT AND THE PROVINCES

THE new Parliament is to be opened to-morrow (July 25) at 3 p.m. This contribution must be posted before 2 p.m. on the same afternoon, in order to catch the mailboat. Had the difference of an hour been the other way it might have been possible to say something definite in this note about the policy which the Pact will adopt towards the many involved problems of provincial finance and administration which have been left to it by its predecessor.

That the legacy is a troublesome one is not by any means entirely the fault of the previous Government. That Government, during its last years of office, made sincere and persistent efforts to bring order and reasonable economy out of overlapping and waste. The story of its final surrender to overwhelming odds was told in the March issue of *THE ROUND TABLE*.*

The new Government inherits all the problems, but it is fortunate in that it has not been forced to commit itself on any vital matter of provincial policy during the election. The anticipation that provincial questions would figure with some prominence in the election campaign has not been fulfilled. The contest resolved itself into a struggle between Smutsians and anti-Smutsians, and by tacit agreement the sleeping dogs of provincial contro-

* *THE ROUND TABLE*, No. 54, March 1924, p. 407.

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versies were allowed to lie. But the pugnacious animals have certainly not been weakened by their spell of repose, and it is still too early to say whether there has been any decline in their chronic ferocity. Not having been teased for two or three months, they may prove more docile to their present masters than they were towards their erstwhile keepers.

The new Government begins operations, therefore, in a field which has become quieter than it is wont to be. It has the further advantage of the guidance of a document out of which may be fashioned the basis of a much-needed *eirenicon*. For any settlement will have to be a settlement by agreement. The South African party confessed to failure at the very close of the last Parliament, and all parties are more or less divided on important issues affecting the provinces. An arrangement which would give the Union Government a real measure of financial and administrative control and still allow the provincial administrations to operate much as they have done in the past seems to offer the best hope of a compromise.

Such an arrangement is suggested in the second (and final) Report of the Education Administration Commission, which was published just a week before the election. Little attention could be given to it then, but a Government which is almost pathetically anxious to please everybody may turn to it with the hope of finding some way out of many thorny patches. It will be remembered* that this Commission was appointed on the recommendation of the Provincial Finances Commission to investigate certain matters of educational administration, the settlement of which was essential to any final adjustment of financial relations between Union and provinces. The opportunity was then taken of charging it with the further duty of enquiring into certain special educational services where much overlapping and confusion had arisen through the participation in them of both provincial and Union

* See THE ROUND TABLE, No. 54, March 1924, pp. 408-9.

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authorities. The three services specified were: (1) Defective children. (2) Indigent children and children committed under the Children's Protection Acts. (3) Industrial and technical training. The Report contains much that is of importance and interest, especially on the third of these heads. South African public opinion is becoming seriously alarmed about the prospects of European youth in the face of the economic advance of the native and coloured peoples, and the problem here involved may well become the gravest which our precariously placed community has to meet. But it will be well to wait until the present Government has shown its hand more plainly before attempting any estimate of the possibilities in this regard.

The main interest of the Report from the present standpoint lies in its insistent emphasis upon the need for *co-ordination* of provincial educational services and its sketch of a plan whereby such *co-ordination* might be achieved. The Commission argues that no measure of *co-ordination* can be effective which does not operate over the whole field of educational effort in the Union. It says:—

The difficulty is inherent in the very nature of a State educational system. To be a system at all it must be a unity, and that is impossible so long as divisions which should only be distinctions of aspect and effort within a single whole are treated as entirely separated units and allocated piecemeal to authorities which are largely independent of one another.

The Commission, therefore, takes the risk of an accusation that it has travelled beyond its terms of reference and proposes the creation of a Union Board of Education to co-ordinate the work not only of the four provincial administrations, but also of the six or seven Union Departments which are concerned, more or less directly, with educational services.

The key to the position of such a Board and the main

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instrument of its controlling powers is described in the first item of the specification of its functions :—

(a) To advise the Union Government in all payments of grants from public funds towards the carrying on of education.

The Board would need to exercise a good many other functions also, but the reality of most of them would depend upon the reality of its financial control. Public interest, so far as it has been aroused by the Report at all, has, quite naturally, fastened upon this proposal. It has been well received on the whole, especially by certain bodies of teachers, and the masses of evidence which the Report puts forward of costly overlapping and waste are likely to move other bodies which are, perhaps, more directly concerned for economy than for education as such. But there is, in many quarters, a growing feeling that the proper instrument of economy is not a Geddes Axe but thoroughgoing reform of administrative systems. The fact that the proposed plan leaves the provincial administrations practically intact and even extends their powers in some particulars may commend the proposal to yet another body of opinion.

So far the Government has not shown its hand, but it will be forced to adopt a policy before long. In three out of the four provinces there is a Pact majority in the Provincial Council, and such majorities will not be disposed to jeopardise the popularity of a brand new Pact Union Government by proposals for fresh taxation, whether Union or provincial, at such a moment as this. Some of the hopefuls, among the teachers for instance, who have been anticipating a fountain of blessing in a Pact Government may be sorely disappointed. Thus the Transvaal has a deficit of £330,000. Proposals by the Executive to meet this partly by new taxation and partly by economies such as a reduction in salaries of teachers have been left standing while the Council adopted unanimously an unopposed motion to approach the Union Government for a loan to

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tide over the deficit. The only other proposal, adopted by a majority, was that the Government should be asked to permit a State lottery !

The Cape deficit is even bigger, though the exact figure is not announced yet. Cape resources are already heavily mortgaged in consequence of previous loans, and it would be even more difficult here to meet the shortage by a further loan than it would be in the case of the Transvaal. But if there is no loan then there must be either fresh taxation or fresh "cuts" or both. The action of the new Government in these awkward circumstances will be awaited with some interest, though there will be little disposition on the part of an Opposition which, as a Government, itself failed, to put unnecessary difficulties in the way.

Meanwhile it is stated that the Government intends to repeal that portion of the last Financial Relations Act,* which made provision for a uniform scale of salaries for teachers throughout the Union. That would leave the provinces free to economise at the teachers' expense, and that might seem to involve less political trouble for the Pact than would fresh taxation at the moment.

There are portents, however, of unexpected possibilities. From a Free State town comes the report of a town's meeting to pass a resolution asking the Union Government to take over the whole control of education in that province ! And this from the Free State ! If Saul also should be found among the prophets, then there may be great changes in the state of Israel after all !

* See THE ROUND TABLE, No. 51, June 1923, p. 623.

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III. SOUTHERN RHODESIA

THE last article on the affairs of Southern Rhodesia carried the story up to October, 1923.* At that date a general settlement had been reached between the Imperial Government, the British South Africa Company and the people of Southern Rhodesia, the territory had been annexed as a full-blown self-governing colony, and the Governor, Sir John Chancellor, had called upon Sir Charles Coghlan, the leader of the "Responsibles," to form a Ministry. Moreover, arrangements had been made whereby the Crown should relieve the Company of the administration of Northern Rhodesia on April 1, 1924.

The old Legislative Council of Southern Rhodesia met for the last time in October, 1923. The difficulties facing the new administration were very real. Its powers of self-government were and are subject to certain limitations imposed upon it by the Crown in view of the peculiar position held by the Chartered Company; it owned the Crown Lands but the minerals remained with the holders of the Rudd concession and the railways remained in the hands of various companies which, in turn, were also in the hands of the Company; it was faced with the task of raising a loan of £3,000,000, nearly five-sixths of which was due to the Crown in payment for the land and other assets; finally, it had to accept responsibility for the finances of the country from April, 1923, the date at which the Company closed its administrative books. As against this liability, however, it was to receive the land revenue which had hitherto been treated as commercial revenue.

During December, preparations were pushed on for the general election. The 22,000 electors, male and female, had been distributed among fifteen constituencies each

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returning two members. There was talk of dissolving all party ties, and the Unionists, who had worked for incorporation with the Union of South Africa, did commit *felo de se* as a party though members made it abundantly clear that, as individuals, they had in no sense abandoned their intention of working for ultimate union with the south. On the other hand, the Responsible Government party refused to take this Bolingbrokean step. Instead, it changed its name to the Rhodesian party, framed a comprehensive programme, and decided to negotiate an alliance with the Labour party.

From the strictly party point of view, the decision of the Rhodesian party was more than justified. Ministerialist prospects brightened as the campaign proceeded. The £3,000,000 loan had at first hung fire, but it was now raised with the help of the Bank of England on terms which were, if anything, slightly better than those accepted recently by some other colonies, and the Treasurer was able to announce that revenue was coming in under all heads much better than in the preceding year. The proposed alliance with Labour was not effected, but the real opposition, the ex-Unionist Independents, were working as individuals and, having little to propose other than the programme put forward by the Rhodesian party, were fighting at a manifest disadvantage. On the eve of the polls, the Ministerialists hoped to win 20 of the 30 seats, leaving 4 to Labour and 6 to the Independents. In the event, the polling on April 29 gave them 26 seats, the Independents 4, and Labour none. The name, Rhodesian party, had been chosen prophetically.

The first session was opened on May 31. The Assembly—for there is as yet but one House in the Legislature—met in the dance hall of Meikle's Hotel in Salisbury. This assembling of a legislative body on licensed premises is probably a unique event in the annals of the British Empire. However, those who are inclined to smile should remember that the English Parliament used to meet in a chapel and that there was a notable French assembly which met in a

* THE ROUND TABLE, No. 53, December 1923, p. 180.

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riding school and then transferred itself to a tennis court. Hotel or no hotel, the Rhodesian Parliament installed itself with becoming dignity, elected a Speaker from outside its own body, and proceeded with the business of the session.

It remains to be seen how long the overwhelming phalanx led by Sir Charles Coghlan will remain unbroken. A party which has been formed on the issue of responsible government tends to fall to pieces as soon as the victory has been won. There are plenty of lines of cleavage in Rhodesia, but, so far, none have gone far enough to lead to a realignment of parties. Financially, the position is hopeful. The *ex post facto* budget of 1923-24 had first to be adopted. It showed a surplus of £150,000. The Treasurer then budgeted for an expenditure of £1,545,000 in 1924-25 and a revenue of £1,398,000, leaving a deficit which would be more than covered by the last year's surplus. Moreover, £516,000 of the loan remained in hand. Of this sum £300,000 was earmarked for the Government Land Bank, to establish which a Bill was immediately introduced, and the balance for public works, assistance to prospectors and small miners, and bounties to cattle exporters. The Treasurer was justified in describing the financial situation as very satisfactory. He was equally justified in sounding a warning note. The surplus with which the current budget has been balanced is due to the conservative finance of the old administration and to the inclusion of the land revenue, a source which was expected to yield £81,750 but which actually provided £118,752. In other words, land revenue for two full years has been available as against interest on the loan for one year only. Again, £30,000 extra will have to be found next year to provide a sinking fund of one per cent. on the aforesaid loan. The Treasurer also announced that a new loan of £500,000 would be necessary, and that speedily, wherewith to buy out the British South Africa Land Bank and to provide an additional £150,000 for public works. It remains to be seen whether the new Administration, full of good intentions and public

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works but dependent on votes, will be able to make ends meet without recourse to the extra taxation which Southern Rhodesia, desirous of immigrants, is particularly anxious to avoid.

The budget is now passing on its way with very little alteration. Meanwhile, the Assembly has passed an Enemy Property Act—its first completed measure—to bring Southern Rhodesia into line with other parts of the Empire, and a Public Health Act very much on the Union model. It is now wrestling with the mineral and railway problems, with the eternal native question looming in the background. Native education has been relegated to a commission of enquiry which is to meet at the end of the session. As touching the minerals, the Government has approached the Chartered Company with a view to buying out its rights, but at the time of writing, the issue of the negotiations is not publicly known. It is doubtful whether the Company would accept any sum which Rhodesia could offer at present. The matter of the railways and ports is likely to cause much trouble. Steps are being taken to improve Beira, the natural port of the northern and, to a less extent, of the central districts. Bulawayo and the south, however, look towards Delagoa Bay, the Union ports, and even towards Walvisch Bay. Proposals for the construction of some 1,300 miles of line have already been laid before the Cabinet, but, as the Prime Minister has observed, this is a matter for private enterprise. There is no monopoly of railway construction in Southern Rhodesia, but the Government cannot do more to-day than appoint a commission armed with the necessary powers to enquire into the railways as a whole.

On the other hand, the Government has flatly refused to consider the extension of the Salisbury line north-westwards across the Zambezi to Kafue as a business proposition.* It recognises that, once the Belgians have completed their

* Since this was written it has been announced in the Press that the Assembly has adopted a resolution in favour of building a line from Sinoia to Kafue, the very proposal which the Government refused to consider.

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railway across the Congo to the West coast, very little of the Katanga traffic will pass through Southern Rhodesia. Some members appear to hope that this will induce Northern Rhodesia, which the Crown duly took over in April, to throw in its lot with the south. The problem of the southern lines is at once more complicated and more hopeful. Strong pressure has been brought on the Government to facilitate the extension of the Johannesburg-Messina line across the Limpopo and thence to Bulawayo via West Nicholson and direct to Salisbury. Negotiations for the joint building of a railway and road bridge across the river were actually proceeding with the Union Government when the fall of the Smuts Cabinet interrupted them. Geographically this is and always has been the true line of life from south to north. Rhodes and Hofmeyr pressed hard for it in 1888, but Kruger would have none of it and the line to Central Africa had, perforce, to go through the thinly peopled Bechuanaland Protectorate. To build the Messina line now would practically put the Vryburg-Bulawayo line out of action. That line, which is worked by the Union, belongs to the Rhodesia Railways Company, and Sir Charles Coghlan has frankly stated that, before the Messina line can be built, some arrangement must be made to prevent the full loss falling on the Rhodesia Railways Company. Thus does a *pis aller* become a *damnosa hæreditas*.

There remains Walfisch Bay. For some time past there has been talk of a line running south-westward from the Wankies colliery on the main African railway to link up with the South-West Protectorate system some 500-600 miles distant and thereby to reach the West coast at Walfisch Bay. Bulawayo farmers have been pressing for this line as an outlet, not only for Wankies coal to the South American market, but for the cattle on which so many of the southern and central districts of their country depend. The Assembly has resolved that a preliminary survey of the route shall be made and members have talked of applying to H.M. Government for help in the construction of the section

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which must run across the Bechuanaland Protectorate. We are only at the enquiry stage at present, but already a strong body of opinion in the Union and in Southern Rhodesia refuses to regard this line as a matter of practical politics.

Looking at the railway question as a whole, it seems probable that the cleavage in the serried ranks of the Rhodesian party, if and when it comes, will come along the line running between north and south. Meanwhile, the Rhodesian Government has been obliged to accept a Union embargo on Rhodesian cattle of less than 800 lbs. live-weight and has to face the prospect, at the end of the year, of the lapsing of the customs agreement which, since 1903, has secured free trade in South African products between the Union and Southern Rhodesia. It is for this reason above all others that Rhodesians have followed the South African elections with some anxiety, for, as in 1920, they pinned their hopes on General Smuts. General Hertzog, on the other hand, is more or less pledged to exclude Rhodesian cattle from the Union, but it is questionable whether he will be prepared to face a Rhodesian retaliatory tariff against Union goods. It is still more questionable whether his Labour allies will agree to a step which would raise the price of meat in urban areas during part at least of the year. It is also hard to see how Rhodesian cattle could be excluded and Bechuanaland cattle admitted. Apart from other considerations, the physical difficulty of watching the long western border of the Transvaal would be well-nigh insuperable.

General Hertzog has taken an early opportunity of assuring Rhodesians that he and his colleagues are well disposed towards them (July 1). He repeated his conviction that it was better for all concerned that they should experience the joys and pains of self-government before seeking to enter the Union. For the rest, he trusted that the interests of the two countries would never diverge but that, if they did, Rhodesians would remember that his duty was to South Africa first. There is necessarily a Delphic

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quality about the last part of this statement, especially as the Nationalists are traditionally protectionist, but, taking it all in all, the first official gesture of the Pact should be reassuring to the new Government and people of Southern Rhodesia.

South Africa. July 24, 1924.

NEW ZEALAND

I. NAVAL PROBLEMS

IF there is any part of the Empire that should take a serious view of the problem of naval defence it is New Zealand. The remotest of the self-governing Dominions has a population smaller than that of Glasgow scattered over a territory larger than Great Britain and rich in almost every natural advantage. Its external trade per head is one of the largest in the world, exceeding £40 during the four years preceding the war, and £73 during the last four years. Almost the whole of this trade depends on the security of the 12,000 miles of ocean which divide us from the markets of the Old World. Not merely the trade, without which New Zealand would be bankrupt in the course of a few weeks, but "all that she has and is," her very existence as a free and white democracy, depend on the protection of a powerful navy.

To these normal reasons for New Zealand's interest in naval affairs three special additions have recently been made, viz., the dangerous weakening of Britain's naval power in the Pacific, the abandonment of the naval base at Singapore and the sinking of Australia's battle cruiser in obedience to the Naval Treaty of Washington. Ten years ago New Zealanders were inclined to look askance at the enterprise with which Australia was pursuing her ideal of a separate navy, but in the first six months of the war when Germany still had two powerful cruisers at large in the Pacific they recognised that they owed the immunity of their shipping and their ports in large measure to

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the *Australia* and the other vessels of the Australian Navy. If, as the prophets tell us, the Pacific is to be the next great theatre of war, what will happen to New Zealand if Britain's capital ships cannot operate east of Suez, Australia's only capital ship is at the bottom of the sea, and New Zealand's own Navy is limited, as at present, to a single small cruiser?

A sense of isolation sharpened by these considerations put us in the right mood to appreciate the visit of the Special Service Squadron (April 24 to May 18). The display of sea-power provided by these magnificent vessels and the wise counsels of Vice-Admiral Sir Frederick Field could not have come at a more opportune time. Since the departure on October 16, 1914, of the ten transports conveying our main Expeditionary Force and escorted by the Japanese cruiser *Ibuki* and the *Minotaur*, the *Psyche* and the *Philomel*, Wellington Harbour has seen no more impressive sight than the arrival of the *Hood*, the *Repulse*, and the *Adelaide*, on April 24, 1924. And as they steamed out again, fifteen days later, one could not help wondering what would be the next comparable event of the same kind; when would it occur and whether in peace or in war, and how would it find the Empire.

From the standpoint of policy the most important event of the visit was the luncheon given by the Government to the Admiral and principal officers of the Squadron on April 28. Mr. Massey improved the occasion by promising a small forward step in naval policy; and in a frank but diplomatic speech Sir Frederick Field indicated the general lines which he thought our policy should follow. After referring to the £100,000 which was voted for the Singapore scheme last session but would now help to swell his surplus, the Prime Minister said:—

If the Singapore scheme went on we must contribute our full share. If it did not go on, he thought the Admiralty would ask us to maintain another cruiser in the Pacific. It was a choice between Singapore or another cruiser, and in either case it would cost about

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£250,000. That would make our defence expenditure total just over £1,000,000. It sounded a lot, but in his opinion it was not too much. He was not sure it was even enough, but it was our plain duty to do our full share.

The following points in Vice-Admiral Field's reply are taken from the report in the *New Zealand Times* of April 29:

The principal duty of the main fleet was to meet and contain the main forces of the enemy; and nothing must interfere with that, because the Empire's safety depended upon their being contained or brought to action and destroyed. With our reduced main fleet it would not be possible to prevent raiders from escaping; and they would attack our trade routes, upon which the whole existence of the Empire depended. But it would not be possible for the main fleet to detach portions and send assistance to every threatened point; and, therefore, he was going to ask us to consider how we stand with our trade. These raiders might get out; and what had we got to protect our trade? We should probably have to deflect it, but at the shortest we would have to convey it across 12,000 miles. To have only one cruiser was to be like a man with only one pair of trousers, who had to go to bed while they were being patched up. (Laughter.) And our trade would have to go unprotected while our cruiser was being repaired or refuelled. He would say that the least we should depend upon was three cruisers; so that two could protect our conveyances while one was fuelling or repairing.

The striking contrast between the attitude to the defence problem which has been forced upon the British Labour party by the responsibility of office and that of the New Zealand Labour party, which has not yet had that advantage, is illustrated by some of the comments on Mr. Massey's speech. His proposal to increase our naval expenditure while the railwaymen's demand for an extra 2s. 6d. a day remained unsatisfied was attacked by the official organ of the party, the *New Zealand Worker* (formerly the *Maoriland Worker*) in a leading article on May 14. The material parts of this article, including the headlines, were as follows:—

MONEY FOR MASSACRE.

BUT NONE FOR INCREASED WAGES.

The visit of the fleet was arranged at the gathering of anti-

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Labour politicians known as the Imperial Conference for no other purpose than that of propaganda in favour of increased expenditure on murderous armaments. In part, the plan went a-gley, because after the fleet's departure from Britain a Labour Government assumed office with unconventional ideas about armaments and foreign policy. Singapore has gone by the board, but Mr. Massey, baulked of that contractors' and warmongers' objective, has no intention of going any further in the disarmament direction pursued by the Imperial Government, if he can help it. On Saturday, in Auckland, he gave us the clearest indication of what the fleet is here for, and of his resolution to comply. Within a year or two, said Mr. Massey, New Zealand's expenditure on naval defence would necessarily be a million a year. And after that, further additions would be made to the Dominion division of the Navy, this, so he said, being the result of the abandonment of Singapore—a crafty fixing of the responsibility on the British Labour Government.

Imperial power has already rested throughout history on the exploitation of the masses, and its object is, and has been, the enrichment of a few at the expense of workers at home and peoples abroad. This is why, when railwaymen are refused a 1914 spending power, there is money without limit for preparations for world-wide human massacre.

The Prime Minister is not really entitled to all the credit that this indignation implies. If the writer had realised that even after the proposed increase New Zealand's defence expenditure would still be less than £1 a head as against Britain's total of more than £3 a head under a Labour Government, our Labour organ's censure on Mr. Massey might have been less severe. At present, however, Mr. Massey is more concerned to exaggerate than to minimise his responsibility in regard to the provision of "money for massacre." He objected to the Chancellor of the Exchequer's comparison of the estimated defence expenditure of the self-governing States of the Empire as underestimating New Zealand's share. Mr. Snowden's figures, submitted to the House of Commons on March 25, were as follows :—

	£		£
Britain	.. 131,601,000	New Zealand	677,000
Canada	.. 3,513,000	South Africa	1,078,000
Australia	.. 3,426,000		
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In a statement published in the *New Zealand Times* of March 28, the Prime Minister stated that Mr. Snowden had evidently not looked beyond the main estimates, and that the correct amount for New Zealand was not £677,000. but £930,494, the details being as follows :—

Consolidated Fund—Vote	£
Defence	376,354
Naval Defence ..	339,397
H.M.S. <i>New Zealand</i> —Funded Debt	
Amortization .. £10,249	
Interest	47,539
Interest	
4 p.c. Consolidated	
Stock	18,671
3½ p.c.	12,784
	89,243
Public Works Fund—Vote	
Contingent Defence ..	25,500
Singapore Base	
Section 13 Finance Act, 1923	100,000
Total ..	930,494

From this amount the £100,000 voted for Singapore must, of course, be now deducted, and the total is also padded to the extent of £89,243 by the inclusion of the interest and sinking-fund payments on the cost of our battle-cruiser. To treat as current defence expenditure payments of this kind in respect of a vessel which was presented to the Empire twelve years ago and has already been scrapped is not a creditable performance. Mr. Ammon's Navy Estimates would have made a much braver show if he could have included "dead horse" instalments on the ships sunk at Jutland. If the £189,243 covered by these two items is deducted the total will be reduced to £741,251, which means that, in spite of his mistake, Mr. Snowden's figures are a good deal nearer to the fact than Mr. Massey's.

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Mr. Bruce and Mr. Massey have stated the case of Australia and New Zealand against the abandonment of the proposed naval base at Singapore so well that there is no need to say much here. New Zealand's opinion on the subject was sufficiently proved by the vote of £100,000 for the scheme on last year's estimates and the approval of the vote by everybody outside the Labour party. And of the opposition of Labour, unfortunate as it is, it may be said that from the Imperial standpoint it is the exception which proves the rule, since the theory of the party appears to be that the world will be a safer place when the Empire has been parcelled out into a number of small republics. Mr. Massey was at his best in the application of his characteristic common sense to those ideal aspects of the problem which make the strongest appeal to Labour on both sides of the world. His reply to the communication from Mr. Ramsay MacDonald on the subject of the Singapore base was published here on March 27, and in London a day or two earlier, and contained the following characteristic passage :

You say that your "Government stands for international co-operation through a strengthened and enlarged League of Nations." In reply to that I must say that if the defence of the Empire is to depend upon the League of Nations only, then it may turn out to be a pity that the League was ever brought into being. The very existence of the Empire depends upon the Imperial Navy, and if, in the event of war, the Navy is to operate successfully, it must have suitable bases from which to work, and where repairs may be effected. The nearest suitable base at present is Malta, which is 6,000 miles away, and therefore of no value for the purposes of capital ships in either the Pacific or Indian Ocean. . . . It may be also pointed out that the League of Nations, although it is undoubtedly an influence for peace, has not so far been able to prevent hostile action as between nations.

Having never shared the enthusiasm for the League of Nations proclaimed by those Dominions which apparently regard it as having conferred upon them all the rights and

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glories of formal independence without any of its awkward obligations, New Zealand is entirely at one with her Prime Minister on this point. With him she places more faith in the British Empire than in the League of Nations, and more faith in the British Navy than in the "moral gesture" that would weaken it in the hope that other Powers may be induced to follow suit. Indeed, if we had to choose between the Minister who justified the abandonment of the Singapore base as a "moral gesture" and the Conservative who replied that "it is impossible to run the Empire on the skimmed milk of sentimental rot," the inelegance of the critic's language would not be likely to deter us from giving the preference to his argument. We agree with Mr. Bruce that a strong navy would be a much better argument with which to approach a Disarmament Conference than a weak one. We can also see for ourselves that a strong navy would help the League of Nations as well as the British Empire, and that to weaken the most influential, the most disinterested and the most pacific of the League's members is to weaken the League itself.

But the weak spot in the official protests of both Australia and New Zealand is indicated by Mr. Massey's reference to the Navy. "The very existence of the Empire depends," he says, "upon the Imperial Navy." But where is the Imperial Navy? In the only sense in which any Dominion representative has a right to use the term there is no such thing. There is a British Navy which serves an Imperial purpose by safeguarding the whole Empire at the cost of the British taxpayer. There is no Imperial Navy in the sense of a Navy maintained by the whole Empire for its own protection. The same remarks apply, *mutatis mutandis*, to the Singapore scheme. It is, to the same extent as the Navy, and in the same sense, not an Imperial but a British undertaking.

In an article which appeared a day or two after the simultaneous announcement of Australia and New Zealand's new commitments in regard to naval defence, the *Evening*

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Post of April 30 argued this aspect of the matter as follows :—

As we have already suggested, it is quite possible that the temporary abandonment of the Singapore base may prove to have been an advantage to these southern democracies and to the whole Empire. The essential weakness of Australia's demand for the prosecution of the scheme was that it was a demand for the expenditure of other people's money. This weakness stood out very clearly in Mr. Bruce's otherwise powerful reply to the British Government's communication on the subject. He had not gone into the question of cost, because he understood that the decision of the British Government was arrived at "on the basis of principle rather than expenditure," but Australia was not unmindful of her obligations, and he would propose a substantial contribution. An eleventh-, or twelfth-, hour announcement of this kind served to emphasise the fact that all Australia's insistence on the value of the Singapore scheme had not hitherto had a sixpence behind it, and that it was merely the allocation of British money that her representative had hitherto been discussing. New Zealand's offer of £100,000 put Mr. Massey in a better position, but he never disguised his opinion that it was inadequate.

The abandonment of the scheme has had the great advantage of bringing Australia and New Zealand face to face with the realities of the position and enabling them to appreciate their insecurity and their responsibility. The efforts which they are now about to undertake will put them in a far stronger position for renewing their advocacy of the Singapore base when it comes up again for discussion. . . . Whatever happens at Singapore our trade routes must be protected, and we cannot decently look to others to shoulder the whole burden.

Australia's strange oversight with regard to Singapore is unfortunately not a unique experience. It is typical of the general attitude of all the Dominions to the very foundations of the Imperial problem. They are eager to claim their rights in the Imperial partnership, but not to shoulder its obligations. They mistake the insistence upon rights which nobody disputes and the neglect of the correlative duties for statesmanship. Some of the Dominions are loud in proclaiming the full nationhood which they suppose themselves to have received at Versailles and to

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exercise at Geneva ; they believe that they may be at peace while the rest of the Empire is at war, and *vice versa* ; and they even aspire to make treaties on their own account. All of them are neglecting one of the fundamental obligations of nationhood, viz., defence, still looking to Great Britain for the protection which she freely extended to them in their infancy, but which it is utterly inconsistent with their professions of maturity and equality to accept any longer. It is a farce which may at any time develop into a tragedy that Dominions which claim an independent status through the League of Nations and the right to negotiate treaties with foreign Powers should nevertheless be expecting Britain to provide the force without which treaties are mere scraps of paper. The Imperial Conference seems doomed to drift from disappointment to disappointment and from futility to futility as long as it shuts its eyes to the crux of the problem, and ignores the equitable and businesslike adjustment and apportionment of the responsibilities of defence and foreign policy.

II. IMPERIAL PREFERENCE

AS was stated in the New Zealand article in *THE ROUND TABLE** for March last, this country has always favoured the policy of giving priority to British goods. Following the lead given by Mr. Seddon in 1903 under the inspiration of Mr. Joseph Chamberlain's crusade, it was glad to incorporate the principle in the tariff by the Preferential and Reciprocal Trade Act of 1903. The extensions of the principle proposed by Sir Joseph Ward in 1907 and by Mr. Massey in 1921 were also heartily welcomed. It may be that no great amount of patriotism was required on the part either of a people who firmly believed in protection or of a Finance Minister suffering

* *THE ROUND TABLE*, No. 53, March 1924, p. 422.

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from "that eternal want of pence that vexes public men," to induce them to give British goods a preference, not by reducing the tariff in their favour, but by raising it against the foreigner. The Minister was so obviously killing two birds with one stone that he was entitled, at the best, to the credit of what the moralists call a mixed action; but it was a genuine, if mild, impulse of patriotism which prompted the popular approval of the scheme, and it was unalloyed by any expectation of reciprocal favours to come. Whatever was the value to the British people of a concession which cost us very little, it was certainly a free and disinterested expression of goodwill and not merely a sprat thrown to catch a mackerel.

Those, therefore, who were proclaiming at the time of the last Imperial Conference that the grant by Britain of a tariff preference on the produce of the Dominions was necessary to ensure their allegiance, and that the ultimate alternative was disintegration, were grossly slandering the patriotism and the loyalty of at least one of the Dominions. No New Zealand Minister could conceivably have spoken in such a strain, and Mr. Massey was of course without blame; but he threw himself into the fiscal controversy with an unbalanced enthusiasm which seriously misrepresented his country in other less vital respects. Mr. Massey is not the first New Zealand Minister upon whom the air of the Imperial Conference has occasionally had an elevating but perturbing effect which, while temporarily raising his ideas and his enthusiasm to a higher power, has occasionally detached them from the solid ground of facts. A Minister may have a mind which, when he is at home, keeps the roadway as well as any other man's, and an enthusiasm which is rarely out of hand. But when he goes to London and faces the Imperial gallery, new influences are brought to bear. The glare of the footlights, the greatness of the occasion, and the need of having something to say and of saying it as loudly as any of the other delegates, conspire to disturb his balance. By the stress

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of advocacy under these conditions our Prime Minister was led to give the impression that we all regard preference as a life and death matter, that we shall not be happy till we get it, and that we shall resent the withholding of it, as a bitter grievance. But in so doing he was really misrepresenting, not only his country but himself.

The people of New Zealand have never taken this business of Imperial preference very seriously to heart, nor has Mr. Massey attempted to teach them to do so except when an Imperial Conference is sitting or in sight. The statement in his valedictory interview with *The Times* (December 18) that the cancelling of the preference proposals of the Baldwin Government "would be a slap in the face for British sentiment in the Empire, and would do harm that would last for many a long day" appears to be entirely without foundation, so far as the only Dominion for which Mr. Massey is entitled to speak is concerned. With a very close approach to unanimity our leading newspapers repudiated this statement at the time, and also the contention that the free choice of the British electors should be hampered by the doctrine of the continuity of Imperial policy. The *Evening Post* (December 21) replied to this argument in the following terms:—

We believe in preference, but we also believe in the Empire and in democracy, and we cannot see how the interests of the Empire can be permanently served by a flagrant violation of fundamental democratic principle on a matter which is deemed of vital importance by the dominant partner of the Imperial firm. The people of New Zealand would be glad to get preference on their produce, but they do not want to get it on a snatch vote, or a minority vote, or as a reluctant concession from an aggrieved people under a technical rule which was never meant to apply to such a case. Preference under such conditions would be as absurd a misnomer as the "benevolences" exacted by a despot in the days before democracy.

The *Auckland Star*, on December 24, argued for the supremacy of the several Parliaments in a similar way, and declared that to tolerate the contrary opinion would be

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"to establish a dictatorship on the lines of that of Italy, and Parliament would count as much with the leader of the Government as the Senate does with Mussolini." The *Star's* article concluded as follows :—

A case like that in England, where a Government has promised a small degree of preference and then has received a staggering set-back at the polls, almost entirely because of its fiscal policy, is not likely often to occur. It is an unfortunate *contretemps*, but it is both ridiculous and impertinent for the people of the outlying portions of the Empire to say to the people of the United Kingdom, "While you have definitely and decisively shown at the ballot-box that you are adverse to tariffs, we will that you shall have them just the same." One would have no right even to expect a civil reply to such a demand.

But even in his statement to *The Times* Mr. Massey was quite clear in emphasising the main point and putting it in its true light, and after the blow had fallen his attitude was unaltered. Discussing the decision of the British Labour Government not to stand by the preference proposals of its predecessor (*Evening Post*, May 7) he treated it as a matter of course that "what was happening would not affect New Zealand's loyalty to the Empire in the very slightest." In saying this Mr. Massey spoke as a New Zealand Premier ought to speak, and as everybody expected that he would speak. The slap in the face which he foretold for British sentiment is really not felt here at all, nor is it suggested that our preferential policy should be abandoned or modified because it remains as unreciprocated to-day as it was when we set it going more than 20 years ago. The *Wanganui Herald* (May 29) may be exaggerating when it says that from the people of New Zealand "there has scarcely been the flicker of an eyelash to indicate that they have troubled themselves about the matter," but the exaggeration is not very serious. The *Herald* would have been well within the mark if it had said that the decision has occasioned incomparably less unfavourable comment here than the criticisms which

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it evoked from Sir Thomas Mackenzie in his speech at the Royal Colonial Institute Empire Day dinner as reported to us by cable, and also from the representatives of other Dominions. There has doubtless been some disappointment, but there has been little, if any, in the same tragic vein as Mr. Massey's, and there is no more patriotism about most of it than about the ordinary hopes and fears attendant upon a change in the local tariff. The patriotic air which the desire of the Dominions is accustomed to assume when they are asking the Mother Country to pay a higher price for their produce than she thinks it worth is in this country almost entirely monopolised by the politicians, and even the politicians have very little to say about it except when they visit London.

The least satisfactory part of Mr. Massey's comments on the British Government's rejection of preference was his declaration that it was "not in accordance with the true Empire spirit," and that

he hoped that some day our fellow-citizens in Britain would come round to a better way of thinking, and learn to look at such matters with the Empire spirit, rather than from the narrower outlook of what would suit some particular section of the community.

The *naïveté* with which Dominion advocates of preference are apt to assume that all the broad-mindedness, all the patriotism and all the self-sacrifice are on our side is a very interesting phenomenon. Yet a moment's reflection suffices to show that to grant the only kind of preference that would do us any good would involve the British people in a complete reversal of its cherished fiscal policy and at a pecuniary cost in comparison with which that of our own preferences is infinitesimal. What "particular section" of the community Mr. Massey supposes the 8½ millions of British electors who voted for free trade in December last to have had in view he does not say. But that the particular section of our own community which would benefit from the scheme is not a large one, and that neither

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this section nor any other is worrying about the loss of it does not admit of doubt.

The two hopeful points in Mr. Massey's statement were his belief that Britain, which has hitherto been our best market, will continue to be our best market, and that "what is happening now is encouraging people to think about the possibility of free trade within the Empire."

III. THE RAILWAY STRIKE

AN unfortunate incident of the visit of the Prince of Wales to the Dominion in 1920 (April 24-May 22) was a strike which paralysed the railways during a part of the time (April 29-May 1). Public opinion, as reported in *THE ROUND TABLE*,* was equally clear that the railway men had legitimate grievances which had been dallied with too long, and that they had put themselves in the wrong by the method and the time selected for demanding redress. After an interval of almost exactly four years, history has repeated itself. By a most unhappy coincidence what from the local standpoint may be called the greatest Imperial event since the Prince of Wales's visit has been signalised in a similar way. When the leading ships of the Special Service Squadron reached Wellington on April 24, the railways of the Dominion had been brought as near to a standstill as the strike declared by the Amalgamated Society of Railway Servants three days previously could bring them. The arrangements in connection with the visit of the Squadron had already been seriously prejudiced, and the possibility of an indefinite extension of the strike was being freely discussed.

The negotiations with the Government which had been closed in this fashion had been more than a year in progress. The scheme of retrenchment which was applied to the whole public service in 1922 purported to reduce the war bonuses, granted to meet the increased cost of living, by an amount

* *THE ROUND TABLE*, No. 40, September, 1920, p. 925.

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corresponding to the subsequent reduction in that cost. Under this scheme the pay of the second division of the Railway Service, which comprises the wages men, grouped in two powerful organisations, the Amalgamated Society of Railway Servants and the Engine-Drivers', Firemen's and Cleaners' Association, was reduced by 1s. 8d. a day. In February, 1923, the Government was requested by the Amalgamated Society of Railway Servants to reinstate this amount, and later in the year the matter was the subject of petition to the House. Early in the present year the new Minister of Railways, the Hon. J. G. Coates, got to close grips with the question and discussed it fully with the A.S.R.S. leaders.

By this time the claim had increased to 2s. 6d. a day, and a large number of subsidiary claims had been added. At the suggestion of the men the whole case, which now covered 72 demands, was referred to a Wages Board, composed of an equal number of representatives of the Railway Department and of the A.S.R.S., with Mr. H. D. Acland, of Christchurch, as Chairman. After an inquiry which had lasted several days and was mainly concerned with wages and the cost of living, the Society's representatives pressed for an immediate decision on the wages issue, but the Chairman ruled that the whole case must be considered before any part of it could be decided. The Society thereupon (April 10) brought the inquiry abruptly to a close by withdrawing its representatives, and proceeded forthwith to take a strike ballot of its members. During the progress of the ballot the A.S.R.S. Executive proposed a reference to another Wages Board, and the Government assented. But before the details could be adjusted the ballot had resulted in an 81 per cent. majority in favour of a strike.

On April 21 the Government was informed by the A.S.R.S. Executive of the result of the ballot, with the intimation that, failing the offer of some increase in wages, it would operate as from twelve o'clock that night. The Government met this ultimatum in the only possible way.

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As the Society [wrote the Minister of Railways] had refused to take the opportunities offered it of justifying its demands before an impartial tribunal, and preferred to adopt the course of endeavouring to extract an increase in wages from the Government under threat of strike, the Government felt that it had no option in the public interest but to decline to accede to the demand of the Executive of the society.

The strike accordingly began on April 22. "It has now," said Mr. Massey, "become a question whether this country is to be governed by constitutional methods or by direct action." But though the obedience of the members of the A.S.R.S. to the call was virtually unanimous, the struggle did not prove to be nearly so severe as was expected. The emphatic abstention of the Engine-Drivers', Firemen's and Cleaners' Association, between whom and the A.S.R.S. there had previously been a good deal of friction, left at their posts the men who would have been the most difficult to replace. Even on the first day a few trains were run. The number steadily increased, and supplementary services of motor vehicles were organised. A novel feature of the struggle was the active propaganda conducted by the Government in opposition to that of the strikers and in a tone and temper not appreciably more judicial than theirs. On April 26 the A.S.R.S. sought to reopen negotiations with a proposal to refer the matter to a Commission. The personnel suggested was of such a kind that the Government might well have accepted the proposal if it had been made at the proper time. But, as it was, the Government were induced by so obvious a sign of weakening to find in the hospitality due to the Officers of the Special Service Squadron and other urgent business a reason for proceeding with deliberation. On April 29 they replied declining the proposed reference and insisting upon the return of the men to work as a condition precedent to the resumption of negotiation. In the course of the same day these terms were accepted and the strike was declared off. It had only lasted a week.

The Railway Strike

The reason given by Mr. M. Connelly, the President of the A.S.R.S., for abandoning the strike was that if it had continued another day the trouble must have extended and "the country would have been faced with a large industrial upheaval." A more potent inducement doubtless was the knowledge that the strikers would soon have had to choose between returning to work and dismissal from the service. By the mere act of striking they had forfeited their right to superannuation and other privileges which legislation could alone restore. On May 20 it was announced that as a condition of its consent to this restoration the Government had insisted on the withdrawal of the A.S.R.S. from its affiliation to the Alliance of Labour, and that the Executive had accepted the condition and undertaken not to renew the affiliation during its term of office. The *Evening Post* did not exaggerate the importance of this procedure when it said (May 20):—

The compulsory withdrawal at the instance of the Government of such an important section as the A.S.R.S. from the transport department of the Alliance of Labour is one of the most sensational developments of New Zealand industrial history for some time past.

The subordination of a large section of State employees to a militant outside organisation is obviously a matter of very serious concern to the Government. In 1922, when the Post and Telegraph Officers' Association desired to affiliate to the Alliance of Labour, the Government resisted the attempt on the ground that the dual jurisdiction to which this branch of the Service would be thereby subjected would be fatal to its discipline; and the resistance was successful. The strongest argument which the Government had then to meet was that they had not forbidden the affiliation of the A.S.R.S. It now appears that this affiliation had been carried out by the Society without the Government's sanction and in violation of its agreement with them. Should the discontent which is still rife in the Post and Telegraph Department result in a

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renewal of the proposal for affiliation to the Alliance of Labour, the precedent which formerly embarrassed the Government will no longer be in the way. Shortly before their trouble with the A.S.R.S. had reached its climax, the similar agitation of the Post and Telegraph Officers' Association had seemed to be the more aggressive of the two, but the defeat of the former has greatly relieved the pressure on both fronts.

So far, indeed, as the A.S.R.S. is concerned, its enforced dissociation from the Alliance of Labour is probably not regarded by the more prudent of its leaders as an unmixed calamity. The idea with which the Alliance was founded was that any affiliated organisation which became involved in trouble could hand over the conduct of its case to the Alliance, and that the Alliance would then be able to mobilise the united forces of organised labour to its support. The logical sequel to the strike of the A.S.R.S. was an appeal to the Alliance of Labour, but the appeal was never made. Either on second thoughts the Society's Executive preferred the tender mercies of the Government to the control of the Alliance, or it realised too late that it had put itself so hopelessly in the wrong that neither through the Alliance nor by any other means was success possible along the line which had been selected. The Government has at any rate by a remarkable victory reasserted the control of its own employees which discontent, agitation and divided allegiance had seriously threatened.

The One Big Union idea, as represented by the Alliance of Labour, which claims an aggregate membership of 50,000 for its affiliated organisations, and is certainly on paper the most formidable machine ever established in the Labour interest in this country, has received a serious shock. In the A.S.R.S. the Alliance has lost one of the most powerful of the affiliated bodies. Discredited by a grievous tactical blunder and shaken by internal dissension, the A.S.R.S. itself has suffered a heavy loss of power and prestige, and its open breach with the other great organisa-

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tion of railway workers has dealt another blow to the cause of Labour.

What may be taken as the official view of militant Labour on the tactics of the Government was conveyed in an address delivered by Mr. Holland, M.P., leader of the Parliamentary Labour party, to a meeting of railwaymen at Westport on May 20. Referring to the demand that the men should secede from the Alliance of Labour or lose their superannuation rights, Mr. Holland said :—

The fact that the Government was capable of the threat should demonstrate to Public Servants that with the present Government in control, no industrial, political or economic privilege was safe. It was quite possible that they would next find the Government demanding that the railwaymen should determine their membership of Labour party branches—sooner or later they might expect to find men employed in the State mines peremptorily ordered to have nothing to do with the West Coast Miners' Council, the Miners' Federation, or the Alliance. Not only was there a threat against industrial federation, but the latest pronouncement seemed to indicate that there was no guarantee that the 44-hour week would not be attacked.

Mr. Holland's surmise on this last point was soon proved to be correct. As from May 26, all men in the second division of the Railway Service, except the locomotive drivers, firemen and cleaners, who, as already explained, are in a separate organisation from the A.S.R.S. and did not come out on strike, were put on a 48-hour week. The weekly wages were at the same time increased proportionately, the advance in the basic wage being from £3 19s. 10d. to £4 7s. 1d. The contention of the Government that the way to larger wages is through longer hours has thus been in part confirmed. The A.S.R.S. side of the wages question and all its other demands are now being heard by the Arbitration Court, sitting with two extra assessors representing the Railway Department and the Society respectively.

New Zealand.

June 24, 1924.

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