

THE ROUND TABLE

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THE failure of the League over Abyssinia and the progress of rearmament have fundamentally changed the problem that confronts the nations of the British Commonwealth. Until six months ago the majority of people, both in Great Britain and in the Dominions, thought of foreign problems in terms of world peace—of how the League machinery could be used to prevent wars that did not directly concern British territory. That era has passed. They have now to consider foreign affairs as affecting their own security. In these circumstances THE ROUND TABLE sees only danger in not facing frankly the realities that now confront us. For it is only by facing facts that we can save ourselves from again being misled by some of the illusions that have recently beguiled us.

I. THE BREAKDOWN OF THE LEAGUE

THE first thing to realise is that the League of Nations as a system of universal security has completely broken down. It has broken down partly because of defects in its own constitution, and partly because of the new facts created by universal rearmament. The League can still do an immense amount to promote world peace. But it cannot give security to its members through the universal and automatic obligations of Articles 10 and 16 of the Covenant. Security now depends upon armaments and upon far more explicit military undertakings, between individual States, than are contained in the Covenant.

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The fundamental reason for this breakdown of collective security, as has often been pointed out in these pages, is that the Covenant leaves intact the full national sovereignty of its members. That, as the experience of every league of sovereign States has proved, makes inevitable four fatal weaknesses. A league of sovereign States can seldom, if ever, agree about important issues, and there can be no method of arriving at a decision by majority vote. It is unable to alter the *status quo* in important respects, because such alteration can be made only with the consent of the members most concerned, which can hardly ever be obtained. It is unable to abate economic nationalism, and economic nationalism inevitably produces such economic and social dislocation as to make democracy almost unworkable. Finally, if a league of sovereign States attempts to coerce one of its larger and more powerful members the instrument that in the last resort it must use is war, for that is the only way in which a powerful Government can be coerced against its will.

These fatal defects are inherent in any form of league or confederation of sovereign States. It is perfectly true that the world would have been far better off to-day if the ideas originally formulated by President Wilson had been carried out in their entirety. If all nations had been members of the League, if all or nearly all had been democracies, if all had accepted free trade or low tariffs and had cancelled or immensely reduced war debts and reparations, and if all had disarmed, we should certainly be both more prosperous and in less danger of war than we are to-day. But none of these things happened, because national sovereignty forbade them. When the League came into being it did not set about revising the more extreme discriminations against the ex-enemy Powers, as Wilson had hoped. On the contrary, under the influence of France, it became the principal agency for enforcing the Treaty of Versailles. And when it attempted to give effect to the guarantees against aggression contained in Articles 10 and 16 of the Covenant the

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League failed in the three critical cases of the Chaco, Manchuria and Abyssinia, for the reason that no member was willing to risk war in order to vindicate the Covenant.

The common reply that the League would work if all its members lived up to their obligations is invalid for three reasons. The first is that the economic action against the aggressor provided for by the Covenant is inadequate unless it is both universal and backed by a readiness to go to war. The second is that sovereign States will not incur the risks and sacrifices of war unless their own vital national interests are involved. The third is that a peace system which rests upon the use of war is as unlikely to lead to a peaceful world as was the grand alliance against autocracy that won the victory in 1918. As an instrument of security, therefore, based on the automatic obligations embodied in the Covenant, the League is "*functus officii*" and the sooner this fact is recognised by the excision of these obligations the sooner will the nations reach the method of preserving freedom and peace that is most practical in a world that insists on national sovereignty.

II. CAPITALISM, COMMUNISM AND FASCISM

BUT before coming to the consequences for the British Commonwealth of the breakdown of the League as a system of collective security, let us examine two other aspects of the contemporary problem in more detail. The first is the gradual internationalising of the conflict between communism and fascism. The second is the effect of economic nationalism and rearmament.

Few thinking people will dispute that the broad ideal of socialism, namely, that the economic system should function for the benefit of all the people rather than for the exclusive benefit of its capitalist owners, is playing the same part in contemporary politics as the idea of democracy began to play from the date of the American Revolution onwards. We have seen it in the rise of socialist and labour parties everywhere. Inside the British Commonwealth and in other

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democratic countries we have been quite content that the method, if one can be found, whereby work at good wages can be guaranteed to all, and the present inequality in wealth greatly diminished, without lowering the general standard of living and destroying individual responsibility and initiative, should be discovered by constitutional and democratic means.

But marxism, the extreme doctrine of socialism, as accepted by the Communist party, repudiates altogether the constitutional and democratic method. It regards the democratic state as the instrument through which capitalism wields and keeps its power, and it preaches the doctrine that the only road to the socialist goal is for the proletariat, led by the Communist party, to seize the state and use its power to nationalise at one blow all the means of production, distribution and exchange, and to "liquidate" all capitalists and landlords by force. It preaches this doctrine on the ground that the owners of property, rather than surrender their traditional rights under reform passed by constitutional means, will themselves create a dictatorship in order to suppress by force the proletariat and its leaders, the trades unions and the communists. This doctrine of the inevitability of revolutionary violence as the road to communism has produced its antithesis, fascism, or capitalist revolution, and it is the struggle between the two, especially in countries where economic nationalism has caused grave social disorder through unemployment, or where reactionary government has produced explosion, as in Spain, that has been the principal cause of the overthrow of democracy by dictatorship in Europe.

Till recently the communist-fascist struggle had seemed a domestic question. But the Spanish civil war and its immediate repercussions throughout Europe have shown that, like the Protestant-Roman Catholic question three centuries ago, it is becoming a primary issue in the international politics of Europe. Let us try to summarise briefly what that issue is.

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The Kremlin—to use a convenient phrase which includes the higher direction both of the Communist party in Russia and of the Third International, seems to look at the world partly from a national point of view but partly through eyes dominated by the marxian dialectic. According to the Marx-Lenin doctrine, capitalism itself is in a crisis from which it cannot extricate itself. In its earlier stage capitalism did service to mankind in taking up the discoveries of natural science and making practical use of them for the enlargement of the world's economic and mechanical equipment, though at a terrible price in sweated labour, slumdom, the exploitation of backward races, and the creation of vast inequalities in wealth. By degrees, however, capitalism found that competition involved too frequent loss and the destruction of too much capital, and produced too much labour unrest. Capitalism then began to discover the advantages of monopoly, first through tariff protection and then through rings, cartels and amalgamations. But even a monopoly of the domestic market did not solve its problems. Capitalists first sought overseas markets and fields of investment and then tried to secure monopolies in these areas also by means of preferences, exclusive duties, and government favouritism. But this meant that the old competition between business firms became political competition between States for markets, colonies and spheres of influence, which inevitably led in turn to competitive armaments, alliances and, in the end, war.

During the Victorian era there was no great war because there was relative freedom of trade and migration. But towards the end of the century protectionism increased, most of the world was divided up between the European Powers, and the stage was set for what the marxists call the first imperialist war of 1914-18. The primary outcome of that war was the victory of the democratic imperial Powers over Germany and her allies. But what in the marxist view was still more significant was the appearance of the first communist State in Russia, followed by the reaction elsewhere,

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capitalism in its most combative form, fascism. Fascism, however, offers no solution of the problem of war or unemployment. It only intensifies the preparation for and the risk of war, so that in 1936, after 18 years of intensive work for peace by the believers in the League of Nations, the world, so the marxists believe, is headed for a worse world war than in 1914. That war may be between fascism and communism, but it is even more likely to be between the capitalist Powers themselves, for colonies, markets and monopoly. It is in the midst of this inevitable war that the opportunity for the communist revolution comes—when the proletariat finally realises that the capitalist system has once more plunged it into the unspeakable agonies and destruction of modern war, rebels against it, and, under communist direction, seizes all property and power.

So the policy of the Kremlin to-day is twofold. On the one hand it is, at almost any cost, to keep Russia itself out of war. She wants ten or twenty years' peace to organise her own socialist development. Her one fear is lest Japan and Germany should combine against her, and in order to prevent that catastrophe the Kremlin, while avoiding every risk of war itself, will do everything to keep alive the quarrels and competition between the capitalist empires. On the other hand it is convinced that once general war breaks out it will inevitably produce the conditions in which a proletarian revolution in favour of communism becomes possible. It therefore stimulates education in marxist philosophy and communist strategy in every way it can through the Third International, and it sustains a small but highly trained group of communist revolutionaries in every country of the world, ready to take advantage of the situation when it is really ripe for revolution and to damp down premature efforts to foment it. In the end, according to communist dialectic, communism is bound to prevail, not by the external activities of Russia as Trotsky proposed—though the very existence of Russia is a stimulus and a hope to the oppressed coloured races,

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the unemployed and the dispossessed everywhere in the world—but by the contradictions and war inherent in capitalism itself. As Stalin has repeatedly said, he is interested in world revolution, but Russia will not organise it; for the revolt of the proletariat can happen only when the internal conditions in each country are ready for it.

• At the opposite pole from communism stands fascism. The international leader of fascism to-day is national socialist Germany. Hitler's main point of view is quite simple. He regards communism as the implacable enemy of nationhood. It necessarily divides every nation in two irreconcilable halves, the *bourgeoisie* and the proletariat, and sets them at war with one another. Communism, therefore, is not the only enemy of capitalism: it is no less the enemy of the national state. It is a poison that makes social and national harmony impossible—a source of discord that disappears only when either fascism destroys communism or communism itself exterminates the *bourgeoisie* and establishes a dictatorship of the proletariat. Hitler opposes to communism the doctrine of nationality based on homogeneity of race. He has been the apostle of the regeneration of the German people from the defeatism, the divisions and the demoralisation of the post-war era, and of Germany's restoration to the position in the world to which she feels she is entitled, and of which she was deprived by the Treaty of Versailles and a League of Nations dominated by France, following defeat in the world war. The means by which he seeks to defend Germany against communism is internal discipline through a form of National Socialist party dictatorship not unlike that of the Communist party in Russia, while the means by which he seeks to restore her to her rightful position is by uniting all Germans in the Third Reich and making it the strongest single military Power in Europe.

The conflict between communism and fascism is tending to extend. It is an important element in the Far Eastern situation. It is beginning to align certain of the less

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important States of central Europe, many of whom in fact if not in name are fascist dictatorships, with Germany against Russia. It has brought Europe to the edge of grave difficulties over Spain. And it is helping to draw Italy and Germany into the same orbit.

III. THE ARMAMENTS CRISIS

BUT the increasing antagonism between fascism and communism is only one half of the present world complex. The other is the effect of national sovereignty in producing an economic and armaments crisis. The central weakness of the marxist argument is that it entirely underestimates the effect of national sovereignty in producing the troubles that it attributes to capitalism and which are the breeding ground in which communism and fascism take root. National sovereignty long ante-dated modern capitalism. And nowhere does capitalism as such produce war inside the sovereign State. As the unity that Europe possessed through the Roman Empire and later through the Holy Roman Empire and the Papacy broke down, it became divided into a number of sovereign States, each based on some combination of those elements of geography, language, race, history, culture or religion which fuse into the consciousness of a common nationhood. This anarchy has produced two main effects, economic nationalism and the competition in armaments.

The pressure of competition has led the capitalist inevitably to demand that his own State should first protect him from foreign competition by tariffs, and later give him a privileged position in such territories as it can control overseas. Yet interference with the free movement of trade, capital and labour, especially in the almost prohibitive forms which such restrictions have taken in the post-war years, is admittedly incompatible with the proper functioning of the capitalist system. For it prevents the adjustment of supply to demand through the operation of

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the price system. But with increasing intensity in recent decades every nation State has raised obstacles to external trade, migration and investment, until to-day the world consists of a large number of economically nearly watertight compartments. These external restrictions in turn have had the inexorable effect of forcing governments to interfere more and more, internally, in order to relieve unemployment, to protect basic industries, or to prevent social revolution caused or threatened by economic nationalism. They have also led to dictatorship as the one form of government strong enough to take the drastic measures necessary to adapt the capitalist system to the strait-waistcoat in which it has to function. And it is now driving those countries which can command the necessary military strength (especially Japan, Italy and Germany) to demand colonies or privileged areas for exploitation, on the ground that these privileged external markets and, to a less extent, sources of raw material supply are necessary to relieve the pressure of unemployment at home. But the dynamic cause of all these troubles is not capitalism but the anarchy of national sovereignties, which makes it impossible for the capitalist system to function as it could in a world organised as a single State or in which there were no barriers to trade or migration.

It is exactly the same with armaments. In the anarchy of sovereign States every country has, in the last resort, to depend upon its own strength, or on alliances with others, both to maintain its own security and to ensure respect for its rights. That means that every nation is for ever considering whether its rivals may not be in a position, in the event of a quarrel, to strike it a fatal blow, either because of superior armament or through some advantage in allies, strategic position, equipment or morale. When it suspects such an advantage it replies by increasing its own armaments or extending its own alliances. Thus the competition in armaments and alliances is inherent in anarchy, and is now aggravated by the return to dictatorship

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and the mutual suspicions of fascist and communist States. Unless the nations are able to pool their sovereignty in a federation, the world tends to organise itself into two or more alliance systems. That is what happened before the war, and it is happening again to-day. But the root cause of it is neither capitalism—though capitalism may inflame the economic antagonism of sovereign States—nor the inherent depravity of any people, but the anarchy created by national sovereignty. Even if all the world consisted of socialist sovereign States the position would be hardly less difficult. For what chance would there be of seventy sovereign States peacefully agreeing upon what each should produce, or receive from its neighbours, considering the immense dislocation that constant changes in the national production, necessary to meet the needs of other nations, would necessarily involve?

Both Europe and the Far East to-day are becoming increasingly gripped by these two forces—the struggle between communism and fascism and the effect of the anarchy of national sovereignties in dislocating economic life and in producing armaments and war. Of these the difficulties caused by national sovereignty are the more formidable, because it is in the social disorder created by economic nationalism that the struggle between communism and fascism reaches its greatest intensity. The pressure, too, is far greater in Europe than anywhere else, for the reason that in Europe, in an area which if Russia be excluded is not much bigger than half the size of the United States, no less than 25 sovereign States are trying to exist, with tariffs to the skies and armed to the teeth. That is why the pressure, both in the communist-fascist struggle and in the competition in armaments, is there at its maximum. Indeed, it seems clear that the *status quo* in Europe cannot long continue. By some means, by explosion or otherwise, a breach in these compartments will be made.

GERMANY LOOKS EAST AND WEST

IV. GERMANY LOOKS EAST AND WEST

LET us now turn to the consequences, especially for the British Commonwealth and the system of collective security represented by the League, of the competition in armaments in Europe and the Far East. No doubt there is a profound antagonism between communism and fascism and therefore between Russia on the one side and Germany and Japan and possibly Italy on the other. But it is doubtful whether either side would press that antagonism to the point of war because of the risks involved. The more serious danger of war arises from the strains caused by that competition in the armaments of sovereign States which is hourly increasing in intensity, and which, unless it can be relaxed, must end in explosion. Already Japan and Italy have sought to relieve what they believe to be their own shortage of room, of markets and of raw materials by imperialist expansion in Manchuria and Abyssinia at the point of the sword. Germany is now actively putting forward the demand for the return of the colonies. She has now laid the foundations for an adequate rearmament through an expenditure reputed to amount to not less than £1,500,000,000 during the last two or three years—an expenditure which has also enabled her to reduce her unemployment to between 1,000,000 and 1,500,000. There can be no permanent relief to the internal pressures that drive Germany towards huge armament expenditure and a provocative foreign policy except through a revival of her external trade—a problem that involves, not merely the economic aspects of the colonial question, but the whole economic and financial policy of the Third Reich and of the countries with which she trades.

Even more dangerous is the result of the competition in armaments. Nobody knows with accuracy the figures for the armaments of the various nations. But, approximately, Russia has 1,500,000 men under arms and is building

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a front-line air fleet of 5,000 planes. Germany will shortly have between 70 and 90 divisions, without great masses of trained reserves but very mobile and highly mechanised, and a front line air fleet of 2,000 to 4,000 planes. France and Italy have about two-thirds of these figures. Great Britain has a good fleet, is building up to 1,500 to 2,000 front line planes, but has no expeditionary army that could count to-day on the battlefields of Europe. All these forces are steadily being increased. None of the smaller nations has forces, or munition facilities to supply them, comparable with those of the great Powers.

Moreover, as an inevitable result of this increasing competition, every Government in Europe is being driven to consider what its plans would be in the event of war. There is probably no Government in Europe to-day that would deliberately invite the dangers and destruction involved in a general war. But no man can possibly say that there is no risk of war. War might have broken out over Abyssinia. It might have broken out over Spain—indeed it might still. It might be brought about by another incident like the assassination of Franz Ferdinand, which let loose the world war of 1914. But if a general war does break out in Europe, from whatever cause, it will not be fought for this frontier or that. Every general staff will seek to destroy the enemy resistance by the most annihilating attack in the shortest possible space of time and so impose a peace on its own terms.

That is why in the discussions of the European general staffs the issue between fascism and communism is being balanced by another set of considerations. No doubt Herr Hitler, in accordance with his own conviction that there can be no peace in Europe until the menace of Bolshevik Russia is removed, and with the thesis of *Mein Kampf* that Imperial Germany ought never to have quarrelled with England but should have sought a decision in the East rather than the West, would prefer, in the event of a general war, to attack Russia. But some of the German

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general staff, looking at the problem, not from a political standpoint, but purely as a problem in war, are known to urge other considerations. Every general staff seeks a quick decision; for it is clear that another long war would end in a far more fatal breakdown than the last. The German general staff, however, say that a quick decision against Russia, whose frontier is 500 miles from Germany, is difficult to get, and they ask whether they can be assured that, once they are engaged with Russia, Germany will not be attacked in the rear by France or other Powers. To this latter question, at least during the duration of the Franco-Russian treaty of mutual assistance in its present form, the answer must be in the negative. In that event, declare the general staff, Germany has to face once more the possibility of a simultaneous war on two fronts. Must she not, then, revert to the Schlieffen plan—that is, endeavour to gain a decision first in the West, and then deal with Russia and the East at leisure, especially as to-day she has nothing to fear from a Russian attack originating from a point 500 miles away?

For success in such an enterprise two conditions are necessary. The first is that Germany should have effective allies. The second is that it should be possible to deliver a paralysing blow at England, the principal organiser of the coalition against Germany last time. Can such a blow be delivered? The unlimited German submarine campaign can probably not be repeated—the counter-measures are too effective. But there is the new weapon of the air. The air force is not a decisive weapon on the battlefield or against the battle fleet. But, in its present state, it can do two things, if it can establish an adequate ascendancy over the enemy. It can attack directly the economic organisation of the enemy country and it can attack the morale of the civilian population. It is, of course, a dangerous weapon to employ, for nothing can prevent retaliation. But what causes anxiety in England to-day is that for some unknown period in the future Germany will have a decisive advantage over her

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neighbours—at least the western democracies of France and Great Britain. The essence of bombing attack does not reside in the number of bombers and attendant fighters that can go into operation on the first day. Its effectiveness depends upon the power to replace wastage, the rate of which is certain to be terribly high. A nation, for instance, that can afford to lose one-third of its machines and pilots every week, and still keep its original front line total in the air, will at the end of two or three weeks establish a complete ascendancy over an enemy that may start with the same number of machines but can only replace one-tenth or one-twentieth of its machines and pilots every week. And it is exactly the same with tanks and the other elements of mechanised warfare. As in the last war, without an adequate flow of munitions, valour is of little account.

There is now no doubt that the new German air force has been founded on a Ford basis of production, while the British and French air forces are still on a Rolls-Royce basis—though both are reorganising on a Ford basis as rapidly as they can. Both Russia and Italy are probably nearer to mass production in aeroplanes and pilots than the two democracies. For some unknown period, say a year or eighteen months from now, Germany might be able, in the event of a general war, to make continuous air attack on London, for instance—the most vulnerable because the most centralised and concentrated capital in the world—or on Paris, or even on both together, an attack against which, after the first few weeks of wastage, there could be neither adequate defence nor retaliation. What effect would such continuous and largely unanswered attack on economic organisation and civilian morale, in addition to the operation of mechanised warfare in the West, have on the capacity of either nation to fight a long war?

That is one element in the position to-day. The other is that the communications of the Commonwealth are more vulnerable than they have been since the eighteenth century. It is an axiom of naval strategy never to divide the

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main fleet unless the larger part is superior to any force that can be brought to bear against it. Whereas in 1914 the navy had only one fleet to consider, the German, (the Pacific being protected by the Anglo-Japanese alliance, and Italy being either neutral or fighting on the allied side), to-day it might have to deal with enemy Powers simultaneously in three places—the North Sea, the Suez Canal and Singapore. Whether this happens or not depends on the general international alignment. But if, in the event of a general war, Great Britain was confronted by simultaneous hostilities in the North Sea, in the Mediterranean and in the Far East, and were without effective naval allies, she would be unable to prevent the cutting of the communications of the Empire; for her fleet cannot be divided into more than two contingents at most.

It is these considerations that explain the unanimity with which all parties in Great Britain are now supporting rearmament. And they are also the final proof of the total inadequacy of the League system of universal and automatic collective security in a world dominated by the military factor. In such a world, economic sanctions, especially by a partial League, are far too slow. Effective League action depends not only upon whether the nations who accept its obligations are prepared and equipped to take the field instantly on the outbreak of hostilities, but also on whether, once battle is joined, they are likely to incur victory or defeat. That will depend not on the mere number but on the military power of the nations who will fight as a League, on their arms and equipment, on their munitions supply, their morale and their strategic position, as against those who will fight on the other side. To-day it is extremely difficult to say whether the League Powers have any coherence as a military combination. And League coherence is of little value unless it means ability to put armies and air forces into the field jointly at a moment's notice and to keep them adequately supplied with munitions and recruits, in the event of war. Certainly many of the smaller members of the

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League are beginning to dissociate themselves from any automatic obligation under Articles 10 and 16 of the Covenant, or are returning to a policy of neutrality, which they consider their best hope of survival in the event of a general war. And four of the most powerful nations, the United States, Japan, Germany and (to all intents and purposes) Italy, are outside the League, and the last three are actively hostile to its principles. The League to-day mainly consists of two great democracies, France and the British Commonwealth, and one communist Power, Russia, whose power or will to intervene militarily in Europe is doubtful. In such circumstances we should suspend all obligation to or reliance on the security system of the League until it is known, on military advice, exactly what force it can command and with what speed it can be mobilised, as against its potential opponents.

The British Commonwealth, therefore, is faced to-day with very grave perplexities. It is liable in certain eventualities to a serious attack at its heart, and to have its communications severed both in the Mediterranean and in the Far East. Its future clearly depends upon its armaments, the number of its friends either inside the League of Nations or outside it who are also ready to fight, upon its own willingness and power to stand united in the event of attack, and upon its ability, through the domestic policy of its member nations, to keep the active co-operation of all sections of its own population in the event of war.

V. A PROBLEM FOR THE COMMONWEALTH

THE ROUND TABLE has felt bound to put these facts baldly before its readers. There has been, in recent months, a dangerous conspiracy of silence as to the true position, despite the speed of rearmament. THE ROUND TABLE is convinced that the nations of the Commonwealth will come to wise decisions, if they know the facts, but only if they are told the facts.

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But having thus put them forward, it wants to make it plain that it does not take an alarmist view of the situation. The world is still governed by people who had experience of the last war and who know the destruction and suffering that war implies for victor and vanquished alike. The chances of success for such an aerial blow at London and Paris, even granted an immense preponderance in the power to replace wastage, are extremely problematical. The difficulty of engineering the kind of combination that would involve a simultaneous thrust at the three points in the vital communications of the British Commonwealth would certainly be very great, particularly inasmuch as success implies that the British Commonwealth has to fight without allies. The real danger does not arise from deliberate aggression, but from the European and Asiatic anarchy itself, from the necessities under which general staffs find themselves when once they are plunged in war. However anxious every great Government may be to avoid war, however anxious Germany may be for good relations with Great Britain, however reluctant Signor Mussolini may be to precipitate a decision, an accident or a fool or a knave may produce a war crisis that no Government can control. If that happens, though no one deliberately presses the button to start a general war, every general staff will be forced to take that action which, from the military point of view, seems most likely to lead to rapid victory over the enemy. That is the real danger of war to-day. The British Commonwealth must face the fact that in the event of war it might find itself confronted by acts which to-day seem improbable or remote, and it must take whatever steps it can to avert catastrophe.

The answer to these perplexities, however, does not rest with Great Britain alone*. It depends very largely on the view that the Dominions and India also take about them. It is essential that the realities should be faced at the Imperial Conference which is to assemble in London next May.

* A British view of great force and persuasiveness is to be found in *The Faith of an Englishman*, by Sir Edward Grigg.

VI. EIGHT POINTS OF POLICY

THOUGH THE ROUND TABLE does not attempt to put forward, as yet, any final policy, if only because no policy can be settled without better knowledge of the facts about armaments, about the attitude of the Dominions and about the obligations that other countries, especially members of the League of Nations, are prepared to assume, it thinks it useful to put forward one or two considerations that may contribute to an eventual decision.

The first is that the British Commonwealth should assume only such obligations as it is within its strength to fulfil. Vague commitments contribute both to war and to defeat. What those obligations should be will depend, in the present age of power politics, mainly upon the strength of the Commonwealth nations and their willingness and capacity to act promptly together. The first step is to calculate what that strength is and where and how it can be applied.

The second consideration is that the British Commonwealth should refuse entirely to embroil itself in the quarrel between communism and fascism. "Free institutions are its life-blood," and it is of the very essence of free institutions that the issue between socialism and capitalism, like every other issue, can be satisfactorily solved only by democratic and constitutional process. To drift into taking sides in the new conflict of religion is to risk dividing both the nation and the Commonwealth itself.

The third consideration is that while over a large field of foreign affairs our policy must inevitably be left flexible, it conduces to peace to make quite clear to the whole world any matters about which we are prepared to go to war. The United States has contributed to world peace by making it clear that she is willing to go to war in defence of the Monroe doctrine, and she is now equipped to defend it. The British Commonwealth should equally make it clear that it is willing and prepared to defend its own area against

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attack from whatever quarter it may come. The Commonwealth, indeed, is more and more coming to resemble the Monroe system. The Dominions are, in effect, already as free from control by Great Britain as are the South American republics from control by the United States, and self-government is rapidly growing in every other part. In both systems mutual defence is tending to become more and more a joint affair and not the sole responsibility of the United States or Great Britain alone.

Fourthly, friendly relations with the United States should remain a cardinal article of the external policy of the Commonwealth.

Fifthly, the nations of the British Commonwealth should actively promote a general abatement in present day restrictions on international trade, and the restoration of the "open door" in colonial territories. Increased international trade is the best means of enabling all nations, great and small, to obtain in the cheapest market those supplies of foodstuffs and raw materials which they are unable to produce within their own boundaries. It is an infinitely easier as well as more effective remedy for the evils that spring from the division of the world into sovereign States than territorial exchange, colonial or otherwise.

Sixthly, there is the vast question of Great Britain's relations to Europe and the Far East. British public opinion is now moving steadily towards non-commitment in the internecine struggles of the 26 States of Europe or in the politics of the Far East, if that is possible—at any rate at the outset of a new conflict. Great Britain has already made it clear that she is in no way committed in the politics of eastern Europe, where she will retain a free hand. But so long as France remains a democracy and so long as the route through the Mediterranean is a matter of vital importance to the Empire it would seem that the Locarno obligations for common co-operation against unprovoked aggression should remain, if only because they are security against the domination of Europe by any single Power.

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There must, however, be one condition for the confirmation of the Locarno guarantees, and that is the ending of the Franco-Russian treaty of mutual assistance in its present form. It is inconsistent with the Covenant because either side may determine whether the *casus foederis* has arisen without reference to the League of Nations. The objection to the treaty is twofold. In the first place an alliance of this kind makes it practically inevitable that any local war immediately develops into a general European war. Indeed it creates the conditions in which a general war becomes more probable because it divides Europe into two armed camps, which may eventually come to include all Europe and the Far East, and forces the general staffs of all the nearer European Powers to make their plans on the assumption that if war comes it will be a war on all fronts like the war of 1914. It therefore makes it possible for any Government which, for any reason, wants war, or for a fool or an accident, to precipitate not a local conflict but a general European war.

Secondly, from the military point of view it does not seem to be of any real value. Its main effect must be to compel Germany and her friends, in the event of war, to strike at the West. This is so because there are 500 miles of other nations' territory between the frontiers of Russia and Germany and because the organisation of the Russian railways is such that it is impossible to-day for a Russian army of any considerable size to be deployed for use beyond her own frontier. Add to this the fact that the Russian army has always been weak in offensive power, and the natural desire of any marxist State to allow the capitalist States to fight among themselves as the necessary prelude to world revolution, and it would appear that the main result of the treaty must be to ensure that any war, even though it starts in eastern Europe, must, like the war of 1914, be fought out first in the West, and in its early stages without effective assistance from Russia.

In our view, therefore, the British Government should

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make it absolutely clear to the Government of France at the earliest possible moment that until the automatic obligation to go to war is removed from the Franco-Russian treaty it cannot re-affirm the Locarno obligations, because it is determined not to be dragged into a European war on any eastern European issue, but that if France obtains a free hand it will gladly reaffirm them in a mutual form.

Finally, what of the League? The view has already been expressed that in the armed world that now confronts us the automatic obligations of Articles 10 and 16 are useless to prevent aggression, while they may involve members in war because of the very uncertainty they create. In our view military obligations, where they are necessary, must be absolutely precise in terms both of available armaments and of the occasions when they will come into action. Such regional obligations ought to be entered into by members of the League where they think it necessary, on their own responsibility, and not as part of their duty as members of the League. That membership should carry with it, so long as the members retain their full sovereignty, no automatic obligation of any kind to use either economic or military sanctions, but only the obligation to co-operate for the general purposes of revising out-of-date treaties, of preventing aggression and of promoting the settlement of international disputes by pacific means, or by any methods that the members of the League may freely accept, in the light of the circumstances of each situation as it arises.

It may seem to some that this limitation of the purposes for which the British Commonwealth stands is a departure from the high idealism that has animated so many of its citizens in the past. We do not think so. If it had been possible to bring lasting peace to the world it would have been an object well worth great sacrifices to attain. But that goal is clearly out of reach. There is no way of making certain of world peace in a world of sovereign States. The road to world peace lies only along the road of pooling national sovereignty—a process still out of reach. But the

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safe for democracy and fit for heroes to live in, that were widely entertained during the early post-war years; in part to the collapse from below of the structure of ideas on which British foreign policy, as officially stated and generally understood, has been reared since the foundation of the League.

Year in and year out, a steady stream of propaganda for the League of Nations idea has permeated British thought. Honestly conceived and in a large measure sound and reasonable, it has concerned itself with two main themes, disarmament and collective security. The general effect of the propaganda on those two lines has been to foster a belief that the promise of collective action against every aggressor was in itself an assurance of peace. The suggestion that the application of sanctions meant a serious risk of war has been scouted by most of the propagandists and their willing audiences. Indeed there was a logical dilemma: how could collective security be for its adherents at once a warranty against war and a liability to be drawn into war? In practical terms, did the peaceability of the British people mean that they would or would not go to war against the breaker of the peace? Out of that dilemma arose the Hoare-Laval episode and the humiliation of the sanctions policy. There is some reason for believing that the Government misjudged the feeling of the British people in the Abyssinian affair; certainly it was fatal ever to embark on a policy of coercion with reservations which meant that it could not, in the last resort, be made effective. Wherever the blame may be laid, the fact remains that the bottom has fallen out of the British public's ideas on collective security. The theory that collective enforcement of peace is possible without a serious risk of world war is no longer tenable; hence the people of Great Britain, hating war as they do, are left disillusioned and leaderless. While they accept and even applaud a policy of rearmament, which is at least a solid raft in a sea of confusion, they are sceptical about the

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policies that the arms are intended to support, and their sense of national need and personal duty is correspondingly weakened.

Added to the lack of leadership in foreign policy has been a lack of leadership in defence policy. Before 1914 the British people as a whole were unquestioningly confident that the defensive strength of the Empire rested upon the navy; the only other recognised strategic need of any permanent importance was the security of India. Now, that assurance has gone. Air power has revolutionised the strategic problem. The civilian population of Great Britain feel that the country's primary defensive need to-day is protection against air bombardment, or (if there can be no real protection) at least ample deterrent power of counter-attack by air. Doubts arise whether the ability of the navy to command the seas has not been frustrated by the possibility of air assault on ships and bases. The dangers from the air may well have been exaggerated, but they are fixing themselves ever more firmly on the ordinary man's imagination. The military revival of Germany has brought them very near home. It is odd to recall that a few years ago Germany could without argument be omitted from "the list of nations who possess a measurable capacity for war against us".* Public opinion notoriously lags behind political and strategic facts; but in this regard it has caught up far enough to create a widespread sense of doubt and danger.

Still another vexed question confuses counsel about our national defence. In the war of 1914-18, Great Britain raised and placed in the field a land army—largely a citizen army—of two-and-a-half million men, most of whom fought on the Western Front. The well-rooted idea that her main contribution to European wars would always be naval power and money subsidies was forsaken. The conception of land warfare as a series of open skirmishes was buried

* Chapter on "Possible Wars" in Stephen King-Hall's *Imperial Defence* (1926), p. 69.

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under the mud of the trenches. Moreover, in the final phases of the Western fighting, one of the decisive tactical factors was the British-invented tank*; an innovation that seemed in the minds of some prophets to presage an era of highly mechanised land warfare, in which cavalry would disappear, while infantry, artillery and engineers would be more and more closely fused into a single armoured and mechanised force.

Thus amid the hub-bub of questions about the effect of air power upon imperial defence (was there any effective defence against air attack on civilian centres? had the battleship become obsolete? how should civil aviation be stimulated?) there emerged another series of questions: what was the future rôle of the army in imperial defence, and what changes, therefore, should be made in its equipment and organisation? The two problems of air power and the future of the army were linked together in a number of obvious ways; experts claimed, for instance, that air attack would render very difficult the concentration and transport of any great body of troops through a "bottle-neck," such as the passage of the English Channel. It was also recognised that both in peace-time and in war-time there were limits—in public finance, in man-power, in industrial capacity—to the nation's defensive effort, and that the over-riding problem was always to use limited resources to the best advantage.

II. WHAT IS THE ARMY FOR?

IN the present condition of controversy on these matters, we may do well to examine the actual character and organisation of the army, which presumably reflect the views of those in authority concerning its purpose. Clearly the

* In view of the controversy on this question, it may be well to cite the opinion of a disinterested student of strategy, Professor J. Holland Rose, who wrote that tanks, "though not fulfilling all the high hopes once placed in them, certainly proved to be the most successful military invention of the war period." *The Indecisiveness of Modern War*, p. 42.

WHAT IS THE ARMY FOR?

British army, unlike its conscript continental fellows, is neither an instrument of national discipline nor the first line of national defence. We may learn something more positive from the system of army organisation which was introduced not long after the Crimean war and has persisted ever since. Under the so-called Cardwell system, each unit on service abroad (in India, the colonies, Egypt) has a counterpart in a unit at home, which furnishes it with drafts from time to time and eventually changes places with it. The home units are grouped to form an expeditionary force *in posse*. Thus in normal times at least half the regular army is either actually abroad or trooping or is a reserve earmarked for oversea service.* The remainder, with the exception of a few specialised branches, may perhaps be regarded as a secondary reserve for overseas.

We are precluded from making the opposite assumption—that the overseas battalions are a reserve for possible service nearer home—by the practice with regard to the British army in India (to be distinguished, of course, from the Indian army consisting of native troops commanded, largely, by British officers). India not only pays for the maintenance of all the forces serving in her territory, but also contributes a proportionate share of the "overhead cost" of maintaining the British army, and part of the cost of transporting the troops by sea; against which she receives a grant of £1,500,000 per annum from the Imperial Exchequer for defence purposes. Unless these arrangements are grossly unfair to the Indian people, they prove that India is not to be regarded as a training ground or reserve base for troops eventually required elsewhere, but that the army in India is intended for the external defence and internal security of that country itself. The new Government of India Act, we may note, lays down the over-riding rule that "no burden shall be imposed on the

* Before the despatch of the Palestine Expeditionary Force, there were 45 British battalions in India, 20 in other oversea garrisons, and 71 at home, including 10 battalions of Foot Guards.

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revenues of the Federation or the Provinces except for the purposes of India or some part of India." *

In brief, the first purpose of the British regular army to-day, as revealed in its actual structure and organisation, is the defence and policing of oversea parts of the Empire. Obviously a secondary purpose is garrisoning danger-points at home and reinforcing the police in times of emergency like the general strike. Has the army any other main permanent rôle, and if so is readiness for that rôle compatible with the continuance of the Cardwell system? Those are the questions that are agitating military thinkers to-day.

Field Service Regulations, the soldier's *vade mecum*, is vague on the question of the purpose of the army. It is merely platitudinous to say that the aim is, "in co-operation with the Royal Navy and the Royal Air Force, to break down the resistance of the enemy's armed forces, in furtherance of the approved plan of campaign", and to do this with the least expenditure of time, men, material and money. The passage in question continues :

In face of military danger the British Empire is confronted with problems peculiarly its own. Unlike a continental Power, it consists mainly of a number of self-governing communities widely separated and of varying resources. In defence of its vital interests it may be called upon to place a force in the field under conditions varying from a small expedition against an uncivilised enemy to a world-wide war.†

In brief, in the official view the army must be all things for all occasions; it must be ready to "further an approved plan of campaign" that may include mass trench warfare, or may be no more than a frontier skirmish. The White Paper of last March on rearmament declared that :

* Para. 150 (1).

† 1930 Edition, p. 1. The paragraph has been amended (perhaps significantly) of late years. In an earlier edition it began : "In the face of the greatest military danger which can arise, the requirements of the British Imperial Army do not differ materially from those of more centralised Powers."

WHAT IS THE ARMY FOR?

The Army has three main functions to perform; it has to maintain garrisons overseas in various parts of the Empire, to provide the military share in Home Defence, including anti-aircraft defence, coast defence and internal security, and, lastly, in time of emergency or war to provide a properly equipped force ready to proceed overseas *wherever it may be wanted*.*

The italics are ours.

Six months ago, an article in *THE ROUND TABLE* included the following (with a warning about its controversial character) among the outstanding tasks of imperial defence :

Ability to make an effective contribution in the critical opening days of a continental European war, into which we found ourselves drawn by honour or vital interest; and, if deadlock were reached in those opening phases, ability to mobilise quickly our resources of men, money and munitions so as to give our participation its maximum weight.

Whatever opinions we may hold about Great Britain's wider interests and obligations, this object of our defence policy must continue to loom large so long as the geographical and political facts that led us to intervene in 1914, and after the war to commit ourselves under the abortive Treaty of Guarantee and then under Locarno, still hold good.

How may the object best be fulfilled? There are some who think that our contribution in the circumstances envisaged will revert to its traditional shape—money, munitions and sea power—coupled now with a decisive weight of air power†. This is clearly a tenable view, but it is not the official view. It was definitely rejected by the Minister for the Co-ordination of Defence in his speech in the debate on the Address on November 10. The general run of military thinking at present seems to be that although the air battles must be fought first, while the slower arms are mobilising and moving, they are likely to produce a stalemate which can be determined only by victory or defeat on

* Cmd. 5107, p. 9.

† See, for instance, two articles in the *Times*, October 30 and November 2, 1939, by its military correspondent.

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land. It will be at this juncture, so it is claimed, that the smaller and less easily concentrated British land forces may be a decisive contribution in a continental war; decisive not only on account of their actual strength but also because they would give a powerful moral assurance to our allies. Their rôle, in such a war, may therefore be taken as twofold: to add a fraction of weight—disproportionate to numbers because of the superiority of professional soldiers over conscripts—to allied armies at a critical moment, and to serve as a nucleus for the development of a large-scale citizen army, as in the late war.

We maintain (writes General Sir Edmund Ironside) a small force of highly-trained men, which operates with the Navy and the Air Force, and behind which the great man-power of the Empire can be prepared for action. . . .

I consider that our land forces will not leave their various points of concentration in the Empire, for transportation to the main theatre of action, until a reasonable air supremacy—temporary perhaps—has been secured.*

The system of reserves and territorials certainly suggests that expansibility in war-time is one of the principal objectives of our land defence policy. With the exception of a few long-service men (mostly warrant officers), the British regular soldier takes service for seven years with the colours and five years with the reserve. There is in addition a supplementary reserve of partly trained men, consisting at present mostly of skilled tradesmen but to include in the future an expanded infantry reserve. Moreover, the territorial army is openly designed as the basis of a citizen army, and would no doubt be the principal means of training recruits for active service in war-time. During the late war, about 50,000 officers and 1,000,000 other ranks passed through the territorial army. The numbers of the British army were, at the beginning of this year: regular army, 135,744; army in India, 55,241; army reserve, 111,615; supplementary reserve, 19,611; territorials,

* In *The Study of War*, edited by Sir George Aston, pp. 123 and 136.

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130,125. The territorial army is nearly 30 per cent. below established strength.*

We may thus assume that the British army is intended, reasonably or unreasonably, to provide a prompt expeditionary force for continental land warfare, and to serve as a training cadre for a much larger force for the same purpose. It is common ground that such warfare in the future will demand a considerable degree of mechanisation—by which is meant not only tanks of various types but also caterpillar gun carriages, light artillery, machine-guns and anti-tank guns, and all kinds of mechanical transport. Military opinion, it is true, is divided over the degree and character of the mechanisation required. For the tank enthusiast, infantry almost ceases to exist, save as the man-power for anti-tank defensive positions. Earl Haig, on the other hand, wrote of tanks and aeroplanes:

Their rôle is that of assisting the infantry-man, which they have done in the most admirable manner. They cannot replace him. Only by the rifle and bayonet of the infantryman can the decisive victory be won.†

General Monash, one of the most universally respected of the war commanders, expressed this more moderate opinion:

The true rôle of the infantry is . . . to advance under the maximum possible array of mechanical resources, in the form of guns, machine-guns, tanks, mortars, and aeroplanes . . . to hold and defend the territory gained; and to gather, in the form of prisoners, guns and stores, the fruits of victory.‡

There is no need to thrash out this controversy here. On any acceptable view, continental land warfare is certain to be much more highly mechanised than during our last experience of it. The prime military lesson of the war of 1914-18 was the futility of trench warfare. The pursuit of mobility and of the quick decision is bound to stimulate

* The comparable figures for authorised establishments were: regular army, 144,383; army in India, 57,524; army reserve, 121,200; supplementary reserve, 25,298; territorials, 184,265.

† Final War Despatch.

‡ *The Australian Victories in France in 1918*, p. 96.

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the mechanisation of armies. The one force that above all cannot afford to be left behind in this process is the small, highly-trained British army; for it can find no compensation in numbers for any relative lack of guns, tanks or aeroplanes.

While an army for continental warfare must be highly mechanised, that is not necessarily true of an army in India, Egypt or colonial stations. (The lessons of the Italian campaign in Abyssinia have still to be fully studied by the military experts, but contemporary reports did not suggest that mechanisation of force on the ground was a decisive factor). It is not merely a question of different terrain or different weapons to counter, but also, most probably, one of a totally different objective of the fighting—not to compel the submission of the Government of a highly organised enemy State, but to quell factional disorder, or to keep turbulent tribesmen beyond an unsettled frontier, or essentially to defend rather than to attack (as in the garrisoning of island strongholds). Different conditions and different objectives dictate different kinds of arms and armour. An army trained and equipped for continental warfare in Europe is ill adapted for controlling the North-West Frontier, stemming communal riots, or garrisoning Cairo, Ismailia, Cyprus or Malta. An army trained and equipped for service in India is ill adapted for European mechanised warfare. This conclusion is obviously an indictment of the Cardwell system, which assimilates the Indian and other oversea units of the army with the home units—the potential expeditionary force.

It is remarkable how widespread is the criticism of the Cardwell system among military thinkers. The tank enthusiast naturally condemns it most vigorously.

My firm belief is (writes Major-General J. F. C. Fuller) that until this system is destroyed the Home Army will remain in a chronic state of inefficiency.*

But here, to reinforce him, is a quotation from one of his most notable antagonists.

* *The Army in My Time*, p. 203.

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The defects of this system are obvious to all soldiers. The only thing to be said in its favour is that it works fairly well. On the other hand, it is wasteful and illogical in time of peace.*

Apart from the question of mechanisation and training, specific complaints against the Cardwell system include the following: that the terms of colour and reserve service which it implies deprive the regular army of any adequate reserve; and that (especially when recruiting is below par) it keeps the large majority of seasoned soldiers abroad, leaving scarcely more than a mixture of half-trained men and reservists at home to form a scratch expeditionary force in an emergency.

The remedy proposed by some of the critics is the creation of a separate army for India (either long-service, or seven years with the colours as at present), the application of an attenuated Cardwell system to the remaining overseas units and those sections of the home forces which could be properly regarded as garrisons and *gendarmérie*, and the formation of the remaining battalions, numbering about fifty, into "a mechanised striking force". Others demand a reduced term of service, and much more frequent movements of units between home and India or colonial stations. Almost all the proposed solutions involve a certain measure of increased expense, and most of them imply a reconsideration of the financial arrangements between the Indian and United Kingdom Governments regarding the cost of the army in India. It is possible that the growth of Indian self-government under the new constitution, accompanied by a movement for progressive Indianisation of military personnel, will force on a solution of the problem as far as the army in India is concerned. As for the defence of the colonies, France has solved her like

* *The Mechanisation of War*, by V. W. Germain ("A Rifleman"), p. 238. See also Ironside, *op. cit.*, p. 132. "As mechanisation goes on, as air warfare becomes more severe, the British Government will find itself forced to maintain special units at home, which are not 'feeders' for the main foreign garrison, that in India. . . . They will have to be maintained altogether outside the Cardwell system."

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problem by large-scale recruiting of North African and other coloured troops; but the raising of colonial native troops, except for purely local defence and police purposes, is contrary both to the principles and to the vital interests of British imperial government. There is no such short cut to the solution of the army problem.

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IT is not the purpose of this article either to endorse or to reject any particular plans for amending or superseding the Cardwell system. But it is clear enough that function and organisation do not exactly tally in the army of to-day; that this is due in part to confusion in everybody's mind as to the actual purpose of the army; and that to clear away that confusion (in which process a change in army organisation would be an important factor) would help to remove the apathy and doubt that at present characterise the average man's attitude towards the army. It is worthy of note that while Sir Samuel Hoare spoke gravely to the recent Conservative party conference about the difficulty of recruiting for the army, he was able to report that "men and officers of excellent standard are flocking into the air force". Yet the "perverted pacifism and partisan obstruction" on which he blamed the recruiting slackness can hardly have affected the one service and not the other. In part, the difference is a question of the numbers required—about 10,000 a year for the air force, compared with 37,000 wanted this year for the regular army alone, if it were to be brought up to strength, in addition to 86,000 wanted for the territorials. But at the same time there is undoubtedly a sharp contrast between the recruiting appeal of the air force and that of the army, a contrast of such a kind that the air force would probably be able regularly to fill its ranks with comparative ease even if it had four times its present establishment.

The points of difference may be classed as technical and general. The technical aspects include higher pay in the

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air force, better conditions, less service abroad, the opportunity of learning a trade, and better chances of getting a job on transference to the reserve, by reason both of the more continuous contact with civilian life and of the training every air force man has in skilled employment adaptable to civilian purposes. It is one of the blots on the army system that in his first year after leaving the colours the ex-soldier is liable to a far higher percentage of unemployment than the average of civilians, even though the latter include many thousands of the old or unemployable. The long period of service in India, too, is a serious deterrent. It is exceedingly important that the attractiveness of the army should be improved in these technical aspects, which range from the question of the Cardwell system to that of compulsory stoppages of pay for hair-cuts.

But that is only one side, and the less important side, of the picture. The other is the status of the army and the appeal it has for the public mind. The purpose and utility of the air force are obvious; its connection with national defence in the narrower sense is plain to a citizenry that appreciates with steadily growing conviction the dangers from the air. There is no such appeal about the army. Its peace-time duties lie for the most part far from home, and have little hold on the popular imagination. And so long as its war-time purpose remains in its present inchoate form the man-in-the-street will always think of the army against the background of Flanders mud. Whether he conceives of it as a professional institution or as the kind of army that manned the trenches in 1918, he is unlikely to feel a personal patriotic duty to join the army, the territorials or supplementary reserve. Either he feels that it is "somebody else's job", or else that he would be condemning himself, willy-nilly, to becoming but an integer in a war of numbers and of human sacrifice. So long as the uncertainty as to the purpose and function of the army in imperial defence is allowed to continue in the public mind, so long will this reluctance to join the army oppose all recruiting efforts.

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The character of the next war is a matter of controversy, and will so remain until it actually happens; it is generally true to say that no one has ever correctly foreseen the nature of future wars. But whatever revolutions may occur in military strategy and tactics, there is no hint yet that the following judgment of a distinguished French expert is unsound.

Realities lead us to suppose that a future war would, at the outset, take the same form as that of 1914-18, that of a war of nations in arms, turning to account the whole of their resources, both human and material. The problem for each State, therefore, consists in transforming, more or less rapidly, according to the special requirements of its national defence, its war potential—men, money, equipment, raw material, etc.—into real and effective armaments.*

In other words, the next war, if it comes, will be above all a war of peoples, in which every citizen of the state, man, woman or child, will have a part to play. Yet scarcely ever before have the citizens of this country been individually less prepared for war, or less ready to shoulder their burden of training in peace-time. It is not a question of militarism; for that depends on the purpose of the preparedness and the spirit animating it, not on the numbers of the population who share in it. Nor is it a question of Left or Right in politics; M. Blum's Popular Front Government is no less determined than its predecessors to maintain, indeed to strengthen, the basis of universal service on which the French defensive system is founded.

A conscript army is obviously unsuited to our national needs, as it is contrary to our national traditions. It is clearly impossible, for instance, to rely on conscription to provide an army for service in India and the colonies; what cries of "press gang" and "transportation" would we not hear? But as every man will have a part to play if we become involved in war, so every man should be trained for that part in peace-time. Such training need not

* General E. Réquin, in *What Would be the Character of a New War*, an enquiry organised by the Inter-Parliamentary Union, p. 1.

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involve, in a vast number of cases, military service in the ordinary sense; for our defensive strength, alone or as an ally, is bound to turn largely on our industrial capacity, and a skilled mechanic is likely to be every bit as valuable in war-time as an "old soldier". Indeed, if air warfare bears out our fears, the control and disciplining of civil populations will be a supreme defensive need. As Sir Edward Grigg says in his vigorous and invigorating book, *The Faith of an Englishman*,

We shall never be adequately prepared to deal with air bombardment in our great cities until some system be found by which the local manhood can be called into disciplined formations under orders, for the purpose of carrying out the necessary protective measures and ensuring the essential public utility services. Some such organisation is indispensable to security; but I do not see how it can be established on an adequate basis or on principles of democratic equality unless the obligation is rendered universal and a sufficient contingent is annually trained in every city or other area.*

Sir Edward Grigg claims with much force that the principle of compulsory service for national defence would go far to change for the better the public attitude towards the regular army itself.

It is vital, if this country is to have a chance of withstanding a challenge from the great military Powers whose shadow falls across the path of peace and freedom, that it should be able to change swiftly from a nation organised for peace to a nation organised for war. Otherwise, we shall be defeated before we realise that war has begun. And that means assigning every man his task and seeing that he is fit to carry it out—fit, not only in technical training, but also in physique and health and general education. It is a deplorable and striking fact that no less than 31,000—or 47 per cent.—of the men offering themselves for recruitment last year were rejected as failing to reach the required physical standard; according to the Adjutant-General of the Forces in a recent statement, if the physical fitness of

* p. 299.

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the applicants could be raised "there would be no recruiting problem". Great Britain is perhaps the richest country, certainly one of the most exposed and vulnerable countries of the world. In the competition in armaments she is rapidly catching up with other great Powers, not all of whom are content with the world apportioned as it is; but in commanding the service of her citizens for the defence of their land and their ideals she lags far behind. The imminent decline of her population makes the problem of national service doubly urgent.

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I. EXIT THE GOLD BLOC.

ALTHOUGH devaluation of the three surviving gold currencies came as no surprise to the world at large, the moment chosen for it was generally unexpected. It was believed early last summer that M. Blum himself had come to accept the step as inevitable, especially after the success of the French workers' campaign for higher wages, shorter hours and fully paid holidays. But M. Blum's Cabinet was divided upon the issue of devaluation and his Finance Minister strongly opposed it. M. Blum himself, moreover, was authentically credited with taking a purely political view of the question. He and his supporters had been elected to restore the fortunes of the French worker, not to reduce the value of his franc. If anything, they were committed by their election pledges to preserve it. His predecessors had sedulously drilled French public opinion into fear and abhorrence of any reduction in its gold value. The leading advocate of devaluation, M. Paul Reynaud, despite his brilliant philippics, had gained no political following.

In these circumstances it was widely assumed that no change would occur until late autumn, or at any rate until after the Radical party congress summoned for the second half of October. Events in France were, however, drifting towards a serious climax; something dangerously akin to political demoralisation was becoming apparent, and the position of the Treasury was once more becoming critical. By comparison, the outflow of gold from the Bank of France, due to the expatriation of French capital,

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was probably a matter of only secondary importance, though the Finance Minister made direct reference to it when presenting his Devaluation Bill to the Chamber.

Whatever may have given the final impetus, it is certain that M. Blum resolved early in September to grasp the nettle. Contact with Washington had shown that there would be no serious objection from that quarter, though some adjustments in the comparatively recent Franco-American commercial agreement might have to be considered. The British Government, if it had at any time been disposed to raise opposition, could no longer view with indifference a progressive deterioration in the internal affairs of France, whose difficulties were detracting from her influence in continental affairs.

The decisive meeting of the French Cabinet was held on the afternoon of Friday, September 25. A little earlier it had transpired that the Finance Minister had abandoned his opposition to devaluation. In the exchange markets the forward quotation for the French franc had fallen once again to a discount indicative of panic. On the other hand, M. Blum was still expected to leave for Geneva on the Saturday, so that no crucial developments seemed imminent. When the Ministers met they found awaiting them a scheme for devaluation of the franc, supported by a joint statement on currency policy, couched in general terms already agreed between the American, British and French Governments. This was issued later the same night. Simultaneously an embargo was placed on gold exports and French financial markets were closed for several days. The Government's secret had been well kept until the end, but the franc was off gold at last.

The object pursued by the French Government in securing the three-Power declaration appears to have been twofold. Previous French Governments had repeatedly stated that adjustment could only be entertained in conjunction with a general stabilisation of currencies—by which they meant, in effect, stabilisation of the pound and

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the dollar. To Frenchmen the example of a pound unanchored to gold and yet tolerably stable in purchasing power still remained wholly unconvincing. Stabilisation in the French sense, however, could not be secured; and France's difficulties were becoming more pressing. Nothing remained, therefore, but to adopt a compromise with French public opinion on the one hand and with the British and American Treasuries on the other. Thus the primary object of the tripartite declaration was to reconcile French public opinion to a step that Governments in other countries had been prepared to take without foreign support.

There was, however, another side to M. Blum's cooperation with Great Britain and the United States. Europe had been treated for some time to a series of rather unpleasant political week-end surprises proceeding from behind the locked doors of authoritarian Cabinets. Dictators seemed to have found a device that assured them the power of political initiative in international affairs. Very adroitly and perhaps no less deliberately, M. Blum for once turned the tables. For the moment he had recaptured the initiative. Whatever the outcome, the joint declaration of currency policy by the United States, Great Britain and France, combined with devaluation of the French franc, remains an act of great political significance. And if it lacks the sting generally imparted to the week-end pronouncements of more absolute rulers, it loses nothing on that account.

The political emphasis thus lent to his action by M. Blum—acutely aware of the lengths to which the social and financial anxieties of his country were being exploited in certain quarters—explains the omission of Holland and Switzerland from the agreement. Had they been included the step would have been rated an important economic measure, but it would have lacked the political emphasis that the French Government evidently desired to inject into it.

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The Dutch and Swiss Governments were thus informed only after the decisive Cabinet meeting in Paris—within an hour or two of publication of the agreement. Dr. Tripp, Governor of the Netherlands Bank, as it happened, spent the previous day in the French capital and was personally aware of what was proceeding. Apparently, however, he remained unmoved, if not unconcerned, and, like his Swiss colleague, devoted the following Saturday morning to the preparation of vigorous measures of support for his exchange. Both these eminent bankers, moreover, amused a world now watching with friendly scepticism, by issuing what proved to be a last, if familiar, reaffirmation of their determination to remain on gold.

Their Governments, however, thought otherwise; and it was Switzerland that first made the plunge. The decision to follow France was taken by the Swiss Cabinet during the midday hours and communicated to the astonished Dutch Premier who, like Dr. Tripp, had until that moment refused to yield. This was the last straw. *Et tu, Brute?* Dr. Colijn made search for his unwitting Bank Governor, who had long since left the Bank on that fine Saturday afternoon; found him; and the last strand had snapped in the century-old fabric of the gold standard.

II. THE ARREST OF DEFLATION

DEVALUATION of the gold bloc currencies has been received with a tempered optimism that the future course of events should tend to justify. It has created a more hopeful outlook for world trade by removing the last serious element of deflationary pressure surviving out of the prolonged depression. It has, above all, dispelled a feeling of uncertainty—a sense of something impending—which has been overhanging money and exchange markets ever since the fall of the dollar, and has led to exchange panics, heavy movements of capital across frontiers, and gold hoarding, with harmful consequences for industry and trade.

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Now that the anticipated landslide has occurred without inflicting serious injury in any quarter, tension has given way to a feeling of relief and of renewed confidence in the future.

The immediate outlook for world trade and prosperity has undoubtedly been improved by the events of September. Devaluation of the three currencies (and of those that have since followed them) has fortunately none of the ominous significance that attached to the depreciation of the pound and the dollar. The pound was dragged from its moorings primarily by the collapse of world prices and the consequent financial crisis. The dollar was cut adrift in order to extricate the United States from the throes of a deflation of unprecedented severity. Each in turn, by its fall, gave a further downward impetus to the general price structure, so that substantial recovery within the depreciating countries themselves became possible only through the operation of additional factors such as the erection of tariffs, the restriction of production and the creation of abundant credit. Conditions have changed so radically in the meantime that no repetition of those experiences need be feared. Without, or rather despite, the gold bloc a vigorous upward trend in prices and in world trade has developed. It has already gained considerable impetus and is unlikely to be reversed by the depreciation of the gold currencies. If anything, market movements since the end of September indicate that the rise in commodity prices has acquired additional momentum—more perhaps than is desirable—instead of losing it.

Although in past experience currency depreciation has usually originated with inflation and resulted in deflation, the sequence is likely to be reversed in the case of the gold bloc countries. In France, it is true, a rather alarming inflation of public expenditure was responsible, more than any other single factor, for the critical developments that precipitated relinquishment of the gold parity. But the French investor and money market, their distrust

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aroused, stubbornly withheld their resources from the Government, and indeed exported them to other centres. The volume of active credit has contracted rather than expanded during the past few years, so that it would be idle to speak of French currency inflation. As regards Holland and Switzerland it was notoriously deflation carried to the point where further progress was barred by embittered political resistance that was at the root of industrial distress. Now that the constricting influence of over-valuation has been removed, the way should be open for an expansion in both domestic and foreign trade. Progress may be more gradual than would otherwise be the case owing to the circumstance that Germany takes first place—by a substantial margin—in both the markets for exports and the sources of imports of Holland and Switzerland; and second place in those of France. And, though devaluation of the Swiss franc and the florin has further reduced the weight of German foreign indebtedness, Germany's trading position has almost certainly been rendered more difficult by the enhanced competitive power of Dutch and Swiss industries in those overseas markets from which Germany derives her raw material supplies. This factor should not, however, prevent a decisive reversal of the downward trend in the gold bloc countries.

There is certainly abundant scope for improvement. When the break came, unemployment in all three countries stood at virtually the highest levels recorded throughout the depression; and foreign trade was at its lowest. Stimulated by expenditure on rearmament and an eleventh-hour expansion of credit, French imports had in recent months shown some tendency to rise; but exports had fallen in value to the lowest point experienced since the war, in fact to little more than one-quarter of their 1928 size. Swiss and Dutch foreign trade had receded on both sides of the account to less than one-half of 1930 levels. A more realistic impression of the devastating effect of unrelieved depression upon industry may be gained from a

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single example approaching veritable economic tragedy. Under the double impact of hostile tariffs and an over-valued franc the foreign sales of the celebrated Swiss chocolate industry dwindled from forty-five million francs in 1930 to one million francs in 1935.

Moreover, even the reduced export trade of the gold bloc countries was maintained only by dint of price reductions so drastic that they frequently eliminated any margin of profit. In many cases they were rendered possible by subsidies. A loss of domestic trade, turnover and purchasing power resulted which, in turn reacted adversely upon both public and private finance. New taxes and special levies failed to maintain revenue—now dependent on an illusory attempt to tax more and more out of less and less—at its previous level; and public indebtedness rose steadily. Disquieting fissures appeared in the Swiss banking structure; and it had become a commonplace in Switzerland to regard all mortgages other than first charges as practically valueless.

These destructive processes should now be reversed. After the persistent price-decline of the last five years and the economies in costs enforced by it, a moderate rise in domestic prices will act as a powerful stimulus to home trade and industry. Disharding of gold and the disbursement of exchange profits may give additional impetus. Production and the national income may be expected to rise and unemployment to fall. Order and equilibrium in public finances should, before long, be within reach of attainment. Briefly, the gold bloc countries, having aligned their price-level by way of their exchange parities to the price-levels of the rest of the world, should move into the main current of world recovery instead of remaining dismally in a backwater of isolation and depression.

If our hopes and good will are not to get the better of us, however, some qualification must be added with regard to France. There the world depression was felt last, and

for some time the country believed in its immunity from the general misfortune. When at length the presence of the infection was diagnosed, medical treatment was not immediately applied. The malady was allowed to develop and complications have set in. Discarding metaphor, economic depression has culminated in social unrest. Political antagonisms have become acute and even unruly. Capital, previously awaiting only adjustment of the franc but now at variance with the labour which it should galvanise into productive activity, shuns the country. Cheap money and abundant credit remain for the present a hope; and fiscal difficulties persist. Here, therefore, recovery may be retarded until economic disputes between the parties can be settled in an atmosphere freed from political animosities. No striking resumption of industrial and commercial activity can be expected until a workable relation between costs and prices has been regained. The success of the stay-in strikes has put the cart before the horse. If the vehicle is to proceed the horse must return to its place between the shafts—unless the cart is in future to be mechanically propelled by the power of the State. Nevertheless, devaluation was indispensable to French recovery and may be relied upon to promote it even now more effectively than anything else could have done.

III. DEVALUATION AND WORLD TRADE

THE foreign trade of France, Holland and Switzerland, including that of the colonies and dependencies of the two first-named, accounts for roughly 16 per cent. of world trade and is equal to about half the trade of the sterling group of countries or three times that of China and Japan taken together. It is therefore of no little importance.

In recent years, however, there has been some tendency to assess the influence of these countries on world trade in accordance with the conspicuous rôle played by their

currencies in the foreign exchange market. In a world that had broken away from gold they naturally gained exceptional prominence as the only surviving adherents of the former gold standard. The great strength of their metallic reserves sustained their parities through one crisis after another. With exchange restrictions fast becoming the rule rather than the exception, they permitted dealings of unlimited magnitude to continue freely in their currencies, in the form of both cash and forward transactions. It is not surprising, therefore, to find that the gold currencies for some years came to engage a greater share of the attention of markets than the normal trading relations covered by them would have warranted. Dealings were, moreover, abnormally magnified by migrations of capital and by the incidence of speculative operations envisaging—often prematurely—the developments of last September.

By comparison the part played by the gold bloc countries in international trade has become almost inconspicuous. World recovery has not waited for them. An upward trend in international trade has been clearly discernible since 1934 and has steadily gained in strength, although the gold bloc, moving in the opposite direction, must have acted as a drag upon it. Measured in terms of pre-devaluation gold dollars, world trade as represented by seventy-five countries rose, after five years of continuous recession, from a monthly average value of \$928.7 million in 1934 to an average of \$946 million in 1935. Simultaneously, the share of the three members of the gold bloc declined by \$13 million per month. During the current year the improvement over the whole world has made more rapid headway, trade having averaged roughly \$1,000 million a month—a gain of 5 per cent. over last year. Still the gold countries have continued to lose ground.

Now that their currencies have been adjusted (to what, in practice, already constituted a revised world-valuation of gold in relation to money and goods) the export trade of France, Holland and Switzerland should begin to

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reassert itself in international markets. In the circumstances described it stands to gain the full competitive advantage of currency depreciation, reduced only by additions to costs arising out of dearer raw material imports, and perhaps out of higher labour charges due to rises in the cost of living, where this is heavily weighted with imported foodstuffs. These contrary factors can, however, be kept within moderate limits by appropriate reduction or removal of the tariff and quota restrictions that have hitherto aimed at excluding cheap imports. Steps in this direction have already been undertaken by some of the Governments concerned.

After the drastic contraction of imports by the gold bloc countries during the years of depression, there is every prospect that as they succeed in increasing their foreign sales they will increase their foreign purchases. It is of course only by the double process that any *net* addition to the volume of world trade can be created. Otherwise what is gained by the new entrants will be lost to others, competition growing keener and more embittered than before, until it becomes destructive in intensity.

There seems little danger, however, of this contingency, as may be shown by a brief reference to trade developments of the last three years in the countries "on" and "off" gold. By general admission the gold currencies have been overvalued, the pound and the dollar relatively undervalued. It would therefore have been reasonable to expect a rising adverse balance of trade in the gold bloc and a greater expansion of exports than of imports in the sterling and dollar groups. But this is not what has happened. So effectively have tariffs, quotas and prohibitions been employed in the gold standard countries that imports have actually fallen much more steeply than exports, and adverse trade balances have been greatly reduced *despite* overvaluation; whereas in the United Kingdom and the United States the creation of abundant credit and the restoration of a profit-margin to domestic industry have,

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despite undervaluation and tariffs, resulted in a more rapid expansion of imports than of exports. Now that the disparity of price levels between the gold countries and the rest of the world has been removed, domestic trade in the former, aided, as it almost certainly will be, by an expansion of credit, should make rapid strides. And, as a matter of experience, an improvement in the domestic affairs of one country tends to communicate itself through a hundred channels to every other.

Taking a broad view, it is safe to assert that any addition to the economic area within which a relative degree of equilibrium in costs and prices has been established will benefit all the parties within that area. Elimination of some of the fiscal trade barriers intersecting it would provide a further gain, but in this respect it is as yet too early to attach definite hopes to the developments of the last few weeks. While it would be churlish not to welcome the first steps taken by the statesmen of the gold-bloc countries in the direction of lowering duties and discarding quotas, we must accept these advances—whose moral and political value are unquestioned—in their proper context. If it is correct to assume that world prices will not be adversely affected by recent devaluations but will continue their upward trend, the gold-bloc countries when reducing trade barriers have so far merely substituted one form of tariff for another. No *net* concession is involved, and the object aimed at is the prevention of a rise in domestic prices and in the cost of living, which, if it were large enough, would render nugatory the advantages secured by the abandonment of gold parities. Some experience of the new situation will have to be gained before decisive steps are taken.

There is nothing more destructive of international trade than the abrupt imposition of tariffs or other forms of obstruction to the exchange of goods and services between countries; but once the tariffs have existed for a given time their abrupt removal is only one degree

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less harmful. Pious resolutions for their abolition *brevi manu*, passed at international gatherings, merely disregard political and economic realities. Unless trade concessions are effected at every step on a soberly calculated basis of give and take, a loss of currency reserves and a rise in unemployment are the most probable outcome. Most governments can afford neither.

If the prospect of a noteworthy reduction of trade barriers arising out of the re-alignment of the gold currencies remains rather uncertain, some consolation may be found in another, less tangible direction. An end has been put to a major conflict on the issue of monetary policy and practice. The struggle between two groups of very unequal resources (other than gold), though waged without destructive intent, has caused a sharp cleavage in the world's economic generalship at a juncture when unity of effort and purpose has been more necessary than ever. Now at last the first approach to a solution has been found as a result of concessions on both sides.

By deeds rather than words the gold countries have acknowledged the *de facto* revaluation of monetary gold throughout the world which had in practice already been established under the leadership of the pound and the dollar. By implication they have admitted the futility of accepting an automatic and immutable standard and store of value which—whatever the errors of human judgment committed in the use of it—performed the unwelcome feat of quadrupling its purchasing power within the brief space of a dozen years. The countries off gold, on the other hand, have frankly committed themselves to the vital principle that stability of exchanges is essential to world welfare; and have thereby made the first tentative approach towards restoring that stability. This step is the more important as the principle has at times stood in some danger of being consigned to the museum, if not the scrap-heap, to be replaced by the comforting and treacherous doctrine that a free and self-adjusting exchange would ensure—to the

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sterling group at any rate—prosperity at home and immunity from foreign distress.

Even so, the possibility that exchange depreciation in its more orderly form of devaluation may be used, and perhaps used with increasing frequency, as a weapon of self-justified defence or even offence has not been completely removed. In this aspect the step taken by the gold-bloc countries was not an unmixed blessing, though the tripartite agreement on currency policy limits the danger-zone to States of lesser economic importance, many of which may moreover be relied upon to adhere to its principles. The three gold-bloc countries were not effectively "forced off" gold by lack of exchange resources but by their economic difficulties. And, while the attachment of the Greek, Latvian, and Turkish currencies to sterling, which immediately followed, calls for no special comment, a second devaluation by Czecho-Slovakia within a comparatively short space of time contains unwelcome implications. It has since been rumoured that a similar step is impending in Austria. Having emancipated itself only a few months ago from financial supervision by the League, its Government is budgeting for a deficit resulting, in accordance with present fashion, from the necessity for rearmament. Strangest of all, perhaps, was the Italian combination of a 40 per cent. devaluation with the creation of a still cheaper tourist-lira, unblushingly devised to undercut Italy's neighbours in the competition for foreign tourist income.

In conclusion, brief reference must be made to certain new features in the international currency situation, though it is as yet too early to pass judgment upon them. The devaluation by the gold bloc has brought with it a more complete break with the past than was expected by many who had long anticipated the devaluation itself. The former gold standard has, for the present, been completely discarded. Procedure has been changed as well as parity. The United States alone maintains an

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official price for gold; France and Switzerland have assigned upper and lower limits, widely apart, to the gold content of their new currency unit; Holland and Great Britain none at all. It looks at first like an international conspiracy for exchange instability. Exchange equalisation funds have, however, been set up in all five centres; the gold reserves at their disposal are very great; and given agreement as to the mutually desired exchange ratios they should be able to co-operate smoothly and effectively. But if such agreement is absent, or if it breaks down under a strain, chaos may result. Political considerations and influences hitherto excluded as much as possible from direct contact with currency matters may occasionally play a part; for the exchange equalisation funds have been entrusted to Treasuries rather than to central banks. Their operations will remain a closely guarded secret, and their gold (or exchange) resources will not find a place in bank returns. It seems to follow that the volume of credit will not, or at any rate need not, be affected by international factors. It will simply be a matter for the exercise of judgment by those in charge. None of these countries will be allowed to see its own pass-book. That may make it happier—for a time; but it will hardly make matters easier if the financial brake has to be applied because an overdraft is in sight.

It is, however, too early to pass judgment on a new and very complex currency mechanism which is admittedly experimental and in course of development. It is of such importance that it deserves, and should receive, special study. Meantime, it has of course also its good sides. Without experience of the new parities it would have been absurd to fix rigid exchange ratios. If stability is genuinely pursued through loyal co-operation, the fluctuations likely to ensue will have but minor significance. The central banks, through their daily working intercourse, will be driven almost inevitably to establish agreement concerning rates of exchange. If properly used, the gold

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reserves collectively available are so great that it should be possible in due course to exercise a regulated and beneficial control over the credit expansion and contraction of almost the whole world. If thereby some of the worst effects of the ever rolling trade-cycle can be mitigated, even if not removed from our experience, the gain will be immeasurable.

THE TWO SPAINS

By a Spanish Contributor

IT is scarcely more than a truism to state that the Spanish civil war is the outcome of the historical evolution of Spain meeting a contemporary environment—a cross-section by the present of the development of the nation in time. It follows that, if we are to understand what is happening, we shall have to turn our attention successively to Spain's inherent life and to the influence of modern political tendencies on Spain.

I. THE LAND AND ITS PEOPLE

MUCH harm is done to clear thinking by preconceived ideas and set labels, such as the time-honoured fallacy which circulates under the high-sounding name of "Latin races". "Latin" is a language. "Race", if it means anything at all, is a biological term. The idea of classifying races according to the language they speak is fantastic. We can nail it to the counter by pointing out that it leads to making "brothers", or at least "cousins", the Yorkshire farmer and the Jamaican negro. Let us then come to Spain on the understanding that little or nothing of what we know of the French or of the Italians will be of use to us.

We are going to find a land of great variety, in which the landscape, living nature, and the ways of men vary more widely than within any other nation of like size; and yet a country of great unity, for both land and people impress the mind with a quality, a manner and an essence, quite different from anything outside. This peculiar

character of the land and its people suggests elemental and primal things, as if, on coming to Spain, the stress shifted from apparential, transitory and conventional forms to real, permanent and inherent essence.

Such a national character cannot be expected to foster political talent. Politics is necessarily the art of collective possibilities. It is bound to rest on convention; to meet transitory problems with transitory solutions; to feign to be deceived by appearances. The very nature of politics is therefore out of tune with the inherent tendencies of the Spanish character. And this fact is the real, permanent and inherent reason why Spain has not yet found, and probably never will find, her political equilibrium.

Nietzsche was once asked what he thought of the Spaniards. "They have sought to attain too much", he answered. Admirable though it is, the answer falls short of truth. They seek to attain the whole—the whole of what is going. That is one of the many senses that may be read into Don Quixote's myth of Dulcinea. The object of a Spaniard's thoughts can be nothing short of the Absolute Best. Hence the integral and absolute nature of political attitudes, the true cause of the endemic civil war which afflicts the country—for, with or without military manifestations, civil war is a permanent feature of Spanish collective life.

II. THE ENDEMIC CIVIL WAR

SO much for the fight. But what about the combatants? This civil war, one may say, does not differ fundamentally from those that were fought in Spain during the nineteenth century, except in one respect to be brought out later. In order to substantiate this statement, it is necessary to place the whole theme of Spanish civil wars in its historical setting. The Austrian dynasty, building the nation on the solid foundation provided for them by Ferdinand and Isabel, achieved an admirable synthesis of royal authority, based on divine right, and the democratic

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tendencies inherent in the Spanish nation. The solvent which melted together these two different political essences was the religious spirit of the Spanish people in those days. The king was absolute but not despotic. He was respected but he was bound to be just; for the basis of this respect was his sacred character as a minister of God on Earth.

With the Bourbon dynasty, two historical changes converge to destroy the spirit of the Spanish "theodemocracy": on the one hand the growing identification of royal authority with the person of the king; on the other, the inner impoverishment of the religious spirit of the country, which, at the top, fades into intellectual scepticism or hardens into ultramontane intransigence; while in the lower reaches it turns into blind bigotry and superstition. As, in the course of the eighteenth century, the kings deteriorate, they drag down the crown—once sacred—to the level of their own indignity, and when Napoleon wrests it from the hands of Charles IV and Ferdinand VII the Spanish nation is left with nothing but the ruins of the political institutions of bygone days.

It is true that the seeds of new political institutions were scattered on her soil by the armies of Napoleon. The *National Episodes* of Galdós show with admirable vigour how the *Afrancesados* influence the national mass and make it breathe a foreign air which had vibrated to the tune of the *Marseillaise*. But, though the past was dead, *that* present could not strike root into the old and crusty soil of Spain; and the real meaning of the nineteenth century has been, for Spain, this struggle between the French Revolution and the Spanish genius, inherently rebellious to it.

The pity of it was that the Spanish genius—being as incapable of conscious self-expression as it is obdurate and self-assertive in its mere "being there"—found no better manifestation for its opposition to French ideas than the old absolutist tradition artificially and stubbornly revived from the Austrian days. The Carlist wars—leaving

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aside the personal question as to who was to reign, king's daughter or king's brother, and even the legal question between the Salic law and the Spanish law—were, in actual fact, the expression of the reluctance of at least half the nation to accept the principles and emotions of the French Revolution. As, in its essence, this is also the meaning of the present civil war, it may be useful to inquire into the causes of this formidable resistance on the part of Spain to let in Jean Jacques Rousseau and all his successors.

It is usual at this point to drag in the Roman Catholic faith and to point out that Rousseau had a Calvinistic background. But this explanation explains nothing at all; for it leaves unexplained why the Spaniards remained within the Catholic fold and did not turn Calvinist like the Genevese. The real reason for both facts—resistance to the French Revolution and persistence of the Catholic faith—is to be found in the inherent pessimism of the Spaniard, particularly of the Castilian. In short, liberalism did not conquer Spain because it is not pessimistic enough.

Nevertheless, liberalism made rapid progress in all the zones of Spanish life in which optimism was possible—among intellectuals, the liberal professions and the people of the east coast. In actual fact, this progress is not as brilliant as it looks, for it is only certain in about half of the middle classes, the other half remaining faithful to "good old Spanish traditions"; while the people of the south and east, led by the integral and "absolute" tendency of the national character, have gone "the whole hog" in liberalism and adopted the tenets of anarchism or "libertarian communism".

What has become, meanwhile, of the masses of pessimistic Spain? They have swiftly evolved from passivity to marxism, making but the shortest possible stay in liberalism. And, mark the point, the pace of their conversion to marxism has suddenly quickened to an astonishing extent on their realising that communism is an anti-liberal doctrine.

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Now look at the picture. Right : Old Spain. Pessimism. Authority. The Army. The *Guardia Civil*. The Church. Leaders. Thinkers. Proprietors. Capitalists. But also the middle classes (half of them) and many peasants and workers who do not like attacks on property.

Left : Marxism. Pessimism. Authority. Dictatorship "of the Proletariat", but still dictatorship. Discipline. The Marxist Dogma and the Marxist Church. The Marxist Pope (Stalin). Leaders. Thinkers. The workers of the pessimistic part of Spain (centre and north) who have left the Right.

Centre : first, Liberalism. Optimism. Intellectuals. Half of the middle classes. No mass. Second, Anarcho-syndicalism. Hyper-optimism. The masses of the levantine and southern Spain. No politics.

How could such a nation organise its political life under a parliamentary constitution? The answer is that it did not. But the explanation of the fact that, despite the formidable difficulties of the task, some form of *modus vivendi* was possible under the Restoration and under the Republic must be found in anarcho-syndicalism. For, owing to their bitter antagonism towards the socialists, the anarcho-syndicalists were always willing to wink at their own contempt for the ballot box and to vote for their liberal *bourgeois* friends so as to do the socialists out of a number of seats in Parliament; and it is a fact that, with foolish short-sightedness, all Spanish politicians under the monarchy, with the exception of Primo de Rivera, favoured anarcho-syndicalism at the expense of the socialist party, a far more statesmanlike and orderly political organisation.

III. THE WEAKNESS OF LIBERALISM

IT is now evident that the weak spot in Spanish public life is liberalism. And it follows that, even under a better world-climate, the liberal-democratic Republic was bound to find itself in difficulties. The constitution was

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discussed in a mood of violent reaction against the long dictatorship of Primo de Rivera and was in any case born old, under an excessive influence of generous but belated intellectuals, eager at last to put on parchment, at sixty, their political dreams of twenty. Anti-clericalism was one of their dreams. Alas, no one in Spain has worked more efficiently for anti-clericalism than the clergy. The nation with the finest Catholic culture in the world, the nation that produced the polyglot Bible of Alcalá, the motets of Salinas and Victoria, the mystic poems of St. John of the Cross, the *Autos sacramentales* of Calderón de la Barca, can give her people no higher Catholic beauty than paltry "popular" songs in church choirs, imitations of Place St. Sulpice sculpture on her altars, and the masquerades for tourists that Seville includes in her tourism programmes. "The anarchists have destroyed many churches"—said a learned Catalan canon, a refugee on board an Italian ship—"but the clergy had first destroyed the Church."

Our anti-clericals, however, would not give up their long-cherished dreams. Instead of insisting on raising the moral and intellectual standard of the clergy, they preferred to ignore it—as if the Church and its ministers ceased to exist and to exert a powerful influence over the nation by their ceasing to be known to the state. While nothing really efficient was done to combat that influence, many small vexations came to add to the irritation caused to the Catholic population and to the clergy by the suppression of the chapter for Church and worship in the state budget. A rise in the miserable salary doled out by greedy bishops to village priests would certainly have consolidated the Republic. The sudden dismissal of all those poor priests from the lists of government servants was one of the worst blunders of the new régime.

The traditional half of Spain was deeply hurt. But the intellectual liberals, who were attacking her on all fronts at once, did not realise that the masses which had hoisted them to power, and which they would need when old Spain

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struck back, were not to remain with them; for, though looking towards different horizons, they are temperamentally nearer to the authoritarian Right than to the liberal Centre. Here is a grain of fact worth tons of doctrine. During the Restoration, the Spanish Left, then mostly composed of *bourgeois* liberals, of course anti-clerical, was loud in its protests against clerical "oppression" which, on Good Friday, prevented all traffic movement but that of doctors' cars. But during the present Republic, every time the Left has been in office, the socialist holiday on May 1 has resulted in a complete paralysis of the life of Spanish towns, all vehicles, even owner-driven cars, being banned from the streets by the trade unions; not in virtue of any law, not in virtue of any tradition such as that of Good Friday, not in virtue of a custom or disposition acquiesced in by the rest of the nation—for, when Governments of the Right were in office, as in 1934 or 1935, the holiday was reduced to its fair limits as a day of rest and pleasure for the working classes—but through the use of threats and, where necessary, of force, and the knowledge on the part of all concerned that the authorities would not protect the citizen who tried to enjoy his liberty.

This is but a straw in the wind, but it could not be more significant. It means that the living sense of liberalism is not the dominant feature in the Spanish issue; for, in a really conscious and constructive sense, it is only to be found in a small minority of rather doctrinaire intellectuals without a following, while, in the masses, it lives only in the form of anarcho-syndicalism. Liberalism must then be dismissed from the picture as a somewhat irrelevant issue.

This is by no means to say that liberalism is permanently to be blotted out of the Spanish political landscape. The strong individualistic tendency of the Spaniard, and that sense of manhood, *hombria*, which is perhaps his chief psychological spring, will always demand political expression. In the end, happen what may, liberalism, in one

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form or another, will be an ingredient—and an important one—in whatever solution is brought to the constitutional crisis of the country. But, in this present struggle, liberalism, represented by unorganised intellectuals, passive middle classes and anarcho-syndicalist workmen, is but a side issue. What remains is a duel between two authoritarian principles—two genuine manifestations of Spanish life and spirit.

IV. FASCISM AND COMMUNISM

BUT it happens that, this time, the Spanish endemic civil war finds in the world outside two political forms that fit it admirably. For these two forms of the Spanish pessimism are, for autochthonous reasons, ready to express themselves in the political forms evolved respectively by fascism and communism. It is worth pointing out that Spain, politically asleep for generations "lost to the world's debate", turns up in the very centre of it when the world finds itself confronted with a choice between two brands of authoritarianism. Spain understands that language, even though she will not accept some of the forms that it adopts. Her old civil war takes on a new sense. The old traditional spirit, clinging to obsolete forms of absolutism for lack of newer expressions, sees in the totalitarian state a contemporary re-incarnation of her doctrine of the Austrian days. Spanish fascism is certainly not planning to become a servant of vested interests and a guardian over the well-fed and sleepy landowner-capitalist. It puts the national interest above every other interest and in economic matters might well be described as "hierarchical socialism". Communism in Spain is also steeped in that totalitarian sense which puts the interests of the whole country above those of any man. It is a well organised party, of clean and enthusiastic people; one of the best organised and most capable in the land.

No longer a struggle for or against the principles of the

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French Revolution, this, the last of the Carlist wars, is in reality fought between two nascent forms of genuine Spanish life—however deep the foreign influences over them may be. However grave and tragic in its material and moral results, it must be considered as a mere episode in the long and searching political evolution of the Spanish nation.

V. THE OUTCOME

NO one is a prophet *about* his own country. It may, nevertheless, be safe to prophesy that, as a consequence, though not an immediate consequence, of this orgy of mutual hatred and destruction, the two sides will come to realise that they have never been less divided than they will be when the civil war is over. The more obdurate, the less intelligent elements of the Right, who represent little more than their bank safes, will presumably be eliminated by the winner—whichever side wins—as dead timber. A living sap will vivify the state. Once the state has gone through the painful, and possibly long, process of reconstructing the main beams of the fabric—a bureaucracy and an internal army—the country will be in a position to evolve institutions more fitting to its genius than those it has discarded and than those which are offered for its imitation by Rome, Berlin and Moscow.

It was inevitable that the States of Europe which incarnate these doctrines should take a powerful interest in a civil war fought between two Spains so closely allied to them. But, while there is close similarity and at times conscious imitation, it is evident that, both on the Right and on the Left, the Spanish and the foreign cases are fundamentally different and cannot be summarily dismissed as identical. To take the communist side first: assuming that the Left win the civil war, the communist party, even allied to the socialists, could not disregard the numerous and powerful syndicalist section of working-class opinion. Spanish communism would therefore evolve in original Spanish

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ways, a necessary compromise between the Moscow master and the strong idiosyncracies of the pupil. It is probable that, the war once over, the influence of Moscow would rapidly dwindle, first as a national reaction, then as a consequence of the disenchantment which the experience of communism would call forth in masses of a messianic turn of mind whose ideals are always safer in Heaven, and finally because Moscow would be naturally considered as a political enemy by all "pure" syndicalists.

If, on the other hand, the fascists won not merely over the Left but over the Right, of which they are the only progressive element, they would be hard put to it to harness under a fascist discipline the most individualistic people on earth. It is significant that the Spanish Phalanx (our fascists and Hitlerians) have chosen as their political name not national-socialism but national-syndicalism. One of the mainsprings of fascism is wholly lacking in Spain: that heady wine of imperialistic nationalism which no leader can turn into an acceptable drink for Spaniards—who know the taste of it to the dregs. It is safe to say that Spanish foreign policy would not change appreciably in essence, even if it changed in manner and in some superficial moves. Foreign policy is determined by fixed laws of geophysics and of geo-economics even for more powerful nations than Spain.

The civil war will have shown the people the value of technique and that of discipline. It will have shown the upper classes—whether they win or lose—that government is impossible without the acquiescence of the people. One problem—the greatest of all—will remain unsolved, perhaps for ever insoluble, a perpetual challenge to the Spanish nation: how to combine the authoritarian sense, which is not merely the present mood but a permanent tendency of the two rival Spains, with that yearning for liberty which makes of all Spaniards, without exception, anarchists at heart.

ELECTION DAY IN AMERICA

I. ROOSEVELT COMES BACK

ON the day these words are written, the United States is ending its quadrennial political orgy. The voters are at the polls. This incredibly protracted campaign is over. The United States is oddly backward about some things, and political machinery is one of them. We still use the election time-table devised in 1824, when the first presidential nominating conventions were held, and the roads were quagmires or rockpiles. There is no earthly reason why we should lash ourselves through a presidential campaign lasting five months—which generally leaves us in a state of emotionally exhausted boredom—and precede it by an equally long series of skirmishes for the party nominations. In these days of nation-wide radio hook-ups, with graphic news-reels showing candidates' faces and postures in theatres at every cross-roads or whistle-stop,* and aeroplanes whisking even political candidates across the skies, there is no possible reason why our presidential campaigns should not be conducted in a month or six weeks. But it will probably be a long time before we are sensible and effect this reform.

Before this article is posted to catch the *Queen Mary*, the results of the election will be coming in. And by the time it reaches London—and print—the American presidential battle will be very stale soda-pop indeed. Most of us are assuming that President Roosevelt will win rather handily. Some Americans profess today to regard this as a national calamity only to be compared with the

plagues of Egypt. But the great majority of the voters—as the results will doubtless have indicated—take a more philosophic view. That is likely to be true, after a few days, among most people. As is usual, some impetuous gentlemen have pledged themselves to push a peanut with their noses from New York to San Francisco if the election goes one way or another. Few of them will do so. Others have taken an even more harrowing view, and foresee (for campaigning purposes) their eternal ruination with the return to power of the buoyant Mr. Roosevelt. One of them even went so far as to announce that he would sell out his business and move to Canada, or some other safe spot, if the President were returned.

In the last weeks of the campaigning, forsaking the more moderate tactics with which he had begun, Governor Landon began to predict the most dire consequences if he failed to be elected. He insisted that President Roosevelt had utilized—if not invented—the depression as “a mere excuse” to inflict dictatorial laws and practices upon the American people. He saw the pit opening ahead of the New Deal, with pauperization of the American people, national bankruptcy, and ultimate despotism looming ahead. He gave all his Right-wing supporters the most delicious cold shudders. But there is no evidence that he won support where he needed it: from the mugwumps in the middle of the road. The campaign had deviated sharply from the so-called “Topeka strategy” outlined in the last issue of *THE ROUND TABLE*.* This was partly last-minute panic, and partly the persistent hammering of the Republican party's Right wing upon the liberally inclined candidate. They persuaded him that “October is the month for bloody noses”, and he set out with flailing fists. If, in the end, his own nose was bloodier than anybody's, it was plainly because the campaign appeal was addressed to the wrong people. However much he may have acted in response to nearly irresistible pressure,

* Whistle-stop: A hamlet so small that the trains pause there only by notification of a whistle.

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it is of course true that Governor Landon had only himself to blame for not continuing what started out as a sensible and possibly effective campaign. This indication that the Kansas candidate would yield under pressure, and say and do things he had never before seemed to mean, was a warning sign that in the White House—under far greater pressure—he might be amenable to even more damaging influences.

Governor Landon may have frightened his own loyally supporting Right-wing by the blood-curdling tone of the campaign in its last weeks, but he did not frighten American business. Industrial activity kept to a new high pitch right up to election day. American business began a sharp rise in April, just as politics were bubbling up, and it has not yet stopped its rise. The composite index now stands at 108.7 with the 1929-32 average as 100. The figure is almost precisely where it was in early 1929. Steel is at 73 per cent. of capacity, and is expected to stay above 70 per cent. through the rest of the year. Automobile production is apparently going above last year's record; textiles, shoes, and other such manufactures are eclipsing all previous heights; retailers are clamoring for merchandise. In short, the picture has not been so rosy since 1929, and the old myth that election years damped business is again being disproved.

The importance of this election to people in other countries is in some respects even greater than it is to Americans. The best way of indicating its significance is to explain what would have happened had Governor Landon been elected. His first problem—ordered by the people—would have been to try to liquidate the New Deal. Or, at least, he would have had to start in that direction, whether or not he found himself able ultimately to do away with much of it. In the last weeks of the campaign, he pledged himself to an immense program of change. He promised to alter basically the Reciprocal Trade Agreements Act—presumably abrogating the

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important treaty with Canada, and rendering very difficult if not impossible the negotiation and ratification of an agreement with Great Britain, which is the next objective in the Hull list. He bound himself specifically to repeal as soon as possible the Corporation Surplus Tax Act—and would need a great deal of new revenue from other sources as a result. His whole appeal was one of economy, and he promised to put into effect at once a drastic series of budget cuts. He agreed to turn the administration of relief back to the states. He promised to rebuild the farm-relief program from top to bottom. He declared the instant need of turning back to Congress the many powers granted to President Roosevelt, including the authority to manage the dollar through the stabilization fund.

These are only a few of the troublesome things that would have filled Governor Landon's hands. Obviously, he would have had very little time to look overseas. Foreign policy would have been put into the ice-box, and there it would probably have remained for a good many months to come. Moreover, in so far as Governor Landon made any campaign pledges on foreign policy, they were in the direction of greater insularity. His view toward the League of Nations was non-co-operative and restrictive. His concept of neutrality was identical with that which in 1914-18 led the United States down the road to war—an insistence upon neutral "rights". He had no particular ideas about inter-American policy, nor had his advisers.

The entire Republican preoccupation was to defeat President Roosevelt, and the entire post-election job would have been to try to mop up the New Deal. For a very long time, the activities of the Landon Deal would have been just about as turbulent as the early months of the New Deal itself. Out of much sound and fury, with a hostile Congress, stalemate might well have resulted. The effects of this new flurry of activity upon business would have been problematical. The events might have been

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exhilarating to some leaders of business; we might have had a thrilling boom-ride on the switch-back; or precisely the opposite might have happened. After many months, perhaps a year, things would have shaken down enough for the Landon Administration to begin to think constructively and concretely about foreign affairs. It generally takes at least that long for a new Administration to find its feet anyway, and in the face of the tremendous domestic task confronting Governor Landon it is not at all slurring to say that he would simply have had to ignore international problems to a maximum degree. Of course, the State Department under a new higher command would have continued to function. Immediate duties, such as the Inter-American Conference meeting in Buenos Aires in December, would have been attended to under the shadow of uncertainty. American participation in all world affairs would have been on the most perfunctory basis, although doubtless the new Secretary of State—whose identity could not even be guessed—would have done his best. Ultimately, the Republican leadership—which is not at all devoid of talent in the conduct of foreign affairs—would have begun to develop its own fresh ideas. But it would have taken more time than the world has to spare.

President Roosevelt, returning to power, finds himself in the happy position of a Chief Executive beginning his second term, endorsed by new approval of the people, and without the necessity of ever confronting the voters again, except when a new House and one-third of the Senate are re-elected in 1938. While there are some gaps to fill in the New Deal, some renewals of authority to look after, some new holes likely to be punched by the Supreme Court and filled in by Congress, these tasks have nothing like the magnitude of those on hand in every single preceding January during President Roosevelt's occupancy of the White House. There is no comparison. Business is good; an expansive era has been opened.

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In domestic affairs, President Roosevelt can no longer count on a free hand or a blank cheque. This is because of the peculiar nature of a second term. A President's position in his second term is at once easier and harder than in his first. Easier in that he is not constantly thinking and working toward re-election—one of the greatest flaws in the American constitutional system, which has already produced modest but increasing sentiment for limiting the presidency to a single term of four or six years. This re-electoral motive conditions every act of a president from about the second year of his first term. His energies go into the building of political fences, which in turn restrict his administrative and legislative freedom. The President's political advisers conclude that he ought not to do many things—among them, probably, the very best things he could do—simply because of fear of alienating some group of voters, or the need of courting some other pressure-bloc. The last year or two of a first term, therefore, is certainly the nadir in any American President's career.

Comes the second term, and the President feels released and free. He can exercise an exhilarating new independence. But this independence has its penalty. The majority in Congress, too, are no longer bothered about re-election. They no longer have to cling to the presidential coat-tails. They cease being obedient little boys, and get very naughty indeed. A President returning to power on a landslide may expect a honeymoon of a few weeks or months, but no more. And by mid-term the chances are very good that he will lose control of one house at least of the Congress, which means the threat of deadlock and compromise for succeeding measures. Sometimes, however, a President wishing to show independence may fit his new ideas into those of the insurgent wing of Congress, and then he is in clover.

The President's second term is therefore likely to be occupied with more activity on the administrative side,

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and less on the congressional. That is where President Roosevelt's prospective operations in foreign policy come in. But he must choose a field of activity where he is not likely to be check-mated by Congress, and has the approval of public opinion. It would be impossible, for instance, for President Roosevelt to take the United States into involving political complications on the European continent. His relations with the League of Nations must still be of the most circumspect. If he participated in any conferences on strictly political troubles in Europe, he would have a revolt of popular opinion on his hands.

There is a middle ground in which public opinion allows the President much latitude, there are some fields where popular inhibitions are oddly lacking. The most tempting and profitable field is of course in Latin America. There, the American public does not seem to feel afraid, does not object to commitments, however involving. Moreover, things are moving very fast and very far in Latin American affairs, and out of the Buenos Aires conference may develop ideas, not only for peace organization and neutrality in the western hemisphere, but even for a workable bridge to Geneva, or at least to the democratic nations of the Old World.

II. FROM WASHINGTON TO BUENOS AIRES

ORIGINALLY, the Buenos Aires Conference had two major objectives. The first, developed by the United States, was the formation of an American neutral bloc. The United States proposed to extend to as much as possible of the western hemisphere—with some British Commonwealth nations thrown in for good measure, if possible—the general theories of its own neutrality statutes. These laws attempted to apply trade and financial embargoes against war, though not against aggressors alone. The purpose of broadening such policies to include other nations was to build up the largest possible area in which

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un-warlike trade could continue to flourish after a European war had broken out. As long ago as last February, President Roosevelt looked at the Old World, and found the skies dark. In the face of a war threat, he felt the only course for the United States was to accept the storm and try to build snow-tunnels between its house and those of as many neighbors as possible.

The second major objective of the Buenos Aires meeting, shared most actively by the Latin Americans, was the erection of peace machinery in this hemisphere. On this objective, the nations were split. The countries on the Pacific slope of South America leaned toward the American system. Argentina, and some others, still leaned toward Geneva and the Old World. With its trade ties to Great Britain, its traditional rivalry with the United States, it was natural that Argentina should be distinctly alarmist about this whole movement that had been deposited uninvited on its doorstep at Buenos Aires. But the very fact that President Roosevelt, although he issued the suggestion for the conference, carefully kept it out of Washington and in Argentinian territory was a meaningful diplomatic stroke. It was a notification that the United States wished to respect and emphasize Argentina's eminence in South America, and wished to give due weight in any diplomatic agreement to the pro-European views of the leading Spanish-speaking State.

There are now four magnetic pulls tugging at Latin America. There is Washington, with its predominant influence among the central American States, and its trade associations with the southern continent as well. Washington, too, has greatly improved its position with the ABC powers (Argentina, Brazil, Chile) through the Roosevelt good-neighbor policy, whose practical meaning was shown by the abrogation of the Platt Amendment that had controlled Cuba, and the non-intervention policy that has been rigidly carried out since. Cordell Hull, the American Secretary of State, was friendly and circumspect at the

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Montevideo Conference of 1933, where he established warm personal cooperation with Dr. Saavedra Lamas, the influential Foreign Minister of Argentina. Moreover, as Europe grew more turbulent, as Geneva declined, Washington seemed a more stable anchor.

The second pull on Latin America, and by no means altogether divergent from Washington's influence, is Geneva—behind which generally stands London. But this pull from the League of Nations has been uncertain. Latterly it has not been clear in which direction the League is evolving, nor whether the establishment of a regional peace machine in Latin America might not be precisely the evolutionary outgrowth of Geneva. Nominally, however, the League sticks to its ideal of universality. Dr. Saavedra Lamas was invited—by no coincidence—to become President of this autumn's Assembly of the League of Nations. He was honored in London on his way home. Presumably it is his rôle to build a bridge between Geneva and London on one hand and the New World capitals on the other.

There are less compatible pulls being exerted on Latin America in these days. Italy and Germany—and soon, maybe, Spain with its historic ties—are seeking fertile territories for ideological and geographical expansion. Latin America is one of the most tempting areas left in the world for either sort of expansion. Already there is a close sentimental link between Spanish fascism and Latin America. Uruguay, for example, withdrew its recognition of the Madrid Government, and there is little doubt but that the triumphant Rightist forces would speedily be on the best of terms with Latin America. Germany had many warm pre-war and post-war contacts in South America, and Italy has not a few of them too. Authoritarian government was an old story here; the fascist lure was peculiarly fascinating to the military and to the regularly dominant classes in Latin America.

Finally come the communists, tugging at the proletariat in Latin America. They have much fuel for their flames.

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Agrarian misery, clerical abuses, industrial discontent, are all present in abundant measure. These things—already manifest in Mexico and elsewhere—might, if world conditions worsened, flare up into bitter strife. The communists have much potentially at stake in the Latin American game.

Naturally enough, all these magnetic pulls have produced latent disquiet in Latin America, and increased hopes for success of the Buenos Aires Conference. Recently a new fear appeared, to dominate the situation. For nearly a century, it has been possible—and fashionable—to sneer at the Monroe Doctrine in its original purpose of protecting Latin America against aggressive attack from overseas.

"What nonsense," people said. "Who is going to attack South America? We are secure . . . just as secure as the United States, behind our oceans and mountains. It is silly to say that we need protection of a doctrine or a big brother. That's just an imperialist pretext of the United States."

Things have changed now. For the first time, Latin American politicians can refer to the possibility of a foreign attack on their shores without being scoffed at by their compatriots. A high-ranking Argentinian official recently explained the situation in these words:

"The problem of South American security today develops parallel with the progress of science, especially in the realm of transportation. Unfortunately for us, the moral aspect cannot be considered. It has been proved to us in Europe and Asia that treaties and understandings mean nothing. When a State is 'hungry' or invokes its own 'special interests' no moral law will stop it from attacking any sphere within the operating compass of its military machine. That is the unfortunate situation for the present and, as realists, we must base future policies on present facts.

"The operating compass of the military machine is expanding rapidly. We have seen what has happened in

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the past 10 years. Who would deny that in another 10 years the Atlantic will be spanned by fast, gigantic flying-boats? It may be earlier; in that case the menace to our shores is correspondingly advancing. Directly or indirectly, this menace must be faced by all American nations, and maybe at the forthcoming peace conference in Buenos Aires."

A similar view is expressed in *La Nacion*, distinctly not an anti-fascist paper, in Buenos Aires: "Distance destroyed, America has only the Monroe Doctrine to fall back upon. The nations without their own arms industries will be at the mercy of those who have them."

With Latin America in anxious mood, with the United States more solicitous of sensibilities than ever before, with the Old World in turmoil and the New World still peaceful, the attractiveness both of a western neutrality bloc and of an American peace system are evident.

The implications of these policies have been carefully thought out by the Roosevelt Administration. It cannot be said that the present State Department is convinced of the thesis that peace is indivisible, but it is no more confident of an ostrich-head viewpoint. Some compromise is ahead. The best observers feel that an adjustment between the pro-League ideas of Dr. Saavedra Lamas, the urge of security in the western world felt by his countrymen, and Washington's desire to extend the area of neutrality, can be worked out. The Roosevelt Administration has always been sympathetic to Geneva, and in earlier days wished to forge new instruments of co-operation therewith. These hopes vanished in Ethiopia. But there is still an awareness of Geneva's problems, and closer co-operation with Great Britain than with any other Power.

Practical evidence of American willingness to co-operate was given in the Anglo-Franco-American currency agreement, which may blossom into a really stabilizing factor. With President Roosevelt in direct control, the State Department acted with great coolness and circumspection

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when bombs were dropped at the U.S. destroyer *Kane*, in Spanish waters during the early stages of the civil war. In the face of what might have become a highly provocative situation, the ablest and most alert diplomacy was followed. In conjunction with British diplomatic and military forces, Americans were evacuated from Spain. While the naval limitation structure has gradually dropped to pieces—with the end coming on December 31 of this year—close contact has been maintained between Washington and London, and nothing has been permitted to irritate relations with Tokyo.

III. BUSINESS AND POLITICS

THOUGH the shadow of the elections hung over the American scene, business has been going ahead in most surprising fashion. Half a dozen major industries are breaking all previous sales and production records, and virtually all important trade indexes are approaching rapidly the 1929 level. The sober *New York Times* insists that "business is launched on an upward surge which is expected to surpass all previous peaks". The full importance of what is happening to business has been somewhat obscured by the elections. Yet the fact is that demand has produced actual shortages in numerous lines, that an exceptional holiday trade has swamped manufacturers, that industrial buyers have to beg producers of raw materials for immediate shipments. Cotton goods, leather, shoes, paper, rayon, and several other lines have broken all previous records, while chain and mail-order houses are producing new sales peaks weekly. Despite the prospective re-election of President Roosevelt (when these statistics were computed) leading authorities can be quoted in numbers to the effect that "business is good, is due to make further gains, and there is nothing in the offing which would cause a set-back".

This state of affairs doubtless had much to do with the

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outcome of the election itself. While business men were predominantly supporting the Landon candidacy, in the hope that it, too, would mean a continued boom, they had nothing really tangible to fear from a New Deal the final months of which were so flourishing.

The disquieting factor was that behind such an appearance of prosperity the grim fact of unemployment continued, still near the American Federation of Labor estimate of 11,000,000 workers. Perhaps as many as 20,000,000 persons are still directly or indirectly dependent on governmental relief. These unemployed are the misfits, largely, who had in previous boom years clung to the fringes of the economic chariot and been carried on by sheer momentum. Now, despite the sharp shortages of skilled labor in many localities, these misfit unemployed cannot find much work to do, and prefer to depend upon the government bounty.

The farmers, too, are enjoying high prices, and even in the drought-hit sectors most of them have something in the way of crops to market, or if not they can obtain loans in expectation of a good year ahead. Wheat planting in areas hard-hit last year now exceeds all earlier planting, with wide acreages of drought-burned corn (maize) now green with the first shoots of winter wheat. This points to a probable surplus next year, and possibly severe trouble for the Administration in its efforts to keep up the price.

Labor storms are still looming, but except in the maritime strikes have not erupted in serious form. Indeed, it is noteworthy that in a period of rising production and bustling business activity more strikes have not broken out. They have been expected for two years now, but have been deferred. The long-pending organization of the steel workers is still up in the air. The CIO (Committee for Industrial Unionization) has hurled most of its forces into the re-election of President Roosevelt. Now it can turn to its real program of industrial unions, with a political program and a possible political party ahead in 1940. The

assistance of organized labor was of real help to President Roosevelt in the campaign, and trade unions contributed generously to New Deal party funds.

Of great practical political service, too, was the negro vote. Negroes settled in the industrial states of the north—they are practically disfranchised in the south—became this year a political factor for the first time. Hitherto their vote had gone largely to the Republicans, because of gratitude for emancipation and the fact that the south, where the negro still suffers under many social, economic, and political bonds, is solidly Democratic. But President Roosevelt made real inroads into the negro vote, largely because relief money has been liberally disbursed to the colored population. The glamorous appeal of this spectacular President was nowhere more effective.

There has seldom been a more intense political campaign in American history, seldom in recent years one in which such feeling was stirred, and never one in which class lines were so sharply drawn. This last fact, deeply regretted by most American political philosophers, may presage stormy days ahead for the republic; days that will see the emergence of a political labor movement, of a more militant farm movement, the reshuffling of the old political parties with their meaningless labels and shadowy lines of distinction. The class issue was used by both sides in this election, President Roosevelt inveighing against "economic royalists" and "princes of privilege", while the Republicans cried: "Look at Spain and vote like Maine" (which went Republican in September).

Despite the gravely foreboding symptoms of coming class struggle which existed beneath the surface of the election, despite the emotions that were aroused, it is accurate to conclude that the grim economic bitterness and despair of the 1932 election were absent this time. In 1932, this correspondent heard mobs jeer and boo at President Hoover, and it was a blood-curdling sound. In 1936, he heard knots of men jeer and boo at Governor Landon,

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but they were not in earnest. They were ragging him, not raging at him. Relief payments, government spending, business activity, better farm prices, have all poured their unctuous fluid over the irritated working classes. In Wall Street—where President Roosevelt rashly ventured during his campaigning—the bitterness remains, and real jeers at the President floated down that dark, windswept chasm as his car swept along the street. But how long these jeers will persist, in the face of the business statistics, is open to conjecture.

The United States of America,
November 3, 1936.

PALESTINE: THE COMMISSION'S TASK

Editorial Note

ON October 12 the Arab strike in Palestine, which had begun on April 9, was brought to an end, after the Arab Higher Committee had accepted an appeal by the rulers of neighbouring Arab States to maintain tranquillity, "relying upon the good intentions of our friend the British Government and its declared desire to realise justice". Plans were forthwith laid for the immediate visit to Palestine of the Royal Commission appointed in July to investigate (once order should have been restored) the cause of the disturbances and the whole working of the Mandate. At the invitation of THE ROUND TABLE, a resident in Palestine who has given special study to the problem of Jewish immigration has written an article on this and other critical aspects of the Commission's task. While the views that he expresses are not necessarily those of THE ROUND TABLE, we believe that they deserve the most careful consideration, along with the facts on which they are based, by His Majesty's Government and by the Royal Commission. The latter's exact terms of reference are :

To ascertain the underlying causes of the disturbances which broke out in Palestine in the middle of April ; to inquire into the manner in which the Mandate for Palestine is being implemented in relation to the obligations of the Mandatory towards the Arabs and the Jews respectively ; and to ascertain whether, upon a proper construction of the terms of the Mandate, either the Arabs or the Jews have any legitimate grievances on account of the way in which the Mandate has been, or is being, implemented ; and,

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if the Commission is satisfied that any such grievances are well-founded, to make representations for their removal and for the prevention of their recurrence.

Within these terms of reference, it is clear that the Royal Commission will not be at liberty to recommend any going back on the Mandate itself, even if that should be desirable. Hence this article likewise has been written on the assumption that the Mandate stands in its entirety, and that any immediate solution must be found within its limits.

I. THE NATIONAL HOME

THE articles of the Palestine Mandate contain no definition of what is meant by a National Home. Article 2 does indeed speak of the "national home as laid down in the preamble"; on referring to the preamble, however, we find no definition, but only a proviso that "nothing should be done which might prejudice the civil and religious rights of existing non-Jewish communities in Palestine, or the rights and political status enjoyed by Jews in any other country". We are therefore led to deduce the nature of the intended National Home from the articles themselves. From these we understand that a Jewish Agency is to be recognised, representative of all those Jews who are willing to assist in the establishment or reconstitution of the national home, in order to advise the Mandatory in social, economic and other matters and to assist in developing the country. Subject to the proviso that "the rights and position of other sections of the population are not prejudiced", Jewish immigration is to be facilitated under suitable conditions, close settlement of Jews is to be encouraged on the land, and an appropriate land system introduced. Hebrew is to be recognised as the third of three official languages. The Mandatory may, under certain conditions, arrange with the Jewish Agency to operate public utility services and to develop the natural resources of the country. A Palestinian nationality is to

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be established, and Jews who take up permanent residence shall be enabled to acquire it. These are the only positive injunctions of the Mandate which give an indication of the nature of the National Home to be established. There is no suggestion that a Jewish majority is essential or desirable; there is no suggestion that Jewish immigration should be limited only by the "economic absorptive capacity" of the country, to the exclusion of other considerations, or that Jewish difficulties abroad should be considered a reason for facilitating a greater immigration into Palestine than would otherwise have been considered desirable.

The proviso that "nothing should be done which might prejudice the rights and political status enjoyed by Jews in any other country" is believed to have been inserted at the suggestion of the late Mr. Montagu, an anti-Zionist Jew, at that time in charge of the India Office, in order that the National Home should not be developed in such a way as to create difficulties for Jews living outside Palestine.

The preamble states that the purpose of the Mandate is to give effect to the provisions of Article 22 of the Covenant of the League of Nations. This implies that the Mandate is a temporary trusteeship, enabling a community which had previously formed part of the Turkish Empire to fit itself for complete national independence.

The present crisis in Palestine has centred on the question of the degree of immigration which is to be facilitated. Before considering figures, it will be useful to form some idea of the area of the country, its natural resources and the existing density of population. Palestine, excluding what is entirely desert, is approximately the same size as Wales; much of it is mountainous, stony and barren. Part of the coastal plain has proved very suitable for the cultivation of the "Jaffa" orange, of which some 6,000,000 boxes are now exported annually. It is thought that there may be a considerable future for the export of salts extracted

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from the waters of the Dead Sea. Apart from this, it does not appear that Palestine possesses any great natural resources, beyond the ability to attract a considerable number of tourists, as a land holy to three religions.

To return to the comparison with Wales: Palestine has a population of 1,300,000; Wales one of 2,200,000. One half of the Welsh population, however, is contained in one county, Glamorganshire, and at least 900,000 persons are dependent on the coal and iron industries based on the natural resources of that county. If we were to deduct this 900,000 from the total, we should find that the density of population would be almost exactly equal to that of Palestine. It is therefore an error to think of the latter as an empty land.

II. JEWISH IMMIGRATION

THE figures of legalised Jewish immigration into Palestine since the war are as follows:

1920	.	.	.	5,514	1928	.	.	.	2,178
1921	.	.	.	9,149	1929	.	.	.	5,249
1922	.	.	.	7,844	1930	.	.	.	4,944
1923	.	.	.	7,421	1931	.	.	.	4,075
1924	.	.	.	12,856	1932	.	.	.	9,553
1925	.	.	.	33,801	1933	.	.	.	30,327
1926	.	.	.	13,081	1934	.	.	.	42,359
1927	.	.	.	2,713	1935	.	.	.	61,854

The immigration of 1935 corresponds, in proportion to the total population, to an immigration into England of 2,000,000 people in one year. Since Mr. Ramsay MacDonald addressed his letter in 1931 to Dr. Weizmann, immigration has been regulated according to the Government's interpretation of the expression "the economic absorptive capacity of the country". This means in practice that immigration is limited ultimately only by the quantity of money which the Zionist Agency or individual Jews are prepared to invest in Palestine. There is no limit at all upon the numbers of immigrants who may enter,

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provided that they possess a certain capital sum. The Zionists maintain that it is against the intention of the Mandate that Zionist money invested in Palestine should employ other than Jewish labour. The Government therefore issues labour schedules to admit a quantity of Jewish labour* corresponding to the sums invested in industry and to the quantity of labour required to build houses and so on for the capitalist immigrants, having first assured itself that there is no very great Jewish unemployment at the moment. At the end of 1935, however, there were over 6,000 officially admitted Jewish unemployed, besides many working half-time; while the Administration professed ignorance of the numbers of Arab unemployed. These were the conditions that immediately preceded the outbreak of 1936.

If the amount of money invested in Palestine by Zionists was determined by normal economic motives, the non-Jewish sections of the population might not have objected to this method of fixing the numbers of immigrants; it is, however, obvious that sentimental, political and other motives play so great a part in this that governmental regard for the "economic absorptive capacity of the country," as thus defined, is a doubtful protection against uneconomic immigration.

Owing to the Zionist policy of employing Jewish labour only, Tel Aviv, with a population of 130,000 Jews, contains practically no Gentile inhabitants. It is indeed alleged that the only non-Jewish labourers or shopkeepers who gain a livelihood in the city are a few Armenians, and that they are able to do so only by pretending to be Jews. The contrast, in this respect, with Casablanca in Morocco, a city of approximately the same size, developed by colonising effort in approximately the same time, is striking. In Casablanca more than half the inhabitants are natives of the country. The policy of excluding non-Jewish labour and

* Both the capitalists and the labourers admitted are entitled to introduce dependants.

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of buying exclusively from Jewish tradesmen has given not only Arabs but also Armenians, Greeks and the other non-Jewish communities in Palestine the conviction that wherever the Zionist gains complete control no non-Jew will be able to live. Arabs are at present employed by Jews in considerable numbers outside Tel Aviv, but this is admittedly because Zionist policy has not yet gained complete control in such districts.

The immigration of the last three years is alleged by the non-Jewish communities to be out of all proportion to the economic resources of the country, as it certainly is to its powers of social assimilation. If the flow of immigrants and capital were to be interrupted, even temporarily, it is maintained that a very serious economic crisis would result, from which all Palestine would suffer severely, while the longer the flow is maintained the more severe will be the crisis when it does come.

The Zionist reply has been expressed tersely in the phrase that "Haifa can be made the Birmingham of the Near East" and Palestine "a little oriental Belgium". By this, it is meant that Palestine can be turned into a highly industrialised country, possessing towns of 750,000 or more inhabitants and a total population of not less than 5,000,000. Palestine would thus become one of the most densely inhabited countries of the world, rivalling Belgium in this respect. When we hear ideas such as these seriously maintained, we can only recall that the Jewish people, throughout the ages, have always been a people of a Messianic hope. Their fervid imagination has again and again led them to expect a miraculous deliverance, and their inability to distinguish the true Messiah from the false has before now involved them in disaster, as at the time of the rebellion of Bar Cochba.

For what are the essential conditions for a great industrial expansion? An abundant supply of cheap labour, a large and friendly market, complete economic control of the producing area, peace at home and an abundant supply

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of raw materials. The lack of some of these advantages may be made up by others, but in Palestine all are lacking. Jewish labour is very much more expensive than that of the neighbouring countries, and is controlled by a powerful trade organisation. There certainly is a possibility of greatly expanding markets in the countries adjoining Palestine; these, however, are cut off from it politically and economically, are hostile to Jewish development and inclined to boycott Jewish goods altogether. They are also anxious to develop industrially themselves, and are in a favourable position to do so. At the present time, for example, the export of manufactured goods from Syria to Palestine is nearly five times as great as that from Palestine to Syria. Peace at home is uncertain; Jewish economy must reckon with a large population at the best indifferent, at the worst actively hostile. The control of economic development in Palestine is not, and cannot be, entirely in Jewish hands. There are practically no raw materials. The only sphere in which there seems a chance of substantial development is in the shipping industry, which has recently made a humble beginning, and for which Syria, if not Palestine, was famous in antiquity. There is also the growing importance of Haifa as a port of transit; but here, too, Arab nationalism, if hostile to Zionism, may prefer to divert trade through the Arab port of Beyrout.

The Zionist replies to such objections with the statement that it is men, and not material conditions, that count, and gives as an example the Jewish diamond-cutting industry of Amsterdam. It is no doubt true that a number of minor industries, importing raw materials of small bulk compared with their value, can be established successfully in Palestine by Jewish enthusiasm, capital and technical skill. An example is indeed already present in the successful export of artificial teeth. A few minor exports, however, cannot be expected to support a population of the density of that of Belgium. The statistics of imports and exports for the last few years are striking in this respect.

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	(ooo's omitted)				
	1931	1932	1933	1934	1935
	£	£	£	£	£
Exports including citrus . . .	1,572	2,381	2,591	3,217	4,215
Imports for consumption . . .	5,940	7,768	11,123	15,152	17,740
Exports of locally manufactured goods . . .	364	435	406	404	478

Thus, while the Jewish population has doubled, and imports have trebled, exports of locally manufactured articles have only increased by about 30 per cent. Nor has the imposition of substantial protective tariffs availed to prevent the repeated collapse of industrial enterprises.

III. LAND AND OTHER PROBLEMS

IT is evident that those who drafted the Mandate supposed that there was a great deal of spare land available in Palestine which the capital and technical skill of the Zionists could render available for Jewish settlement without prejudice to the Arab agricultural community. The reports of several expert investigators suggest that the quantity of such land was seriously over-estimated, just as the density of the existing population was underestimated. At the present time, when the Jews have been settled in a large portion of the coastal plain and in the plain of Esdraelon, the only area offering a prospect of immediate development is the marsh land in the Lake Huleh district, already entrusted to the Jewish Agency. The Jordan Valley area presents great difficulties of various kinds, while the Beersheba district is not practicable, unless water can be found in sufficient quantities, a condition that still remains to be satisfied. In the non-irrigable hill districts it must be years before the *fellahin* can learn to improve their cultivation sufficiently to make any space available for immigrants.

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The consequences of these facts are apt to be obscured because the labour schedules for immigration show large numbers of persons as proceeding to work on the land (in 1935, some 3,800). Some of these are absorbed in the older settlements, which in some cases are becoming industrialised; others take the place of Jewish agricultural workers who have left for the cities. The great immigration of 1933 to 1935, for instance, drew many workers from the land owing to the high wages offered in the building trade. Some replace Arab labour in the orange orchards. The Jewish immigrant labour, insistently offered to Jewish farmers at Rehovoth and elsewhere by the Jewish Labour Organisation, has proved unsatisfactory, both on account of the extreme socialist views of many of the immigrants and on account of their lack of agricultural instinct. The Jewish Farmers' Federation has therefore recently made efforts to find Jewish agricultural labourers from abroad. The experiment is said to be proving fairly successful, but it seems doubtful whether the Mandate intended to promote close settlement in Palestine in order to introduce Jewish immigrants who were already on the land in their country of origin.

The possibility of Jewish agricultural settlement would be far greater if Transjordan were also available. Any such possibility would seem to be dependent on a settlement of the Arab-Jewish problem in Palestine in a manner acceptable to Arab opinion.

The Jewish immigrants are very diverse in type and culture. The majority come from Poland, and Polish Jews form about half the total Jewish population. The intellectual leaders are often of Russian origin (Sokolov, Bialik, Shmaryah Levin and others). The needy, cheerful, half-Arabised Yemenis form the majority of the bootblacks and newspaper sellers, and Yemenite women are often employed as domestic servants. In the last few years there has been an influx of German Jews (8,000 in 1935, nearly one-seventh of the total immigration for the year).

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Their assimilation with the existing Jewish community has presented certain difficulties. They are generally of superior education and manners, and are more disposed to take a sympathetic attitude towards the Arabs. As a whole they have not come to Palestine either out of a romantic attachment to the land or out of a desire to create a Hebrew culture, but simply to escape from conditions in Germany. In general, however, the Jewish immigrants arrive with the determination to create a Jewish homeland, Hebrew in language, and not with the least idea of co-operating with Arabs in building up a common fatherland. As a highly-educated Arab expressed it, "When Zionists ask us to co-operate with them, for example, in the Hebrew University, they mean that we should pay the fees and study in Hebrew, just as an English student might pay his fees and study in any foreign university".

Nor, for that matter, is the Arab interested in a joint culture; he is looking forward to a revived Arab civilisation whose sphere of influence will extend from Baghdad to the Atlantic. Politically the young Palestinian is turning more and more towards 'Iraq. The powerful figure of Ibn Saud also has its attraction, in spite of the backward condition of his realm.

There is no definite injunction in the Mandate to encourage the growth of a joint Palestinian sentiment, nor has the Administration made any serious effort to do so. The Hebrew and Arab educational systems are totally distinct, and, to take another example, while the British flag is flown and there exists a Zionist flag, there is no specifically Palestinian flag. If it was desired to take measures to produce a joint Palestinian sentiment, it would be necessary to train a select body of officials with a special knowledge of Jewish and Arab culture and affairs, and to give the Palestinian Arab such undeniable educational, economic and other advantages over his fellow Arabs in Syria and 'Iraq as to compensate him for his political separation from them.

CONCLUSION

Article 2 of the Mandate makes the Mandatory responsible for putting the country under such conditions as will secure the establishment of the Jewish national home. At the same time it makes him responsible for seeing that these conditions are such as to secure the development of self-governing institutions. The non-Jewish communities of Palestine, seeing that after 13 years the country is still without self-governing institutions such as even Transjordan possesses, claim that the Mandatory has unduly emphasised one of the responsibilities laid on him in Article 2, to the detriment of the other. Jewish opposition to the very emasculated Legislative Assembly recently proposed by His Majesty's Government is regarded by them as proof that the Zionists are determined that there shall be no sort of Parliament in Palestine until they themselves are in a position to control its policy.

IV. CONCLUSION

IMMIGRATION has recently been officially regulated according to "the economic absorptive capacity of the country". As Zionist policy has not been determined primarily by economic considerations but by the desire to establish the maximum number of Jews in Palestine in the shortest possible time, immigration has in fact been limited only by the amount of funds at Zionist disposal, the labour schedule being somewhat reduced by the Administration in order to obviate immediate unemployment and, it is alleged, somewhat increased in response to Jewish difficulties abroad. The Zionist organisation has been able to direct to Palestine the enormous sums necessary, by inculcating the belief that the country is capable of tremendous industrial development and can become virtually a Jewish State, though containing an Arab element, mainly settled in Transjordan, which would be admitted to political parity. This belief is based on the theory that by acquiring at least equal political rights with

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the Arabs, combined with a substantial numerical majority and an overwhelming economic, industrial and financial superiority, it would be possible to control Palestine completely, force an entrance into Transjordan, and perhaps elsewhere, and so acquire a sufficient territorial basis for an otherwise very top-heavy structure. Zionist activity is exclusively directed to the development of Hebrew civilisation, and any benefits to the non-Jewish population, such as those derived from the greatly increased wealth of the State as a whole, are purely incidental. If the Jewish leaders and masses were ever to be convinced that their project could not thus be realised, either because of the strength of Arab opposition, or because of the refusal of the Mandatory to admit such an interpretation of the Mandate, or because of the pressure of economic realities, it is reasonable to suppose that funds would no longer be available in such quantities and that immigration would automatically drop to manageable proportions.

That such an interpretation of the Mandate is in fact inadmissible would seem to be indicated by Article 6. This definitely makes immigration contingent on the condition that no prejudice be done to "the rights and position of other sections of the population".

Moreover the measures taken by the Mandatory Power to override Arab opposition to immigration, which is limited only by the "economic absorptive capacity of the country," have aroused such feeling in 'Iraq as to result in the murder of Jews in Baghdad and the publication by the Grand Rabbi of a manifesto publicly dissociating himself and the 100,000 Jews of 'Iraq from any sympathy with Zionism. It may thus be argued that the Mandatory has wrongly interpreted the Mandate, in that it has failed to observe the proviso in the preamble that "nothing should be done which might prejudice the rights and political status enjoyed by Jews in any other country".

It would therefore seem desirable to abandon the very equivocal phrase "economic absorptive capacity" and to

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return to the statement * of the first High Commissioner, Sir Herbert Samuel, in which he defined the Balfour Declaration as meaning that

the Jews, a people who are scattered throughout the world, but whose hearts are always turned to Palestine, should be enabled to found here their home and that some of them, within the limits that are fixed by the numbers and interests of the present population, should come to Palestine in order to help by their resources and efforts to develop the country, to the advantage of all its inhabitants.

To give effect to this principle, it would probably be advisable to take up Mr. Churchill's suggestion in the White Paper of 1922 and entrust the discussion of immigration to a "board which would be representative of Palestinians of all classes. In the event of irreconcilable differences of opinion arising, the points at issue would be referred to His Majesty's Government for decision". Such a board would of course be able to take into consideration the natural increase of the population (24,000 a year Arab, 7,000 a year Jewish) and the difficulties of Jews abroad, as well as the immemorial practice of such Arabs as labourers from the Hauran, domestic servants from Egypt, 'Iraqi silversmiths, professional men and so forth, of seeking employment in neighbouring Arab lands wherever conditions are favourable.

Without attempting to forecast the conclusions that such a board might reach, we may note that an immigration of, say, 8,000 Jews in any one year (economic and general conditions being favourable) would result in an annual increase in the population of about 39,000, and that in 25 years the population would total something over 2,200,000. This would be just about the population of Wales, Jewish money and intelligence taking the place of Welsh natural resources in coal and iron. The proportion of Arab to Jewish population would then be approximately 15 : 7.

* June 3, 1921.

PALESTINE: THE COMMISSION'S TASK

If agreement can be arrived at on the question of immigration, that of land sales should not be insoluble. The Survey of Palestine is nearing completion, the reports of the experts are available and the problem is reduced to getting agreement as to the method least inconvenient to both Jews and Arabs of preventing the displacement of Arabs from the land by the uneconomic prices offered to landowners by Jewish interests. The reservation of definite areas for Arab and Jewish cultivation, and the securing to tenants of a "*lot viable*", are possible alternatives. The Jewish Agency itself does not deny that some legislation is necessary, but it wishes it to be such as not to hinder "legitimate development".

The settlement of these two questions should remove the main causes of friction between the two communities, and there should then be comparatively little difficulty in the establishment of some form of Legislative Council, whether chosen on a territorial, communal or corporative basis, or as a function of separate Jewish and Arab agencies. The Arabs have long become accustomed to Jewish cultural autonomy, and if Zionist activity were once recognised to be directed for the benefit of all Palestinians, and not primarily for the benefit of one section of the population only, there would be no reason to anticipate any serious new difficulties arising.

With regard to Jewish grievances, the Commission may be expected to find that while there may have been many errors, such as the delay in building roads in the coastal plain, a routine outlook and lack of imagination in officials and so forth, the provisions of the Mandate have in the main been carried out. The Jewish Agency has been recognised and duly consulted. It has co-operated in the development of the country. Immigration has been facilitated. Hebrew has been recognised as an official language. Jewish settlement on the land has been, and is being, encouraged as far as circumstances permit. Various important concessions have been granted to Jewish

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interests. Jews who are permanently resident have been enabled to take up Palestinian nationality. A new land system is being introduced. In short, "a national home for the Jewish people", as defined in the Mandate, exists in Palestine.

What then were the underlying causes of the recent disturbances? It seems probable that the Royal Commission will find that the outbreak was due to Arab resentment that had its origin partly in the non-fulfilment of national aspirations, which were encouraged by Allied promises and proclamations during the war of 1914-1918, and partly in the fear of becoming the less significant partner in a predominantly Jewish State. The latter fear is intimately connected with the question of Jewish immigration, and until there is a definite settlement on this point it is unlikely that Arab opposition to the National Home will be greatly modified. If, on the other hand, the policy adopted by His Majesty's Government, after considering the recommendations of the Royal Commission, should result in a settlement satisfactory to Arab sentiment, there seems reasonable ground for believing that some of the neighbouring Arab lands might be glad to profit by a measure of Jewish capital and labour in the development of their own economy and agriculture.

It may not be out of place here to point out that the problem of the Palestine Mandate is of international importance, affecting as it does Jews of all countries and involving also the relations of the Mandatory Power with other Arab lands, as well as with many millions of its own Mohammedan subjects. It might therefore be worth considering whether the administration should not be transferred to the Foreign Office.

In the meanwhile, it would certainly be advisable to explore every possibility of Jewish immigration into other lands. In the case of prospective immigrants into Palestine, it would be well that the point of view of the Mandatory Power concerning the possibilities of development

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in Palestine, the existing political and social conditions, and the attitude that the Administration expects immigrants to observe with regard to the non-Jewish sections of the population, should be made perfectly clear before permission to immigrate is granted.

Palestine,
November, 1936.

FROM AGADIR TO NUREMBERG

"BRITAIN, France and Germany" was the title of a remarkable article that appeared in *THE ROUND TABLE* for December 1911, less than three years before the outbreak of the world war, and just a generation ago. The occasion was the Agadir incident of the previous July, followed, as it had been, by Great Britain's sharp and successful challenge to German diplomacy. To-day, the Spanish civil war has raised once more the problem of the control of Morocco, out of which those dangerous happenings arose; it is as true now as it was in 1911 that "the ownership of the soil across the straits of Gibraltar and commanding the entry to the Mediterranean is a matter vitally affecting the sea power of England". The armaments race, the general international tension, enforce the resemblance with the past. It is therefore of far more than historical interest to re-read those pages and re-value their judgments in the light of what we know to have followed.

I. THE PAST

THE Agadir incident, declared the article of 1911, grew into a European crisis because it happened to focus in a single dispute two almost distinct international quarrels. In one aspect it was an episode in that contest over the partition of Africa which for twenty years had embittered the relations of European Powers. In another it was an incident in the silent conflict between England and Germany. The article went on to summarise the history of African partition and the Moroccan question. Germany, having been left behind in the colonial scramble of the nineteenth century, had been pressing France for "compensation" in

return for the recognition of French rights in Morocco, and had hoped to be allotted the French Congo, as the key to a central African Empire. The despatch of the *Panther* to Agadir was a "shot across the bows", an intimation that France must parley or fight. Then came Mr. Lloyd George's famous speech threatening to go to war rather than submit to the "humiliation" of seeing Great Britain's vital rights and interests ignored. By the end of the month, every man in the naval and military forces of Great Britain, France and Germany had been warned for active service. In the writer's view, however, there had never been any urgent likelihood of European war. Germany had been forced to climb down and to moderate her demands in Africa.

The explanation of this sudden change, said the article, could be found only in the second international problem involved at Agadir, the rivalry of Germany and England. After the forceful union of their country under Bismarck, the Germans had aspired to play the same part in the outside world as they had acted with such success in Europe. Their ambitions, sound in moderation, had become over-inflated, till they challenged the very existence of the British Empire. The response had been a great increase of the British fleet and the creation of the *triple entente*, which was anti-German in the sense that it was meant to guarantee that none of the parties should be mulcted by the "merciless diplomacy of Germany".

To the Germans, there was much of hypocrisy in the British attitude. Great Britain's policy, in their eyes, had been for centuries to repress by force or diplomacy the second strongest world Power; nor were her people ever lacking for moral principles to justify to themselves their selfish imperialism. The Lloyd George speech was a fresh sample of Britain's insatiable jealousy; for she was nothing but an outsider in the Moroccan negotiations. On the other hand, in British eyes the Agadir incident had been a calculated attempt to break up the *entente* with France.

The fundamental need of Germany, declared the article, was expansion. She was a young, vigorous, and rapidly growing Power. She must provide for the future of her growing population and of the industries that supported them. The best German opinion was strongly averse to further territorial expansion on the Continent. Germany could not afford to include any more non-German irredentist elements within her borders. Denmark, Holland, even the eleven million Germans in western Austria, were more use to Germany as they were—insulating cushions to absorb the shock of her contact with Russia and England. As for the acquisition of territory beyond Europe, fit for white settlement, thoughtful Germans realised not only that all suitable parts of the world were already held by the British Empire or independent Powers, but also that every one of them was peopled by a white community who would fight to the death rather than accept the German flag. In any case, would it not be better for Germany, if she could, to keep her population at home, building up a state that would grow stronger year by year and would thus acquire an even greater influence in the world, at the expense of Powers that had dissipated their energy and their population in illusory dreams of empire?

If, then, Germany was to provide for the natural increase of her population at home, she must find ever-increasing markets abroad. This, rather than territorial expansion, was her "fundamental national need". There were limits, as she had discovered, to the expansion of her markets in countries as industrialised as herself, especially when they, too, adopted highly protective tariffs. Hence Germany had been paying increasing attention to new markets like China, India and Africa. She stood firmly for the commercial Open Door in such countries. But she had no guarantee that this vital interest of hers would be preserved in the future. Hence "either she must acquire dependencies of such extent that they will compensate her for exclusion from the dependencies of other Powers,

or she must have adequate assurances that the vast markets of Africa and Asia will not be closed to her people." Germany would unquestionably prefer to possess dependencies of her own. Nevertheless, a large dependent empire was not vital to her. It was certainly not worth her while to go to war for the sake of dependencies of her own, if she could assure the Open Door to those of other empires. But in that case a strong navy became an imperative necessity for her future.

The paramount interest of the British Empire, on the other hand, was not expansion but to keep what it had and to enjoy it in peace. England's interests as a great commercial and manufacturing Power, broadly speaking, coincided with those of Germany. She also was in favour of the Open Door. It was her policy in her own dependencies, for political as well as economic reasons.

It would be entirely inconsistent with her position as trustee for the subject peoples that England should manipulate the tariffs in India or the African dependencies for her private advantage. . . . She may well inaugurate a system of local protection if it proves to be beneficial to the development and civilisation of the people. But to restrict their trading with foreign Powers for the sake of British manufacturers would not only be unjust but would cut at the root of her Empire.

The British Empire, however, had one distinct vital interest. Supremacy by sea was not only necessary to its peace and safety; it was the very condition of its existence. England need oppose Germany, then, only if Germany aimed at the supremacy of the sea in order that she might overshadow the Empire.

The British people were feeling the effect of the sudden appearance of a new and powerful State. The tendency of the Englishman to ignore the other man's point of view, indeed to believe that indefeasible right lay behind his own, was intensely galling to a young and aspiring people like the Germans. The German people, on the other hand, had had a remarkable and deserved success in the past forty years, but their very achievements had turned their

heads, and caused them to set their ambitions impossibly high. Their history had also bred in them a belief in the value of force and its ruthless use by the state. Bismarck and his Prussian army had brought peace and unity where chaos and war and stagnation ruled before. Both at home and in their external relations, the Germans believed in the efficacy of force and authority to an extent that was scarcely comprehensible to the Anglo-Saxon mind. That was why the Germans tolerated a government tyranny in repressing disorder and enforcing uniformity that would produce instant revolution in America or the British Empire.

The constitutional and administrative system of Germany also tended to drive her into an aggressive yet unstable foreign policy. There could be no wholesome changes of Government. Intrigue was inevitable, and since intrigue was inconsistent with a clear straightforward policy German diplomacy was notoriously shifty and untrustworthy. Moreover, since the Government could not alter it was blamed for everything that might go wrong. The more unpopular it grew at home the stronger was the bias in favour of recovering its prestige by glory abroad.

In such circumstances, what else can Germans expect but to find their neighbours on the defensive? . . . Germany's position is not the product of British jealousy, but of her own aims and policy in the past. It is impossible to do business with a man who, wittingly or unwittingly, is threatening your life, whose methods you cannot trust, and who enters your room brandishing a club.

The essential preliminary to an improvement in Anglo-German relations was proof that the aims of Germany did not threaten the existence of the British Empire, and that it was no longer her policy to squeeze and cajole weaker Powers at the risk of plunging the world into war. Meanwhile, we must remember that peace and our safety depended on our strength. However Anglo-German relations might be improved, England and Germany would remain separate Powers, whose interests from time to time would

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conflict. Peace was preserved, ran the conclusion, not by that balance of power which impelled each side to think itself the stronger, nor by that excess of offensive strength which provoked ambition, but by that condition in which each people was certain only that it could defend itself. So long as it was impossible for Germany to defeat the British Empire by sea, and impossible for the British to conquer the Germans by land, nothing save madness could produce a duel between the two.

II. THE PRESENT

THOSE conditions of Anglo-German peace could not have been more fiercely and decisively tested; the British navy by sea, and the German army by land, remained unconquered through four-and-a-half years of war. Yet the madness prevailed. Why was the judgment of the article thus apparently disproved? Looking back, it seems that the writer went too far in isolating Anglo-German rivalry from the general international complex, and in appearing to set it above other direct potential causes of world war. In particular, too little attention was given to the motive force of Russo-German rivalry for diplomatic mastery of the Balkans and Turkey, and for the succession to political control in the break-up of the Turkish and Austro-Hungarian Empires. These and other causes inherent in the world situation of the day gave rise, in the years between 1911 and 1914, to ever tauter alliances, ever mightier armaments and ever deeper suspicion, till it needed only an assassin's hand to set in motion the dreadful clockwork of the military time-table.

The same international complex of armaments and alliances and suspicions is being repeated to-day. The German-Russian conflict remains, though its nature has altered; the rivalry of communism and fascism for the succession to liberal democracy has taken the place of the rivalry of Slav and Teuton for the succession to the empires

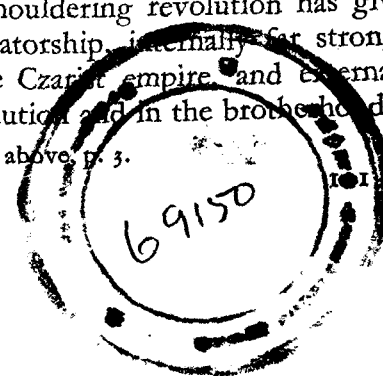
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of eastern Europe. An earlier article in this issue* has already analysed the bearing of this international situation on the policies of the British Commonwealth nations. Here we are concerned to examine separately the relations between Great Britain and Germany—this time, however, with the clear warning that they are but a subordinate part of a wider complex.

First of all, let us note the essential points of difference, by comparison with the facts of 1911. The challenge of Germany is not expressed to-day in the form of naval rivalry. In that respect, world strategy has been entirely altered. On the one hand, the British Empire is no longer supreme on the oceans, but shares naval parity with the United States, and in the western Pacific takes second place to Japan. On the other hand, Germany, apart from her strength by land, has concentrated her armament revival on the air arm, and has signed a naval pact with Great Britain whose effect is to give her local security by sea without setting up a challenge to the world power of the British fleet.

Other points of difference are to be found in the map of Europe. Germany, defeated in the war, lost large portions of her former European territory, as well as her colonies. The irredentism that was absent from her policy in 1911 is a dominating force to-day. Expansion in Europe has been restored to a place of honour among her objectives. Again, the partition of the Austro-Hungarian Empire has created on the one hand a group of States characteristically opposed to German expansion, and on the other, along with discontented and revisionist Hungary, a small, poor, isolated, almost entirely German-speaking Austria. Beyond, the Russia of the tyrannous bureaucracy, the crumbling feudalism and the smouldering revolution has given way to a communist dictatorship, internally far stronger and more united than the Czarist empire, and externally feared for its faith in revolution and in the brotherhood of

* See above, p. 3.



the "workers of the world". But if the fear and enmity between Russia and Germany are to-day no less, a chain of buffer States has been set up between them, including the fourth largest Power of the cis-Russian continent.

More profound than any of these changes is the fact that we are to-day within twenty years of the greatest war the world has ever known. Implicit in the comments of 1911 and in the diplomacy of that era was the assumption that war sooner or later, somewhere or other, was inevitable—might even be regarded as a normal method of international adjustment. Our minds seem, indeed, to be slipping back into that attitude, but we have learnt meanwhile a terrible lesson. We know that the rewards of war for the victors are Dead Sea fruit. We know that the sacrifices and destruction of modern war are far more disastrous than even the most triumphant victories could repay. We had a sufficient foretaste of air bombardment of civil populations, the use of poison gas, and other modern horrors, to realise that another world war would be still more terrible than the last, and might destroy the whole of our civilisation. The people of the world have learnt to dread war as it was not dreaded in 1911. This fear, generally speaking, makes war less likely. On the other hand, it makes "collective security" more difficult, by causing the peace-loving nations to view with distrust, and to implement with reluctance, any obligations they may enter into to rally to the defence of others. By the same token it has rendered more difficult the problem of Commonwealth co-operation for mutual defence. It has also made the way of mailed-fist diplomacy easier, by inclining the victims to draw back the frontier of concessions at which they will fight rather than give way.

The lessons of the war came home to Germany more forcibly, perhaps, than to any other nation. In 1911, the German Empire, resplendent in "shining armour", had never been defeated since the Bismarckian union. But when "Der Tag" came the programme did not fall out

according to plan. In spite of the collapse of Russia, in spite of Germany's ability to hold half the world at bay for over four years, in the end she collapsed, paying a terribly heavy price, not only in losses of men and material and territory, in such reparations as she paid, in the penal disqualifications of the peace treaties, but also in national ignominy, humiliation, and political disorder. If the Germany of Kaiser Wilhelm II. thought twice before daring the issue of war, the Germany of Adolf Hitler will think three times.

Yet who dare say that the warnings of 1911 are in no degree valid to-day? To match the uprush of German nationalism, ambition and pride that followed the Prussian Confederation there is the far shorter but far more intense revivalism of the National Socialist movement. Scarcely a phrase would have to be changed in this key paragraph on Germany's position to make it fit the pages of *THE ROUND TABLE* twenty-five years later :

The real necessity she has been under to force her way to her proper place in the world has made her proceedings inevitably disturbing and inconvenient to other Powers. The exaggerated notions entertained by the German people of their own prowess and future has led them to ambitions which threatened the liberty and vital interests of their neighbours. Her system of government has increased this tendency and made her policy restless and untrustworthy. And, finally, the intense belief of the Germans, and especially of the Prussians who control Germany's policy, in the use of force as the proper method of achieving their national ends, has produced a diplomacy which is a by-word throughout the world for violence and pride.

The leopard has not changed his spots nor the Ethiopian his skin : the self-righteousness of the Englishman and the boastful militarism of the German remain their besetting sins. The British still prove their own interests to be moral virtues, and the Germans still tolerate "a pitiless government tyranny that would produce instant revolution in America or the British Empire". The constitutional and administrative system of Germany still tends to drive her

into an aggressive yet unstable foreign policy. The safety-valve of a change of Government is still jammed, and even passing unpopularity at home, now as a quarter-century ago, biasses the Government in favour of recovering its prestige by adventure abroad. "In such circumstances", as THE ROUND TABLE wrote in 1911, "what else can Germans expect but to find their neighbours on the defensive?"

Still more important, from the point of view of the British Empire, is the fact that the fundamental interests of the Empire and Germany are unaltered. Germany needs markets for her manufactures in order to buy the food and raw materials she must have if her people are to live at a standard of life commensurate with their education, energy, technical ability and skill. The fierceness of Herr Hitler's campaign for self-sufficiency is itself proof of her necessities. That campaign can never be fully successful, for physical reasons, and its partial success can be bought only at the expense of a tightening of the German belt which is bound to increase the political dangers. To-day, Germany's need for markets is thwarted even more sharply than in 1911 by the protectionism of other countries and empires. Customs barriers have multiplied in Europe with the creation of new States and the growing rivalry of their nationalisms. India and China are following the British Dominions and other primary producing countries in setting up as manufacturers on their own, behind protective tariffs. Japan is an aggressive competitor in all world markets. Russia, a great potential market for German wares, is politically estranged. Great Britain has abandoned free trade, and in a large part of her dependent empire no longer maintains the Open Door. These facts remain true whatever German policy may be, though it may fairly be argued that Germany's economic, monetary and social policy has done nothing to relieve the pressure on her or to make it easier for her to keep or secure competitive markets.

As in 1911, so in 1936, Germany may turn either to Europe or to the outside world for the expansion she feels she requires. In Europe, while pursuing the maximum of self-sufficiency, she may seek by financial and political pressure to secure a sufficient zone of economic influence to satisfy her needs. Dr. Schacht's recent tour of the Balkans may be regarded as a move in such a policy. Or, coupling her economic needs with her racial doctrine, she may aim at territorial expansion, or at least the servitude of vassal States, to give her economic security and political power. What other interpretation can be given to Hitler's covetous phrases about the Ukraine? It is common ground among students of international affairs outside Germany that her leaders' constant harping on the "Slav and communist menace" is intended to create an atmosphere in which she will be able to turn to her own advantage internal political dissension [and disorders in other countries.

But what if German ambitions turn beyond Europe? Here again, there are both peaceful and aggressive possibilities. The extension of German markets in Asia, in South America, even in the British Empire, may be a source of commercial anxiety for Great Britain and others of her trade rivals; it cannot be a cause of war. The policy of imperial preference in the dependent empire is indeed a legitimate grievance for Germany, and the political and economic arguments for the colonial Open Door, which are no less valid to-day than they were in 1911, are reinforced by the desirability, as a matter of world policy, of relieving the pressure on the empire-less countries by any safe means within our power. It is the opinion of THE ROUND TABLE that to have abolished the principle of equal commercial opportunity for all nations in the colonial empire was a grave mistake, which ought to be reversed. Provided we do not ourselves pursue a selfish exclusionism in commercial and imperial policy, it remains as true as it was twenty-five years ago that the diplomatic and martial

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power needed by Germany to maintain her world interests need not constitute a challenge to the British Empire.

III. GERMANY AND COLONIES

GERMANY, however, tempted by the illusion of political prestige as well as by her genuine economic needs, may seek world expansion in the pursuit of a dependent empire of her own. It was the doctrine of *Mein Kampf* that Bismarck was right in his opposition to colonialism,* that Germany's destiny lay in Europe, that the imperialist aspirations of the pre-war generation were misconceived, and would only lead Germany into a dangerous struggle with countries whose friendship she needed. But Hitler's Nuremberg speech, with its vague though violent insistence on Germany's colonial claims, seemed to imply a repudiation of that doctrine by its author himself. Since then, the course of events has been confusing to the outside public. Elaborate preparations had been made for the first annual congress of the Reich Colonial League, in which guise the old German Colonial Society has been absorbed into the official Nazi machine. Then suddenly, early in October, the congress was "indefinitely postponed", under orders from the Fuehrer's deputy, an action that was not unnaturally interpreted abroad as reflecting second thoughts on colonial expansionism as an official doctrine. But the propaganda did not cease, and if the doctrine was indeed laid aside it was only for the moment. Late in October General Goering, in a speech on the four-year self-sufficiency plan, declared:

Our colonies were stolen from us. We want to share in the world's raw material sources, and we shall get them;

and he went on to make a direct comparison between the pressure of population in Germany and that in England, with her great empire to relieve it. This was followed by a speech by Dr. Goebbels, in the course of which he said:

* "*Von Haus aus bin ich kein Kolonialmensch*", he said in 1889.

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If English newspapers reply to General Goering's speech by saying that we can buy raw materials, then we must reply that that is an insolent and insulting argument. We will, of course, take up the fight against the world for our colonies.

These provocative utterances caused the Foreign Secretary, through the Ambassador in Berlin, to draw the "friendly attention" of the German Government to so serious a breach of international good manners and neighbourliness.

In connection with colonies, a serious warning is to be drawn from the article of 1911 that is the text of these reflections. The author took it for granted that Germany's dependent empire of that day was negligible for her economic purposes. There was no suggestion that what are now the mandated territories were even nearly sufficient to satisfy German economic needs or political ambitions. To a present-day reader this comes as one of the most striking features of the article, an unmistakable warning that, whatever the return of Germany's former colonies would do for good-will in the political field, it would neither satisfy her economic needs nor sate her national ambition. The total white population of the German colonial empire, just before the war, was under 25,000, two-thirds of whom lived in the single colony of South-West Africa. Germany's total exports to her colonies were less than £3 million per annum. Then as now, their capacity to supply her with raw materials was strictly limited physically and economically. Moreover, they were costly to her Exchequer, which had to make good colonial deficits totalling 295 million marks between 1908 and 1913, not counting the overhead cost of colonial administration. Arguments—familiar nowadays outside Germany—to discount the economic value of colonies were common currency in Germany before the war. Thus Herr Bebel declared in the Reichstag in 1906:

Germany's trade with the British Empire amounted to 2,700 million marks in 1905 and did not cost Germany a farthing; and if Germany should lose all her trade with Denmark (300 million

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marks in 1905) it would mean much more than if all her colonial trade (64 million marks in 1904) "went to the devil."

The economic argument for the return of Germany's colonies simply does not hold water. The real motives must be sought in diplomacy, strategy and prestige.

The undoing of the colonial clauses of the Versailles treaty would undoubtedly mean a great accession of prestige both to the National Socialist Government at home and to Germany abroad. And it would undoubtedly increase the strategic anxieties of other empires and thus make it easier for Germany to over-ride their interests. In this respect, the countries of the British Commonwealth would obviously be the chief losers, as they would be the losers in prestige if the transfer appeared to be made by virtue of their own weakness or pusillanimity. In this light, Germany's colonial demands are unlikely to appeal to Great Britain, to the Dominions, or for that matter to any country not politically affiliated to Germany herself.

One may be excused, indeed, for wondering whether the true reasons for those demands—as to-day expressed by the Nazi leaders—are to be found in the objective merits of the colonial question. Bismarck's attitude towards colonialism, from which Herr Hitler's clearly draws much of its inspiration, may be interpreted, not as one of opposition in principle, but merely as one of invariable subordination to foreign policy.* When it suited his hand to push forward German colonial expansion in Africa or the Pacific he had no hesitation in doing so, and by skilful playing of this extra card he succeeded on occasion, not only in sowing suspicion and discord between England and France and other colonial Powers, but also in splitting public opinion in Great Britain itself. Is there not at least a possibility that Herr Hitler has a similar purpose in raising the colonial question to-day, after having himself declared it to be distracting and dangerous? To sap the

* See *The Rise and Fall of the German Colonial Empire*, by M. E. Townsend. (New York, Macmillan, 1930.)

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moral strength of Great Britain's position, to sow discord between the colonial and the non-colonial Powers among Germany's neighbours, and to confuse and divide British public opinion—these would be diplomatic objectives well worth achieving. For our own part, we are not yet convinced that this diagnosis is the true one, but the chance of its being true makes it all the more important for the nations of the Commonwealth to pursue a patient, straightforward and unequivocal policy towards the colonial question.

That question raises many other issues—our obligations towards the native peoples, the independent rights of the self-governing Dominions to whom some of the most important mandates have been entrusted, the rights and interests of the League of Nations, by whom the mandates were issued. There is, however, nothing in those issues to suggest that we need qualify the conclusion already reached on other grounds, namely, that to give way to German demands on this score would be to hinder rather than to further the cause of world peace. If that negative conclusion is sound, nothing is to be gained by vagueness or delay in explaining to the German Government that the agitation for the return of colonies is and will remain fruitless.

We are left with the other three possibilities for German expansionist policy: non-territorial expansion outside Europe, non-territorial expansion in Europe, territorial expansion in Europe. Which of these is most likely to make for the eventual rule of peace and justice in the world? What can we do towards making that choice feasible and welcome to the German people? These are questions that the Governments of all the British Commonwealth countries must urgently face; for if the wrong course is taken and war results, there is very little chance of our being able to stand aloof or to view the outcome with impartial reserve.

THE EGYPTIAN TREATY AND AFTER

I. THE MILNER MISSION AND THE PROTECTORATE

IN his speech at the signing of the Egyptian Treaty, Mr. Anthony Eden said that it was the completion of work which had been going on for sixteen years, that is, from 1920, when Lord Milner presented the report of his Mission to Egypt, until the present time. Yet to understand this history we need to go back rather more than sixteen years. Why did the Milner report, carrying, as it did, the authority of one of the most influential Ministers of his time and backed by the unanimous support of his five colleagues, receive such short shrift from the Government of which he was a member? Why has it taken so many years to carry into practice the method that he and his colleagues recommended?

There is an Egyptian as well as a British side to this story, but the main obstacle on the British side was that in 1920 many Ministers and large numbers of the public regarded Egypt as an integral part of the British Empire and were beyond measure astonished that Milner, whose imperialism was unimpeachable, should have proposed what they regarded as a surrender and abandonment of British territory. But Milner was an old Egyptian official who never for a moment thought of Egypt in those terms. He had served under Lord Cromer and had seen the scrupulous care which that greatest of Egyptian administrators had taken to preserve the theory that Egypt was a self-governing unit of the Turkish Empire, governed by a Khedive and Council of Ministers, though temporarily in the occupation of Great Britain. Cromer had never claimed to be more

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than Agent or Consul General of the occupying Power, the *doyen* of the foreign representatives in Cairo, and though he might be the *de facto* ruler of the country he left the insignia of power in the hands of its nominal rulers. Whenever he was pressed by the Egyptian nationalists, as he was more and more in his later years, his answers were so framed as to leave all doors open and to lead them to believe that the restitution of their independence was one of the objects of British policy.

Cromer and the Governments that instructed him had to keep their eye on the European as well as the Egyptian situation. Up to 1904 France still bitterly regretted having missed her chance to share the control of Egypt with Great Britain, and watched jealously any move which suggested that we intended to convert occupation into annexation. During the negotiations for the Anglo-French *Entente* Delcassé fought to the last for a time-limit to our occupation, and though in the end he forebore to press this it was on the understanding that we should not alter the legal *status quo*. The bargain was characteristic of pre-war diplomacy. The French recognised our "special position" in Egypt; we in return recognised their "special position" in Morocco. There were grumblers who said that taking the whole deal—including Newfoundland and Sokoto—the French had got much the best of it, but Cromer, who had felt the heavy hand of many French Governments, insisted that their concessions to us in Egypt were worth all that we were conceding to them and a good deal more, and it was that view which in the end carried the day.

This back history governed the situation when the Great War broke out. The accession to our enemies in November 1914 of the Sultan of Turkey, who was still legally suzerain of Egypt, automatically converted his Egyptian subjects into enemy aliens. Something had to be done to regularise the situation. There were voices for annexation, but not only would it have been greatly resented by the Egyptians, who were then on the fence

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between us and our enemies, but it would probably have been resisted by the French as a departure from the spirit if not the letter of the *Entente*. All prudent advice from Egypt was against annexation and the Cabinet considered it only to reject it. Instead, it was decided to proclaim a "protectorate," a word of no precise meaning, and for that reason suitable to tide over the time without committing the British Government, which promised reconsideration of the whole question as soon as the war was over. Egypt and Great Britain lived together from day to day for the next four years on this temporary scaffolding. If that served its purpose as well as it did, it was largely through the fortunate choice of Prince Hussein Kamil to succeed Abbas Hilmi as Khedive, and the great good sense shown by British officials in Egypt, especially Sir Reginald Wingate and Sir Milne Cheetham, and by the Commander-in-Chief of the British forces, General Sir John Maxwell, whose unfailing good humour and tact in handling Egyptians were military assets of high value.

The Egyptians, nevertheless, were extremely unhappy during the years of the war. They had no strong feelings about the European conflict; if their preference was slightly for the British, it was because they feared the Germans and had no wish to be handed over to the tender mercies of the Sultan of Turkey, who was supposed to have stipulated that he should resume his direct rule over Egypt in the event of the victory of the Central Powers. The idea of the Sultan governing Egypt as a German agent was certainly not to their liking, and the abortive attempt of the Turks to invade Egypt had the fortunate effect of making it seem near and real.

But a patriotic Egyptian felt his position to be ignominious. He was caught up in a quarrel not his own; he had not even the dignity of a combatant; for, since he was technically a neutral, his army was to play no part. Yet the British took for granted that his country was at their disposal as a base for their operations, that he would supply

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labour battalions for their expeditions, provide asses, mules, fodder and grain to their order. All this he did under a practical compulsion, though everything was said to be voluntary. On the other hand, money poured into the country, and, if unscrupulous Mudirs and Omdehs lined their pockets at the expense of the *fellahin*, that, it could be said, was their fault and not ours. Nevertheless the odium of it fell back on us and, when the war ended, there was a seethe of discontent among the masses which was excellent material for agitators.

Further material was provided when the departing army found places for its former officers in administrative posts hitherto filled by Egyptians. Egypt, in a phrase current at the time, was "a paradise for the demobbing officer." To the discontent of the *fellahin* was now added the anger of the student and *effendi* class; and when the war ended and British Ministers pleaded that they were too busy to listen to the remonstrance of Egyptians and their demand that the situation should be reviewed, according to the promises made in the war, the country was ripe for rebellion.

II. INDEPENDENCE AND THE RESERVED QUESTIONS

REBELLION was easily suppressed, but the situation that remained after it needed prompt and wise action if Egypt was not to become another Ireland, and its coercion a chronic costly and discrediting liability to Great Britain. Milner perceived at once that there was no half-way house between this and recognising the claim of Egypt to independence, subject to her recognition of our imperial interests and the necessity of adequate measures to guard them. It was the old dilemma—conciliation or coercion; be generous in conciliation or face the consequences. The Mission hoped that its report would be accepted and Milner sent to Egypt to negotiate the proposed treaty. That was not to be. The Cabinet rejected the report; the Egyptian nationalists renewed their agitation and

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increased their demands. A delegation of the more moderate nationalists (Adly, Rushdy and Sidky) which came to London in 1921 to renew negotiations had no success. Curzon favoured a settlement, but the Cabinet feared the reproach of a "surrender to Egypt" following on their Irish settlement, and the soldiers were stubbornly opposed to the removal of the British garrison from Cairo, which had been recommended by the Milner Mission and was now demanded by the Egyptians. Followed a renewal of rioting and bloodshed and the deportation of the nationalist leader Zaghlul to the Seychelles.

In January 1922 Lord Allenby, who had favoured a conciliatory policy from the outset of his appointment as High Commissioner, brought the situation to a climax by insisting that the Government should regard it as one of "extreme urgency" and offering his resignation if his advice was not accepted. That advice was to abolish the protectorate at once and leave the treaty proposed in the Milner report to be negotiated afterwards. In this Lord Allenby had the support of the principal British officials in Egypt, and coming to London with his and their resignations in his pocket he obtained the reluctant consent of the Cabinet. On February 28, 1922 a proclamation was issued in Cairo revoking the protectorate and declaring Egypt to be an "independent sovereign State" but reserving for future agreement :

- (a) the security of the communications of the British Empire in Egypt.
- (b) the defence of Egypt against all foreign aggression or interference, indirect or direct.
- (c) the protection of foreign interests in Egypt and the protection of minorities.
- (d) the Sudan.

Fuad the successor of Hussein, who had been called Sultan of Egypt since the end of the war, now became His Majesty the King of Egypt. In spite of his unpopularity with his subjects, he had shown considerable skill and craft in steering his way between the British Government and

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Egyptian parties and agitators, and he had very decided views, which were to be developed in the subsequent years, as to the position and demeanour of a King in an Eastern country. Not the least important part of this declaration was that it made Fuad a King.

It was by this time any port in a storm. Allenby had at last forced the British Government to do something. But except on the assumption that the reserved questions would be settled with the least possible delay there was little to be said for that something. Egypt had been declared an "independent sovereign State", but Great Britain by her own fiat had "absolutely reserved" a group of questions which, on the face of them, were within the discretion of any sovereign and independent Power. This antinomy lay at the root of the Egyptian problem and neither party could evade it. As Milner had perceived, there could be no settlement unless, at the same time as she was declared to be sovereign and independent, Egypt voluntarily waived her sovereignty on points of vital interest to the British Empire. To declare her to be sovereign by a unilateral decree which left her free of any obligation in return was to increase her power to agitate without satisfying her ambitions.

But the corner was rounded for the moment, and the British Government turned again to other things, leaving the now emancipated Egypt to its own devices. A period of great confusion followed. The reserved questions hung over domestic politics and prevented any concentration on internal self-government. Fuad and Zaghlul vied with one another in baiting the British Government, the one proclaiming himself "King of the Sudan," the other making such demands that the Labour Government of 1924 was obliged to turn him from the door when he came to London. The Society of Vengeance again raised its head, and the murder of Sir Lee Stack, the Governor General of the Sudan, greatly exacerbated feeling and led to the renewal of martial law—which, incidentally, the King much preferred

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to parliamentary government under the liberal constitution promulgated in 1923.

The details from this time forward were told in a recent number of *THE ROUND TABLE* * and need not be repeated. They were all phases of the triangular duel between the King, the popular parties (that is to say, either the Wafd or attempted coalitions between the Liberals and the Wafd) and the British Government on the subject of the reserved questions. British High Commissioners were reduced to reprimanding each of the other parties in turn and at times threatening naval demonstrations, with the reluctant consent of their Government, which perceived only too clearly that whatever happened in Egypt they would be blamed for it by all the Egyptian parties, including the King. Constitution and parliamentary government flickered at times into an intermittent life, but came quickly to a deadlock in which the King resumed power and governed through his favourites and nominees. The death of Zaghlul in 1927 had in the meantime deprived the popular party of its most powerful leader. One effort after another to settle the reserved questions broke down on the question of the Sudan, in which the British Government was restrained by memories of the 1924 troubles, while Egyptian leaders walked in fear of being denounced by Wafd or Palace if they conceded what was reasonable in British demands.

So things dragged on till the summer of 1935, when the Italian invasion of Abyssinia made a new situation. Then there was a remarkable revulsion of feeling in favour of Great Britain and there could hardly have been a better moment for a settlement. But the Government at home was ill-informed; the reciprocity for which the Egyptians had looked was again slow in coming; the Foreign Secretary blundered into speeches which they interpreted as interference in their internal affairs; once again agitators demonstrated and students rioted. British Ministers, like their predecessors in 1920, thought that Egypt should

* No. 102, March 1936, pp. 266 *et seq.*

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wait until other and graver questions were settled and were slow to see the intimate connection between the Egyptian situation and the appearance of Italy in North Africa. These blunders were fortunately retrieved by unusual expedition when at length the question was taken in hand by Mr. Eden. Good sense was now shown on both sides, both in sweeping aside obstacles which had proved fatal to the previous negotiations and in realising what was new in the situation, as it presented itself in 1936.

III. THE TREATY SETTLEMENT

THE Treaty signed on August 26 awaits the ratification of the Egyptian Parliament and will have to run the gauntlet of debate at Westminster, but since it carries the fiat of two Governments, both of which have large parliamentary majorities, its fate need not be regarded as in doubt. It is, nevertheless, important to be clear about the nature of the settlement embodied in it. Let us consider first the military clauses.

The removal of the British troops from Cairo, originally proposed by the Milner Mission, was one of the chief stumbling-blocks in the earlier efforts for settlement, and now that it is conceded its meaning and consequences need to be carefully considered. From the days of Curzon onwards, all the negotiators had to reckon with the active or passive resistance of the soldiers in London and in Cairo. But it was really impossible to reconcile the presence of a British garrison in the heart of the Egyptian capital with the acknowledgment that the country was "sovereign and independent." The parades of British troops and tanks which were daily incidents of life in Cairo seemed in Egyptian eyes to make mockery of the proclamation of 1922. Nor was this merely a point of pride and vanity. The presence of British force in this obtrusive form had two practical results which between them were largely fatal to Egyptian self-government. It undermined the responsibility of the

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Egyptians for keeping order in their own capital, and it enabled them to throw back on Great Britain the burden of everything that was unpopular or corrupt in their own administration.

No one who kept his eyes open can have visited Egypt in recent years without seeing these two causes disastrously at work. Nothing was easier for Egyptian Ministers than to shirk the unpopular business of keeping agitators and turbulent students in order on the ground that the British were there and that, if they insisted on being there, it was for them to deal with the disturbances that their presence was said to provoke. Nothing, on the other hand, was easier for the agitators than to assert that, if the British were not there, they would make short work of the abuses and corruptions which they alleged against their own Government. In this way we have more and more in recent years come to bear the sins of all parties, the governing party washing its hands of responsibility, and its opponents asserting that we were throwing our shield over arbitrary personages whom, but for our presence, it would not have tolerated for a week.

No settlement was possible unless this situation was somehow wound up. The method proposed at length gives reality to the idea that the British force in Egypt is not an army of occupation but an army for the guarding of imperial communications, stationed for the most part, as such an army should be, in the Canal Zone and not in Cairo. At the same time it gives effect to another idea, which has sprung to life since the negotiations of 1930, namely, that the defence of Egypt against foreign aggression should be the joint responsibility of British and Egyptians working together as friendly allies. This joint defence of the frontiers, to which the provision of a powerful British air force is recognised as essential, along with the development of an Egyptian army accepting the services of a British military mission and trained in unity with the British force, is now the object aimed at. With the new roads

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and railways projected and the mechanical transport with which the joint force will be provided, there should be no question of its availability at any point threatened.

Here the guiding principle is that a friendly Egypt is not merely a political *desideratum* but a military asset of the highest value. In proportion as we can rely on a friendly Egypt we may look to the Egyptians to relieve us of having to carry single-handed the burden of defending their country and the Sudan—a burden which, as world affairs are now shaping, is likely to be an increasing one and full of dangerous complications if in an emergency they proved hostile or unfriendly. The solution is undoubtedly the right one, but to carry it out will need forbearance and wisdom on both sides. To provide the necessary accommodation for the British force in the Canal Zone must at best be a gradual and somewhat expensive process, offering numerous opportunities for critics and obstructionists. Finance is a large part of this problem, and, if the new Egyptian régime is not to be started with greater commitments than it can carry, British help and British credit will be needed to tide over the transition stage, at least to the extent provided in the settlement. The problem must be conceived not merely as an Egyptian one but as part of the military reorganisation joining up Palestine with Egypt, through the Canal Zone, which has become a British imperial necessity. Egypt undoubtedly has an immense interest in it, but there are also specific British interests for which the British people must bear their share.

Some anxiety has been caused by the fact that under Article 8 of the Treaty the British Government is committed in twenty years to accept the decision of the League of Nations, of which Egypt is now to be a member, as to the ability of the Egyptian army to "secure by its own resources the liberty and entire security of navigation of the Canal". This, however, should be related to Article 7, which is permanent and which provides that "in the event of war, imminent menace of war, or apprehended international

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emergency" the King of Egypt will furnish on Egyptian territory "all the facilities and assistance in his power, including the use of his ports, aerodromes and means of communication."

The settlement of the Sudan question in Article 11 will be a relief to those who have studied the juristic side of this question, and have in consequence followed with some uneasiness the casuistry which in recent years has been developed to justify the extrusion of Egypt from the Sudan. The Anglo-Egyptian Condominium of 1899 now becomes the accepted basis; the Governor General is to be appointed as before by the King of Egypt but "on the recommendation of the British Government"; that Government agrees to the return of Egyptian troops to the Sudan and to the removal of the restrictions on Egyptian immigration into the country "except for reasons of public order and health."

It is not likely that these provisions will make much immediate difference to the Sudan. Egyptians have shown little desire to take up their residence in that country and, although at the beginning applications for appointments may flow in, not many Egyptians are likely to seek a permanent career there. But, in addition to the permanent interest they have always had in the control of the upper waters of the Nile and the suppression of Dervish fanaticism across their southern boundary, Egyptians now have to contemplate the possibility—let us hope remote—of other invaders approaching Egypt in this way. Here again a friendly Egypt is all important. While the country was in a state of disaffection, it was natural that the British authorities should object to the presence of Egyptian battalions, whose allegiance they could not trust. They had warnings on that subject in 1924 which could not be ignored. But a friendly Egypt, equally concerned with us to guard against invasion by this road, opens up an entirely different prospect. To bring home to Egyptians their responsibility, to welcome the aid of an Egyptian

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force and to make it as efficient as possible now become positive aims of British policy, and the right way of relieving the British taxpayer, who would otherwise have to bear the whole burden in case of emergency.

There remains the question of the capitulations, in which not we alone but most other European Powers are interested. On this we can do no more than promise to "collaborate actively with the Egyptian Government" in giving effect to the arrangements provisionally set out in the Treaty for their abolition. It is improbable that any of the Powers will incur the unpopularity of vetoing their abolition, but a good deal of hard bargaining may be expected. The Egyptians are a shrewd people and, provided the jurisdiction of the Consular Courts is abolished, they are unlikely to press for large and sudden changes which would alarm the foreign traders with whose activities their own prosperity is bound up. But there is another extremely important aspect of this subject. Greater freedom to tax foreigners is essential to Egyptian Governments, if only because the excessive immunity which they enjoy under the capitulations acts as a bar on the taxation of Egyptians. All administrations, British or Egyptian, have shrunk from taxing Egyptians to a greater extent than they are permitted to tax foreigners, with the result that for a comparatively rich country Egypt has been starved of revenue, and her education, social and sanitary services are deplorably backward. Year by year she has to cut her coat to a limited and quite inadequate amount of cloth. A certain lethargy on the subject of the capitulations has been observed among wealthy Egyptians, who are aware that the capitulations act as a shelter against taxation for them as well as for the foreigners, but this is a motive that can scarcely be avowed in the present state of popular feeling.

Finance will in any case be a severe test of popular government in Egypt. The Administration will need more money, but it must learn to administer wisely and for the present frugally. Nothing is more likely to bring

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disaster than the pouring out of money for political objects or the multiplication of sinecures for nepotism or political jobbery. The enormous civil list and other outpourings of public money which have accompanied palace rule ought to be curtailed; a competent audit department is an absolute necessity. In the long régime of British "financial advisers" the Egyptian people have been kept far too much in leading strings in this department, and there is a danger that they will sin in ignorance rather than from deliberate perversity. They have competent and honest financiers in their political parties; it is to be hoped that they will learn to use them and give them the same kind of independence that we give to our Treasury officials. Those of them who are students of institutions would do well to inform themselves of the restrictions in the field of finance that the British House of Commons has voluntarily placed upon itself. All European experience is proving that these are absolutely necessary to prevent the periodical financial crises which are so dangerous to European democracies.

Egypt is determined to make her own democratic experiment and it is wisdom not to stand in her way. The Prime Minister is working under the 1923 constitution which earned the unhappily worded animadversions of Sir Samuel Hoare in November last year. It is his choice and that of his party and entirely within their competence. But no offence can be taken if British well-wishers point out that Egyptians are starting on this course at a time when a large part of Europe is in retreat from it, and that they may have something to learn—if only in what to avoid—from European experience. Broadly speaking, the failure of European parliaments and democracies has been for two chief reasons, first that these were unequal to the elementary part of their business, which consisted in keeping order and protecting their citizens, next that their political parties were rent by such schisms and feuds as to be unable to give any Government the support necessary for it to hold its own in a parliamentary assembly. A certain competence in

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administration and a certain moderation in politics are, as we are learning, the necessary conditions of a successful democracy. For majorities to be content with such policies as can be made to prevail by argument and suasion, and for minorities to submit until such time as they can make their views prevail with the electorate—these are the essentials of parliamentary government, and they must be observed in the East as in the West.

IV. THE NEW SITUATION

THE one thing to be avoided is the idea that, the Treaty having been signed, we can wash our hands of Egypt and leave the sequel to work itself out. On the contrary, the Treaty creates a situation in which the best brains and constant co-operation of both parties will be necessary for at least the transition period and very desirable afterwards. Egyptians have both the advantages and disadvantages of the fact that their country lies across the great highway from Europe to the East. That has added to their wealth and importance and brought them nearer to Europe in thought and culture than any other Eastern country. But it compels them to find a powerful friend in Europe and for that purpose to accept conditions which can only with great tact and forbearance on both sides be squared with their claim to be sovereign and independent. Intelligent Egyptians are well aware that if Great Britain withdrew from their country another European Power would quite certainly take her place, and recent events have been a sharp challenge to them to consider whether there is any other Power which, judged by its own practice and traditions, would be more likely than Great Britain to respect their independence and favour their aspirations to democratic self-government. It is one of the encouraging features of the situation that in spite of the friction and misunderstanding of the last twenty years the answer to that question was overwhelmingly in our favour, when it

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came to the point. If Great Britain was often slow and tactless, Egyptians felt that her traditions were traditions of freedom, and that she was far more likely to keep within the boundaries fixed by a treaty than any Power that was likely to bid for the succession, if she withdrew.

Good-will and friendliness between Egyptians and British residents in their country have survived all the friction of recent years and should greatly help to the smooth working of the new order. The two peoples have much in common. Both have short memories for political grievances and a natural good humour which is not easily quenched. Great Britain may have a giant's strength but she has shown in her history that she knows how not to use it like a giant. If a free partnership is possible in the inevitably unequal terms that are inherent in the situation, it should be with her. But it will not be enough for her to man her Embassy with officials recruited from the Middle East or the Far East as if experience in those regions were a qualification for dealing with the problems of Egypt. The relations with a young sovereign who assumes responsibility at the early age of 17 will need careful handling, if we are to avoid the suspicion that we are trying to circumvent popular government by way of the Palace. Egypt is not in the ordinary sense an Eastern country, she is her own peculiar blend of East and West. The men she needs are men with political brains and parliamentary experience who will be in constant touch with the different Egyptian parties and so act that their advice will be welcomed as that of a wise friend and not resented as the intrusion of a superior Power. The word "adviser", so familiar in the terminology of Egyptian administration, needs to be revived and given its literal and genuine meaning.

The problem for both parties is to keep at a distance all the possibilities—breakdown of administration, disorder threatening foreigners, insolvency—that might compel British intervention. It can be solved if British and Egyptians keep contact in a friendly spirit, but it will not

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be solved by a frigid neutrality on our part, as of a spectator who has predicted disaster and waits for his prophecy to come true. Our desire to let Egypt be governed by Egyptians is genuine and honest, but the neutrality that watches over the boundary between what belongs to them and what is reserved for us must be benevolent and watchful. The large foreign population will still look to us to guarantee their security and to act as the principal arbiter between them and Egyptian Governments, and the latter must be willing to accept us as counsellors and advisers on that subject.

The problem is a unique one, and it is a challenge to both parties to make workable by custom and usage a new form of institutions, in which an inner sphere of self-government is reconciled with an outer sphere of external policy. Great Britain must be predominant in the latter, and it is in the interests of Egypt that she should be, but only by custom and usage can the boundaries between the two be firmly planted. With her habit of adjusting herself to circumstances and meeting emergencies as they come Great Britain has solved many problems which have defeated her neighbours whose methods are less flexible; but she must realise that if the Egyptian Treaty is the end of one dispensation it is the beginning of another, which will call for patience, watchfulness and good sense in both the partners to it.

NATIONALISM IN FRENCH CANADA

I. THE OVERTHROW OF MR. TASCHEREAU

IN Canada the economic depression is lifting, but its political effects continue. The world crisis started political movements which show no signs of disappearing with the advent of better times. Social Credit is entrenching itself in Alberta and is spreading into neighbouring provinces; Mr. Woodsworth's socialist party, the Co-operative Commonwealth Federation, has maintained its national organisation; for the first time, in Manitoba, a Communist has been elected to a Canadian legislature. Mr. Stevens' Reconstruction party alone of the new groups seems to have ceased its activities. All these recent movements, however, have left the French-Canadians untouched. Sheltered from English-Canadian thought by the barrier of language, educated apart in their Catholic schools and universities, they have sought for solutions of their difficulties in a way quite different from their English fellow countrymen. Whereas falling wages and unemployment made the English-Canadian turn his thoughts to economic change, they caused the French-Canadian to turn to nationalism. The political consequences are now beginning to make themselves felt. A new party, the *Union Nationale*, is in power in Quebec, and there is on foot in the province a nationalist movement that in its more extreme manifestations is vociferously secessionist.

For the first five years of the depression there was little in Quebec provincial politics to indicate what direction the underlying movements of opinion would take. The mass of the population, trained to a Catholic view of life, were at

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first inclined to accept unemployment, low wages and low prices much as they would accept a hard winter or a bad harvest. Pastoral letters from the bishops urged patience and warned against the dangers of radical thought. The provincial Liberal party had been in office since 1897; under the leadership of Mr. Taschereau, who had been Premier since 1920, it had become so rooted in every corner of the province that it seemed inconceivable that it might be overthrown. When a certain Maurice Duplessis took over the leadership of the Conservative Opposition in 1933 he could control but 11 members in a house of 90. In the autumn of 1934, however, there emerged a new man and a new party. Paul Gouin, son of the former Premier Sir Lomer Gouin, gathered round him a group of younger Liberals dissatisfied with the Government's do-nothing policy, and formed the *Alliance Libérale Nationale*. It announced that it had two aims: the overthrow of the Taschereau régime, and the reconstruction of the economic and social life of the province in accordance with the needs of the French-Canadian masses. It met with success from the start. The discontented elements, particularly amongst the younger professional and business men, were looking for just such a rallying point, and flocked to the new standard. By an astute move Mr. Gouin made an agreement with Mr. Duplessis and the Conservatives just before the elections of 1935, so that all the anti-Government forces were united. When the results of that vote were made known it was found that Mr. Taschereau had but 48 seats against an Opposition of 42. For the first time in forty years, Quebec was on the march.

Events from that moment moved quickly to a climax. The subsequent parliamentary session was hectic and brief. Mr. Duplessis, who remained as Opposition leader in the House, succeeded in unearthing a series of political scandals by the simple method of forcing the Public Accounts to account—something that apparently had not been done in Quebec for years, save in a formal manner. For persons

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interested in the ethics of North American politics, the details make instructive reading. Mr. Taschereau was forced to resign, and in a last-minute effort to save his party he handed over the leadership to Mr. Godbout, one of the best of his younger Ministers. But repentance had come too late. New elections were held in August 1936, and not even a break between the two new leaders, which caused Mr. Gouin temporarily to retire from politics, could stem the flood. Mr. Duplessis, with a party re-named the *Union Nationale* after the split with Mr. Gouin, was returned with a majority of 76 to 14.

Superficially the overthrow of the Liberal party may appear as the familiar collapse of a long-established Government which has had the bad fortune to meet an economic crisis. Actually, however, it is due in large part to the development of the nationalist spirit, which made the election an event of much deeper significance than a mere party contest. The causes and nature of this new nationalism, and the forms that it is now taking, can only be understood when seen as part of the recent history of the relations between the French and English in Canada.

II. VISION OF LAURENTIA

BEFORE Confederation the French-Canadians, having been conceded their religion and their civil law, struggled principally for three constitutional rights—responsible government, representation by population, and the recognition of French as an official language. These were all accorded in the British North America Act, and a number of additional minority guarantees were added. Since that date the population of Quebec has had the fullest political liberty. The provincial power to control such matters as religion, education, property and civil rights has meant that the French-Canadian may determine his own development in the province in his own way. The English minority in Quebec never has more than four or five seats in the

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legislature, and has no guaranteed right to any. Outside Quebec the French minority has a right, varying somewhat in different provinces, to its separate Catholic schools, and the French language is official for proceedings in the Dominion Parliament and in Dominion courts. Two judges out of six in the Canadian Supreme Court are always French, and Quebec is guaranteed a certain representation in the Dominion Senate and House of Commons. As the French-Canadians grow in number in the other provinces (there are now some 700,000 in the rest of Canada) their influence naturally increases. It is next to impossible to-day for any Canadian Government to carry through a policy to which the French-Canadians are unitedly opposed. For these various reasons the Confederation agreement has always been considered by the bulk of Canadians as having placed minority rights on a secure and ample foundation. Such racial conflicts as have arisen have never seriously threatened the bases of Confederation. Sir Wilfrid Laurier as premier of Canada symbolised the conception of a broad Canadian nationalism unified in political expression but based on a duality of race and culture.

While the bulk of French-Canada accepted this idea, there has long been a minority in Quebec that has pushed the claims of nationalism much farther. Canada's participation in the South African war stirred Henri Bourassa in 1900 to form the *Ligue Nationaliste*. The League attacked the concept of a closely united Empire, opposed British immigration to Canada, and sought a greater control over the English commercial corporations in Quebec, but did not advocate secession. In 1911 no less than 25 Nationalists were elected to the federal House of Commons. This movement subsided, to revive in a new form through the stimulus of Canada's entrance into the world war. Seldom has racial feeling run higher in Canada than during the attempt to enforce the Conscription Act of 1917 in Quebec; for the French-Canadian had not sufficient love for the England that had conquered him, or the France that had

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through political action. The power of the state, it is supposed, will be used to curb and eventually to destroy the stranglehold of foreign finance. There are elements here of socialism, but it will be the right-wing socialism of a Mussolini rather than the complete socialism of a Stalin. Italian fascism has had a considerable influence on the thinking in Quebec, and every nationalist is a believer in some form of the corporative state.

There are thus a number of strands that make up the new French-Canadian nationalism. Its general programme may be summed up in the words "Quebec for the French-Canadians, both economically and politically". This programme is to be achieved, to use Abbé Groulx's words, "within Confederation if possible, outside if impossible". Even if this policy may involve the abandonment of the French minorities outside Quebec, the price is one that many are willing to pay. The Abbé put the case in simple form when he recently told the *Congrès des Jeunes Patriotes* that "Quand on ne peut tout sauver, on sauve ce que l'on peut. Et rien ne servirait de périr tous ensemble sous prétexte de s'entraider".

Necessarily the achievement of a French Catholic state will mean a radical change in the English position in Quebec. A wave of anti-English feeling is steadily mounting, and along with attacks on the English have gone some even more virulent forms of anti-semitism. The Jewish population in Montreal is just sufficiently large to give occasion for violent outbreaks of the fascist type, a number of which have already occurred. The nationalist movement is also anti-democratic, for it has been taught to see in parliamentary democracy not only an English institution but also a party system that sets French-Canadian against French-Canadian. It is becoming aggressively opposed to the toleration of any radical speech or activity, however mild. It is a strongly Catholic movement, most of the parish priests and many of the religious orders, particularly the Jesuits, being its chief supporters. At the opening of the new legislature last

SEPARATION AND ISOLATIONISM

October Cardinal Villeneuve was provided with a special throne in the Council Chamber, to symbolise his equality with the representative of the Crown; the Anglican bishop was merely in attendance. In regard to foreign affairs the nationalists are complete isolationists, even those who do not advocate secession being ardent advocates of a policy of neutrality for Canada *vis-à-vis* both the League and the Commonwealth. On domestic issues they stand for a policy of decentralisation, and oppose all suggestions of amending the British North America Act or of strengthening federal powers in any way.

III. SEPARATISM AND ISOLATIONISM

ANY attempt to estimate the strength of the nationalist forces at the present time is difficult for an English-Canadian to undertake. Obviously different parts of the programme receive different degrees of support. The out-and-out separatists are a small minority even of those who may be called nationalists. Their principal organ is *La Nation* of Quebec, edited by Paul Bouchard, an ex-Rhodes Scholar, but a number of other newspapers openly preach secession. "Laurentia" has already been chosen as the name of the new state. The "long-term" separatists who look for ultimate independence but for the moment are content to work within Confederation are a much larger number. Before the provincial elections of last August several candidates spoke of separatism as an ultimate ideal, but only one, René Chalout, included the plank in his immediate platform. Since the elections, now that the task of defeating the Liberals is complete, the more responsible leaders have been attempting to hold the extreme nationalists in check; Mr. Duplessis has appealed to his followers to respect the tradition of racial toleration, while Mr. Gouin and even the Abbé Groulx have recently urged that the French-Canadians must prepare themselves by study and education before they can hope to occupy the

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position that is rightfully theirs. The movement for economic emancipation from the domination of English capital is undoubtedly extremely widespread and will have important repercussions in the near future. The point on which there is the maximum agreement is the isolationist foreign policy; Canada could not take part in another European conflict at the moment without incurring the serious danger of a civil war.

The immediate economic consequences of Quebec nationalism will probably take the form of an attempt to control more closely certain of the large corporations in the province. The electric power companies are likely to be the first to be dealt with. A new Electricity Commission is in existence with wide powers of investigation and control, and there is strong sentiment in favour of municipal ownership of stations. The chief proponent of public ownership of electric power, Dr. Hamel of Quebec, was excluded from the Duplessis Cabinet, but he has a large following in the party and may yet force the hands of his chief. The chain stores are also under suspicion; for, besides the fact that they are not French in ownership, the nationalists dislike large-scale organisations and lean toward petty industry and independent retail merchandising. In anticipation of new taxes the biggest oil companies have already abandoned the retail field and have handed over their filling stations to independent operators. Co-operative agricultural associations are favoured by the nationalists, but the genuine co-operative spirit may well find itself handicapped by too much state interference.

Independent of legislative action there is growing up a movement for the *achat chez nous*, designed to make the French-Canadians confine their purchases to their own stores. There is also a steady demand that more French-Canadians should be employed in the big English companies and in the Dominion civil services. But it is difficult to see that economic *refrancisation* can go far unless the Quebec legislature is willing to embark upon public

SEPARATION AND ISOLATIONISM

ownership on a large scale, and it is safe to predict that this will not occur, since the Church will oppose any direct attack on the principle of private property, disliking as it would the confiscation of investments of which it holds itself no inconsiderable share. Certainly the talk of creating a "corporative state", in which many nationalists profess to see their salvation, is unlikely to achieve anything save the destruction of democracy.

From the wider point of view of Dominion politics the nationalist movement in Quebec is of the greatest importance. Canada's allegiance to the principle of collective security, and still more her participation in any schemes of imperial defence, are rendered that much more difficult. Mr. MacKenzie King's non-committal speech at the last League Assembly was received with great approval in the province that supplied him with 54 French Liberals in the last federal elections. French-Canadian opinion supported Italy throughout the Abyssinian incident, just as it sympathises with the Spanish rebels to-day. Any plan to bring in new immigrants to Canada will meet extreme opposition from nationalists who see in the French birth-rate a promise of future domination in the Dominion. Amendments to the British North America Act will be bitterly fought; if the Privy Council does not uphold Mr. Bennett's legislation on the present references from the Canadian Supreme Court, the outlook for a national system of industrial regulation is poor. Finally it is quite possible that the old party alignments will be abandoned in Quebec, and that the *Union Nationale* will enter federal politics. It is the expressed desire of the nationalists that French-Canadians should not be divided amongst themselves but should present a united front to the rest of Canada.

To direct the existing feeling in Quebec into constructive channels will require wise statesmanship from the leaders of both races. Unfortunately there is little evidence of such leadership on either side at the moment. French-Canadian liberalism, in the best sense of that word, is

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temporarily crushed. The voice of the extremist is most frequently heard. Until the clergy are willing to improve the education they give the people, French-Canadians can never hope to possess the technical skill and experience required by modern industry and finance. Yet all attempts to liberalise the education policy of the Catholic School Commission meet with stern opposition from the Church. English-Canadian opinion on its side is only now beginning to awake from the indifference with which it usually treats the movements of thought in Quebec. The English commercial interests, by opposing much needed social legislation, have added to the subjection of the workers and stimulated the very spirit from which they will be the first to suffer. Undoubtedly a prolonged revival of prosperity would ease the present situation, but the momentum already acquired will carry the nationalist movement far before it declines.

Canada,

October 1936.

INDIA MAKES UP ITS MIND

I. SOUTH AFRICAN CONTACTS

ONE of the chief incidents of the past months has been the visit of the South African Delegation to India. This has been described as a "Goodwill Delegation," and it came with no specific problems to discuss or settle. Primarily its purpose was to give a representative section of South African public men and officials some insight into the nature and circumstances of the great country which at one remove provides South Africa with one of its most difficult problems. The deputation comprised representatives of the chief South African political parties and a number of officials, particularly those connected with Indian immigration matters. Their strenuous tour took them practically only to provincial headquarters, although two Indian States were also visited. It is one of the difficulties of such tours that, since one large city is not very unlike another, real variety is apt to be masked, and change of scene, when obtained by dint of 1,000-mile railway journeys, to vanish in a tepid monotony.

It has been generally realised that the visit was a good step, and practically all shades of Indian opinion have united in welcoming the Delegation. The leader of the Congress party in the Assembly held a reception for them, and members of the party accepted invitations to semi-public functions in their honour. The speeches of the leader of the Delegation have been generally praised, and Mr. J. H. Hofmeyr may be said to have added to his stature both as a statesman and as an orator by his visit to India. His position was not easy; there have been and are too many points of difference between India and South Africa to make it anything but delicate, while the wide range of

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viewpoints within his own Delegation must at times have complicated his task. He acquitted himself admirably, and succeeded to an unusual degree in combining tact and frankness, a combination difficult to achieve but singularly refreshing when achieved. He made skilful use of the parallels between the two countries as well as the differences, for example that he, like Indian politicians, was making his speeches in a language not his mother-tongue, and that a substantial portion of present South African legislators or office-holders had seen the inside of gaol or been actual rebels.

South Africa is new and remote; India is ancient and near the hub of the modern world, a hub that could be said to be moving steadily eastward from its former location in Europe. Both countries are self-conscious, but the self-consciousness of lusty youth is different from that of ancient dignity. "What do they know of India who only Africa know?" There is a feeling in India that the South Africans are too ready to conclude that India is, as it were, a coolie country. If so, this visit must have helped considerably to change that outlook. One suspects that the features which the Delegation on their return will find most prominent in their recollection will be not so much the dimensions of the country—after all South Africa is a country that thinks in distances—nor even its diversity, for South Africa has as intimate a consciousness of diversity as any other country in the world, but the density of its population, the magnificence of its scenery, and the trying nature of its climate in the between-monsoon period—over a great part of the country the most unpleasant time of the year. They will have an impression, too, of the age and power of the Indian civilisation, and may realise better that the Indians in South Africa, though in perhaps an inarticulate way, do represent something in the culture of the world.

The Delegation came to build up ties of understanding and to observe, and anyone who has the interests of both

THE VICEROY'S ADDRESS

the countries at heart must hope devoutly that true observation was not buried under hospitality; for in matters of the sort eternally at issue between South Africa and India mutual knowledge is a great, if not the only solvent. India will always respond to a "gentleman's agreement." It is precisely because in the past she feels she has not been treated as a gentleman that she has resented the South African position.

Indo-South African relations offer an example of a class of problem that is bound to grow more acute; for in essence it is the same as that presented by the contrast between, say, Australian emptiness and Japanese surplus. The Indian is a better colonist than the Japanese; for like the Englishman, or at least like the Englishman of former decades, he takes his own world with him and sets it down in his new surroundings. In that translated world he is content to live and work without pining unduly for the land he left behind him. He is, in addition, frugal. His homeland is undoubtedly crowded, and Dominion India of the near future will question increasingly the exclusion of Indian emigrants from countries suitable for them. In one way or another, this problem is presenting itself all over the eastern and southern seas, not only, although predominantly, in parts of the Commonwealth. It is almost a chronic sore in Africa, it is coming into prominence in Ceylon and Malaya, it is perennial in Fiji, and recently it cropped up in a limited form in French Indo-China. India offers an enormous market, one of the best in the world, and the signs of the future are that access to this market will tend to be governed by the treatment accorded to Indians in other countries.

II. THE VICEROY'S ADDRESS

HIS Excellency gave his first address to both Houses of the Indian Legislature on September 21, 1936. The Congress party absented themselves *en bloc*. It might be

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hazarded that not all Congressmen approved of this abstention; some indeed were rather ashamed of it. The action is significant in two ways, as illustrating, first, the discipline which the Congress have been able to work up in their legislative representatives, and, secondly, the determination of the guiding spirits behind the Congress to widen the gulf between them and the Government in India, or, perhaps one might better say, to prevent any narrowing of that gulf.

The speech itself took a different line from most of those made on similar occasions in the past, in that it was less a catalogue of achievements than a general reflection on the position of India to-day and the main problems impending.

I am taking all possible steps to expedite the investigation and disposal of those problems (*i.e.* bearing on the inauguration of federation). . . . The question is receiving day by day my own close personal attention.

A pregnant reflection that might well awake echoes elsewhere was :

I am moved on occasions to ask myself . . . whether we are not in some danger of finding ourselves so engrossed in the multifarious details of the plan as to lose sight of the essential outlines of the structure and, at times, even of the splendid vision that has moved and inspired its inception. In truth the moment has come for a due appraisal of the fabric as a whole.

The Viceroy went on to compare the position in India with the "dark and ominous background of contemporary world events". In Europe dictatorships were arising on all hands and civil war was rending an ancient and proud country. The world in one way or another was witnessing the "recrudescence of the rule of force". India was attempting to extend the realm of the rule of persuasion, and, whether this great effort were to fail or not, it would be to Great Britain's abiding credit that it was attempted.

Commenting on the formation or development of political parties in India, a point which has been dwelt on more than once before, Lord Linlithgow remarked that "it was easy to overestimate the power of the party manager

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to influence the course of party evolution and to fall into the capital error of forgetting that in these matters it is the electorate that shapes parties as well as policies". Perhaps the wish here was father to the thought. India now and for a long time to come will continue to offer great scope for the party leader in the sense of a man who can touch imagination and hearts, and even for the mere spellbinder. Like all countries accustomed to authoritarian government, India likes leaders who can lead; her trouble is that too few such men appear. For electorates to shape parties in the real sense of the word, they must think as well as feel. If they only feel, then they are ripe for the leader who can play on them, and it is he rather than they who will do the shaping. The enlarged Indian electorates of the immediate future are likely, if a real leader emerges, to offer him the following of every leader's dream, one that will not reason why but merely follow.

Nothing could be more in the interests of India than the emergence of real parties; for the survival of democratic government at all could reasonably be held to depend on the survival of a party system. It is one of the chief arguments for political reforms in India that they may enable such a system to develop before it is too late. Possibly some such feeling is behind the urge for an early achievement of federated India; but the first effect of the changes can hardly fail to be to offer great opportunities to individuals who have the power of moving an uncritical mass.

Comments on the Viceroy's address to the Legislature were united in admitting the sincerity of the speech but divided on its implicit approval of the new constitutional scheme. One paper even compared the present régime with that of Curzon, and found, strangely enough, a real concern for Indian as opposed to Imperial interests to be a characteristic of the earlier régime rather than of the later. There is something in this criticism, but in a way the deprecated change is a reflection of a shrinking world.

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The criticisms of the new constitution prompted by His Excellency's speech offer nothing that has not been retailed at length, and frequently, in the last three years.

III. CONGRESS DEVELOPMENTS

A GOOD deal of interest attached to the manifesto adopted by the All-India Congress Committee towards the end of August. It contained nothing new, however, unless a certain added emphasis on such points as the "poverty-stricken masses of to-day are in the grip of abject poverty and destitution", or "relief to the smaller peasantry by a substantial reduction of the agricultural rent and revenue now paid by them and exempting the uneconomic holdings from the payment of rent and revenue", can be taken as indicating the influence of the present President. The Congress "offers that joint national front which comprises all classes and communities bound together by their desire to free India and end the exploitation of her people. . . ." This is quite true. It is at once the explanation and justification of the Congress that it has served as the vehicle for the urge to Indian autonomy or independence. Once a serious degree of autonomy or independence is reached, the Congress is likely to find matters—and itself—changed.

The object of entry into the legislatures is declared to be not to co-operate in any way with the Act, but to combat it and seek the end of it . . . to carry out . . . the Congress policy of the rejection of the Act and resist British Imperialism.

The manifesto declares that Congress realises that independence cannot be achieved through these legislatures, nor can problems of poverty and unemployment be effectively tackled by them. Undoubtedly, however, the Congress is well aware of the degree to which the future legislatures will be usable towards nationalist ends. True leaders do not lose sight of the fact that the central legislatures of the future will be elected mainly by the provincial

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bodies; thus control of the central legislatures is a re. of control in the provinces, and a single caucus may be both the provincial and the federal outlook. The demand for a speedy realisation of federation heightens the importance of this aspect.

The acceptance of office was postponed for decision "after the elections", with the rider that in any event the Congress stood for the rejection of the Act. The leaders are wise in adopting this attitude. It may be taken as reasonably certain that where the Congress secures a clear majority it will take office and use it to the utmost. It is unlikely to take office without a positive majority. Where it does not actually take office, it will function as a constant and intransigent Opposition, and we may quite possibly see Congress Ministries in one province more or less working the new Act while Congress Oppositions in another work against it. Such a spectacle need not arouse surprise or consternation. Political developments are rarely instantaneous, and inconsistencies of this kind will really be illustrations of the passage from the freedom of criticism to the responsibilities of government, in fact towards the emergence of real parties. Their emergence is of great importance for the future of India and may decide the form its government will take. It is, however, a characteristic of human beings to be often unaware of developments in or around them, even of the most vital importance; thus a large section of the Indian political world have apparently no idea of the real nature of the changes they are witnessing or even assisting.

As an indication of the differing opinions on this topic one may quote an interesting comment from the *Hindu*, the chief English nationalist paper in the South and perhaps the best in the country, which declares pointedly that the Congress by accepting office would be acting in conformity with the known wishes of the electorate. . . . If to-day there is a dispute in the Congress ranks on this matter, that is due to the fears that the powers transferred to the electorate and its representatives will be merely illusory. It is up to the powers that

be to demonstrate that these fears are unfounded. It is equally the duty of the great national organisation . . . not to interpose needless obstacles in the Congress atmosphere of mutual toleration.

The last phrase is significant and from it the paper goes on to deprecate the decision of the Congress party in the Assembly to absent themselves when the Viceroy addressed the Legislature.

So deep have differences gone that leaders have expressed their differences publicly and categorically on the platform. Thus in a speech at Madras Pandit Nehru declared that

so far as Congress is concerned, it is going to do everything to wreck, destroy and uproot the new constitution. The forcing of the new constitution despite the unanimous disapproval of India will mean an invitation to revolt. It would be a fatal error for the Congress to accept office. That inevitably would involve co-operation with British imperialism.

This is in piquant but significant contrast with the statement issued to the press by Mr. Satyamurti to the effect that for Congressmen not to accept office in the provinces, were they to get a majority, would be directly playing into the hands of British imperialism and its worst allies in the country, namely, communalists and reactionaries. "In saying this, I believe that I represent the vast majority of the Congress opinion in the province."

The contradiction is complete. The almost habitual over-emphasis of Congress statements makes caution in interpretation advisable, but it might be said with little hesitation that Mr. Satyamurti shows the greater appreciation of realities. The Pandit is to a large extent in the hands of theory, a weakness that tends to become more pronounced. His rival, on the other hand, has his gaze fixed on the actual facts of government in the future, and, perhaps because of his experience in legislatures, he realises that whatever the doctrinaires may say the momentum of a going concern is difficult to arrest, and what should therefore be aimed at is to get behind that momentum in order to direct it.

There has been a good deal of speculation over the succession to Jawahar Lal Nehru as President of the Congress. His short term ends with this year. Suggestions, sponsored it is said by Mr. Gandhi, have been made in favour of a three-year tenure for Presidents, beginning with the Pandit. These met with strong opposition from various quarters. Congress on the whole is still attached to its yearly succession of Presidents, and perhaps unconsciously subscribes to Rousseau's dictum that the only moment of freedom is when the voter is recording his vote. Those who have observed Congress at work and the markedly authoritarian tinge its leaders so readily assume, particularly under the present régime, will wonder neither at the proposal for extension nor at the opposing reaction on the part of all in Congress who retain what might be termed the liberal outlook. These last, however, are a diminishing element both in numbers and in weight, and are to be found mostly among the older men. There is a fascist urge observable in Congress—also a socialist urge. The most interesting political speculation of to-day is how the two will mingle.

Presuming a fresh election, a strong candidate will probably be Abdul Ghafar Khan. It is said that he can command large socialist support because of his opposition to entry into office. There is no doubt that his election will be popular and appreciated, and if he chooses to run it seems certain that he will be elected. The fact that he is a Moslem is much in his favour; for Congress, a predominantly Hindu body, is keenly alive to the advantage of emphasising its Moslem appeal.

The socialist objection to acceptance of office is probably based on a fear that the Congress party in provincial office would be Amurath succeeding Amurath. When the franchise is still further widened and the growing industrial proletariat in India commands its block of votes, this attitude will probably be found to have weakened. Such a weakening can already be detected in Bengal, but the

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probabilities are that the socialists' distrust of a party they still regard as a propertied, essentially bourgeois organisation will continue at any rate till suspicions or fears have been tested by events.

IV. PREPARING FOR THE ELECTIONS

"THE dogs bark but the caravan moves on." There is a constant yapping about the acceptance of office, but the Congress goes steadily ahead with its electoral preparations. Once again it is the South that leads in political acumen and preparation; in both the southern Presidencies the Congress electoral organisation has reached a high standard. A foretaste of this was given in the last Assembly elections in Madras, when the Justice party were not only defeated but routed. Bombay has taken a leaf out of the Madras book, and local committees cover every electoral area. They follow the practice in England, where parties take steps to put newcomers or others on the rolls, and few will escape the Congress net if the present pressure continues.

The latest Bombay indications of an electorate much in excess of expectations show how well the work has been done. The number of women brought on to the roll is particularly impressive, and the New India may well reflect to a greater extent than was anticipated—or than is welcome—the influence and ideas of the more extreme sex.

Apart from the actual more or less mechanical matter of getting names, the Bombay provincial committees have been asked to survey their territory constituency by constituency, report on the temper of the people, discuss the chances of Congress success in respect of each seat, and draw up an exhaustive general report of the election prospects. This sounds almost excessively ambitious, but it shows the correct political perspective. The idea is, after weighing up the characteristics of the constituency or the electorate, to choose the candidate best suited for it.

PREPARING FOR THE ELECTIONS

Where personality and bluff are indicated, an endeavour will be made to supply them. In fact a real political caucus is in process of formation. Dr. Subbarayan, a former Minister of Madras and now one of its Congress leaders, is of the opinion that the Congress will secure a majority in five provinces, including the two southern Presidencies and the Central Provinces. His prediction is probably correct as regards Madras and the Central Provinces, possibly also as regards Bombay.

The whole point about the acceptance of office issue is that it will fall, when the time comes, like a ripe fruit. Some of the unceasing controversy is in the nature of a smoke screen to conceal a timely withdrawal from a former position. It may even be that the chief protagonists have actually been put up for the purpose. It is impossible to believe that after all the intensive electoral work to capture the legislatures the logical corollary of office acceptance will not ensue. Men who can refuse power are indeed rare, and although the Congress may, and indeed does, contain one or two, it does not contain any more than an average body of men—certainly not enough to prevent the constitution's being taken and worked.

It is important to realise, however, that working the constitution does not necessarily, or indeed at all, imply working it on British lines or on accepted lines. It is practically certain that the constitution will be worked, but it is equally certain that a determined attempt will be made to work it on purely Indian lines, which may be as displeasing as they are surprising to its British originators.

The approach of the elections has inevitably brought forward the famous Poona Pact from the region of theory to one of fact. The difficulties inherent in its complicated procedure are realisable to some extent merely from perusal, but its actual efficacy, or, as the cynics would say, the extent to which it will disappoint the hopes of its framers, can only be determined by the actual test of elections. No paper scheme can give life; at the most it can only direct

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or possibly constrain; it is precisely the problem of the depressed classes that politically speaking they have not yet become alive. Their unity has never, as a political fact, been notably stable or even achieved, and for all the great efforts of Dr. Ambedkar and others this section of the population is dumb and to a large degree uninterested in the theories of its so-called leaders.

One should understand the peculiar connotation of the word "leader" in this country. It is not necessary to have a following before you become a leader; in fact there have been movements in India which consisted entirely of leaders. In a country of developing political consciousness, this is not unnatural, for every movement starts from a single brain, will and purpose. In the West, however, we expect to see develop behind the leader a more or less coherent and disciplined mass. The depressed classes in India so far show no signs of such cohesion. Already in Bombay these classes are split into three groups among themselves, and when the elections come the chances are that many if not most of them will vote on lines not laid down by the interests of their class as interpreted by their leaders. In fact, they are ready and ripe to be plucked by the spellbinder or a diligent and persuasive caucus.

V. FEDERATION AHEAD?

THE tempo quickens as the elections approach. By March all the provincial elections will be over, the constitution of the new Houses will be known, the acceptance of office issue will be settled and Ministries either appointed or foreshadowed. Though provincial autonomy takes the forefront of the stage, the quickening tempo has affected also Part II of the Act, and we are witnessing the beginnings of a federation drive. The intention is that special officers will visit the various States in order to discuss the points of difficulty or difference and so accelerate decisions regarding entry. There will be hesitations and even regrets, but the

FEDERATION AHEAD?

detached observer can have only one conclusion, namely, that the number of State units in India that could, if they wanted to, remain outside the federation orbit is small. On the other hand, if this number stood outside, the multitude of lesser States could do so also. It is this circumstance that lends special importance to the attitude of such States as Hyderabad, Mysore and Travancore. The premier Indian State has for long attacked the federation problem with diligence, thoroughness and skill, and has not hesitated to enlist the most expert legal and other aid from the United Kingdom as well as India. The omens are that it will federate, and the others of the major group also. That being so, it may be taken as certain that federation will come. April 1, 1938, may prove on the optimistic side as the commencing date, but is not impossible. A year later seems more likely.

India,

October 22, 1936.

FREE STATE OR REPUBLIC?

I. THE BY-ELECTIONS AND AFTER

THOSE who believed that the sweeping victory of the Lord Mayor, Alderman Byrne, in the Dublin municipal elections last June * indicated that Mr. de Valera's power and popularity were on the wane have been sadly disillusioned. The two by-elections that took place in August in Galway and Wexford prove conclusively that he is still the political leader of the Irish Free State and that his seat in the saddle is firmer than ever. In both constituencies the United Ireland (or Cosgrave) party appealed to the clan feeling, so strong in Irish politics, by choosing as candidates close but non-resident relatives of the deceased deputies, and these were opposed by local Fianna Fail politicians. In Galway the United Ireland candidate was Professor James Hogan, professor of history at Cork University College and a brother of Mr. Patrick Hogan, Minister for Agriculture in the Cosgrave Government, whose untimely accidental death had caused the vacancy.† Professor Hogan is a man of great ability and charm with a splendid record of national service, and a scholar of considerable achievement. Both in the Anglo-Irish conflict and in the subsequent civil war he played a conspicuous part. It was his courageous action in August 1934 that led to the resignation of General O'Duffy from the leadership of the United Ireland party.‡ But, like many academic people, his interest lies rather in the theory than in the practice of politics, and he lacks his late brother's realistic grasp of affairs.

* See THE ROUND TABLE, No. 104, September 1936, p. 788, 789.

† See THE ROUND TABLE, No. 104, September 1936, p. 790.

‡ See THE ROUND TABLE, No. 97, December 1934, p. 159.

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Soon after the start of the election campaign it became clear that he had his own views as to the future policy of the United Ireland party, and that he intended to try to outbid Mr. de Valera for Republican support. In an interview, which appeared in the Irish papers on August 7, he declared that Ireland had outgrown the Treaty of 1921, which was merely the jumping-off ground from which we should reach a completely independent and united Ireland. He objected to the declaration of a republic for the Free State alone, on the ground that it would postpone, if it did not make impossible, the realisation of an all-Ireland republic. Partition, he said, was maintained by Great Britain against the spirit, if not against the letter, of the Treaty. He then suggested as an immediate solution that the British Government, whilst allowing Northern Ireland to retain her existing autonomy, should hand over the reserved services and powers to the Free State. The rest, he said, would follow in its own good time. He concluded by suggesting that the British political system was wide enough to contain an Irish republic.

Whatever one's views as to the political wisdom of this declaration, it seems clear that, if made at all, it should only have been made as a statement of party policy by Mr. Cosgrave himself. The effect on the ordinary voter could only be confusing, because if he agreed with Professor Hogan's views it would be better for him to vote for Mr. de Valera's candidate, Mr. Niland, who could put them into practice more effectively, and if he disagreed with them he could not vote at all. Nor was the position clarified by Professor Hogan's further declaration on the eve of the poll that he was prepared to co-operate with the Fianna Fail party against "the ancient enemy England" in the cause of Irish unity, a declaration which Mr. de Valera caustically welcomed as a sign of repentance.

Mr. Cosgrave himself, speaking on July 26 at the party convention that selected Professor Hogan, said that a new

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constitution, no matter how framed, could not remedy the partition of the country, any more than it could be remedied by verbal broadsides delivered by veteran warriors comfortably ensconced in Free State armchairs, a reference that might well have been applied to his own candidate. Mr. de Valera's constitution-mongering policy, he said, was framed for one purpose only—to divert the opinion of the electors from the real issues affecting the people. Mr. de Valera, on the other hand, said at the opening of the election that, if the result indicated that the people wanted a change of Government, then it would be necessary for the Government to have a general election and let them choose. They proposed, he said, to give the country a constitution regulating all the machinery of its internal government, of such a character that if at any time it wanted to declare a republic there would be no necessity to change a single line.

Speaking later at Wexford on August 14, he said that the Government's aim was complete freedom in this country, not for a part of it but for the whole island, and this aim was best expressed by the term republic. There was, he added, a section in the North who were not prepared at present to come into an all-Ireland parliament, no matter what its relations with Great Britain might be. They could not reach their goal unless some method could be found by which they would be able to bring about the unity of the country and get a satisfactory relationship between themselves and Great Britain. In another speech at New Ross on August 14 he offered to set up an impartial commission composed of a leading judge or constitutional lawyer, a professor or student of history, and some person qualified to examine documents, presided over if necessary by a bishop, to inquire into the events leading up to the signing of the Treaty and the outbreak of the civil war. To this offer Mr. Cosgrave replied by saying that the problems of to-day constituted for the people of this country a more important issue than the

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events of fifteen years ago. He might have added that the findings of such a commission, even if unanimous, which would be very unlikely, would not alter or resolve the fundamental differences of approach and mentality out of which the civil war arose.

Mr. Sean T. O'Kelly, who is Minister for Local Government and Vice-President of the Executive Council, innocently contributed to the humour of the hustings by declaring that the Government were out to smash their way out of the British Empire. Mr. O'Kelly, who is not really as ferocious or dangerous as he sounds, does not yet seem to have heard of the Statute of Westminster, or, if he has, no doubt thinks that the electors of Galway have not. On the whole, however, both elections were fought in a spirit of good humour and courtesy creditable to all parties and of vital importance to our ordered political development.

In Wexford the United Ireland party candidate was Captain J. Esmonde, a relative of Sir O. Esmonde, the deceased deputy, and the Fianna Fail candidate was Mr. D. Allen. In both Galway and Wexford the extreme Republican party ran candidates, in Galway the venerable Count Plunkett and in Wexford Mr. S. Hayes. In Wexford the Labour party also ran a candidate. The result in both elections was similar. At Galway Mr. de Valera's candidate secured a majority of 14,022 votes over the combined poll of the other candidates, the Republican polling only 2,696 votes. The United Ireland party poll fell by a thousand votes as compared with the recent by-election in the same constituency. In Wexford the Fianna Fail candidate had a majority of 952 over the other three candidates combined, and a majority of 6,529 over the United Ireland party candidate. Here again the Republican candidate was at the bottom of the poll, with only 1,301 votes.

In a message issued after the election Mr. de Valera said that no one could fail to appreciate the significance

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of the results. The Government could face the work that lay before them in the coming year with stout hearts, knowing that in their effort to surmount the obstacles in their path they would have the unwavering support of the great majority of the people. Was it too much to ask, he added, that the minority would now cease obstructive tactics and bend their efforts to help the Government in the constructive work—national, economic, social and cultural—on which they were engaged?

To which Mr. Cosgrave replied that the policy on which Fianna Fail won the Wexford and Galway elections contained, albeit fourteen years too late, a clear assertion of the right of the majority of Irish people to legislate for and govern the country. The political verdict for that principle was one that should be welcomed by every section of the community. The policy of the Fianna Fail party, however, pretended to assert the desirability of continuing to the bitter end what they had described as "the economic war", and of destroying the country's membership of "the Commonwealth of Nations". Inasmuch as these two objectives, in his party's opinion, meant the economic ruin of their people, the indefinite postponement of national unity, and the abandonment of real sovereignty and freedom for a united Ireland, they should continue resolutely to oppose them, in the conviction that eventually the Irish people would come to realise that in these matters the United Ireland party stood for the real national interest, as they stood for it when they insisted on the ultimate and essential necessity of vindicating the right of majority rule. The policy of his party, he added, was a united Ireland as a free and independent nation in "the Commonwealth of Nations", a national economy founded on a prosperous agricultural industry, operated so as to provide a profit not only for the farmers and labourers on the land, but indeed for the whole community, and a healthy development of Irish industry, together with a growing international trade. On this

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basis alone could the standard of living be raised and the agricultural community delivered from the fate of being permanently reduced to the level of impoverished peasants. It is perhaps unfortunate that this statement of policy did not precede the by-elections, but it was certainly necessary after Professor Hogan's republican excursions.

It is interesting to note that Mr. de Valera's speeches now invariably suggest that an all-Ireland republic, which is the only kind he wants, is something desirable rather than possible. In fact, speaking at the opening of the new Cork City Hall on September 8, he indicated, in spite of the rude interruptions of several Republican Amazons, that the revival of the Irish language was of more immediate importance than the establishment of a republic, a statement which caused a shrewd political observer present to comment that the language appeared to be taking the place of the republic.

Be that as it may, the by-elections certainly demonstrate that Mr. de Valera's personal ascendancy is still unchallenged, and that, as has been pointed out before in these columns,* he is now at the summit of his power. It is of course true, however, that the by-elections, being in each case for one seat only, were not fought under the ordinary system of proportional representation, and that therefore a general election might not show such decisive results. The only thing that could affect Mr. de Valera's position is the danger of an increasing physical blindness, which both friends and opponents sincerely hope will not be realised. Without his leadership and strong romantic personal appeal, his party would soon cease to control the country; for they have no one to take his place.

The secret of that appeal is not easy to determine. He is certainly not an inspiring speaker, his elocution is poor, and, apart from a very distinctive personal appearance and a gracious manner, he has few of the attributes associated with popular demagogues. The secret is more probably

* See THE ROUND TABLE, No. 102, March 1936, p. 349.

to be found in his romantic foreign origin, his revolutionary career, and the conviction of sincerity of purpose he undoubtedly conveys. Like Gladstone, he takes an apostolic view of his political mission and is able to impress it on others, but, like Gladstone also, he is thought by his opponents to be actuated by cunning hypocrisy and love of power rather than divine inspiration. His approach to political problems, it must be confessed, is mathematical rather than human. Moreover, he has few confidants and fewer advisers. He keeps himself aloof and somewhat remote from the rank and file of his followers, to whom he assumes the rôle of oracle rather than adviser, and some of whom he clearly, and perhaps naturally, rather tolerates than admires. To them he is known as the "Chief", a word that has deep roots and implications in Irish social and political history. But he realises quite well that his position is not that of a dictator, and that it must be based on affection rather than bayonets.

The most valuable result of the by-elections is that they show that the people strongly approve of his tardy decision to deal firmly with the so-called Irish Republican Army, the militant wing of the extreme Republican organisation. In his last speech during the Galway election he said that he wanted to speak on something that was more important than any other issue, direct or indirect, at stake in the election, the fundamental question whether they wanted ordered, peaceful conditions in the country or not. If they wanted these conditions, was there any sane person, he asked, who thought they could be realised if a group of individuals or a section of the community, without any authority except that which they arrogated to themselves, could equip and maintain armed forces with the avowed object of taking the field at a suitable time against the rest of the community—the majority of the people—unless indeed the majority yielded to their will; and in the meantime claimed the right to take the lives of their own members or other members of the community, whom they

deemed to be offending against their code? Bloodshed and anarchy would, he declared, be the inevitable outcome of tolerating such an organisation. He then referred to the "callous and cowardly murder" of Admiral Somerville, and described a speech made by Miss Mary MacSwiney, the well-known Republican diehard, during the election campaign, as a condonation of and attempt to justify these crimes. Such condonation and justification must, he said, be an encouragement to those who planned and carried out those murders—encouragement to plan and commit more.

Mr. Cosgrave's comment on this speech was that it was the appeal of a fond parent to an erring child, because the men who shot Admiral Somerville were brought into existence by the policies pursued by the Fianna Fail party and its leader. But for that leader no blow would ever have been struck in Ireland against an Irish Government. But for his fostering care, his ambiguous speeches, his skilful appeals to national tradition, there would now be no arms in the hands of any body of Irishmen in the Free State save the army and police. And Miss MacSwiney herself, from another angle, was not slow to reply that every word she had said in Galway or elsewhere, in condemnation of "Mr. de Valera's coercion to-day", could be paralleled from his own speeches in 1931, when he denounced the introduction of the Act he is now using himself against the I.R.A.—the Act that established the Military Tribunal and gave the police special powers to deal with political offences.

She went on to warn him that if he tried to substitute "Document Number Two", the compromise he suggested during the treaty discussion in 1922, for the Republic proclaimed in 1916, then he was going the way of his predecessors, and their responsibility would be his also. His reputation as an Irishman would, she said, depend on his fidelity to his oath to the Republic. It would be well, she added, for the British to note that no deal would be of

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any use to them in wartime that purported to maintain here any status other than that of the Republic of Ireland—outside the British Empire. Anything less would mean, in the future as in the past, that England's difficulty would be Ireland's opportunity to break every link.

Mr. de Valera's relations with the I.R.A. have not been sweetened by this controversy, but he has undoubtedly strengthened his position considerably with all sensible people. It does not seem just or generous for the Cosgrave party to taunt him, as some of them did during the elections, with using the Military Tribunal, which is their own creation and the only effective means of dealing with political criminals in this country.

Further fuel was added to the Republican fire by the suicide of Sean Glynn, a delicate young member of the I.R.A., who was confined as a political prisoner in the military prison at Arbour Hill, Dublin. The inquest was naturally used for propaganda purposes by the I.R.A., but Mr. Maurice Twomey, their leader, at present serving a sentence in this prison, had to admit, when giving evidence at the inquest, that, whilst the military officials administered the regulations firmly, they did no more than their duty. The coroner's jury found that the deceased man was not a fit subject for solitary confinement. Subsequently the Government announced some relaxation of the regulations preventing intercourse between the prisoners. The National Association of old I.R.A. members, which has recently been organised to unite the various elements into which they were hitherto divided, has demanded an assurance from the Government that the recognised rights of political prisoners will in future be fully guaranteed.

The publicly declared aims of this new organisation are to unite the I.R.A. veterans of the Anglo-Irish fight on the basis of the Republic proclaimed in 1916—whatever that may mean—and to safeguard their interests. At the first meeting a resolution was passed unanimously demanding that no public representative from the Free State should

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attend the Coronation next year. Subsequently Mr. de Valera received a deputation from this association which put forward for consideration by the Government a scheme of assistance for old I.R.A. men suffering from unemployment or physical disability. Meanwhile, it may be noted that the Government has refused to participate in the proceedings of the special commission set up to make preparation for Dominion participation in the Coronation ceremony.

II. THE NEW CONSTITUTION

AS the Dail has adjourned till November 4, and as the Bill for outlining the proposals for a new constitution is not likely to be introduced for some time after the Dail re-assembles, it is not possible at present to do more than anticipate its provisions. It is, however, clear from Mr. de Valera's public pronouncements that the new constitution will transform the Free State into a republic in everything but name. It may be gathered from his statements that the King will be entirely eliminated from the constitution, and that the new head of the state will be elected by the people and represent nobody but the people. The situation that will then arise will be virtually that contemplated by the famous Document Number Two, which Mr. de Valera proposed as a substitute for the Treaty of 1921, namely a Free State in association with the British Commonwealth but yielding no allegiance to the King. The powers and functions to be given to the new head of the state, who will no doubt be Mr. de Valera himself, have not been indicated.

A constitution of this kind would undoubtedly be preferable to the present confused position, which leaves us without any proper head of the State and no national symbol except the flag. But it would still leave our relationship with the British Commonwealth vague and undefined and might well lead to serious friction with

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Great Britain. One of Mr. de Valera's journalistic entourage, Mr. Hugh Blackham, has recently suggested that adult suffrage in the Free State should be qualified by granting votes only to the head of each family according to the number of persons in the family. It is doubtful whether Mr. de Valera will adopt this sensible suggestion, for too much of his support comes from irresponsible elements to make it attractive; but it is obvious that our present system of unqualified adult suffrage is entirely unsuited to the social framework and necessities of our essentially patriarchal and agricultural society, and is responsible for many of our difficulties.

The report of the commission set up to make recommendations in regard to the functions and constitution of an alternative chamber to the late Senate,* which has now been published, consists, as might have been expected from its composition, of a majority report, which is really only a series of majority decisions, three minority reports, and six notes by individual members. Publication of the report was due to the fact that Mr. de Valera's paper, *The Irish Press*, secured and published a copy without the Government's permission. The new second chamber, in the majority's view, ought to have almost exactly the same powers as those to which Mr. de Valera finally reduced its predecessor. They recommend that its power of delaying an ordinary Bill should not exceed three months, and that in respect of a money Bill its power, as formerly, should be limited to making recommendations. The only extension of power that they propose, and it is a valuable one, is the right to call for a referendum on any measure involving an amendment to the constitution. In their view the new chamber should consist of forty-five members over 35 years of age, fifteen of whom should be nominated by the President of the Executive Council, and the remaining thirty elected according to a system that can only be described as fantastic. After each general election the new

* See THE ROUND TABLE, No. 104, September 1936, p. 785.

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Dail should choose a nominating body, which in turn should select a panel of candidates for the Senate, to be placed finally before an electoral college consisting of the candidates at the previous general election to the Dail voting on a sliding scale according to the support they received at the election.

The main minority report, which is signed amongst others by three prominent professors of the National University and Mr. Frank MacDermot, T.D., maintains with considerable truth that the primary function of a second chamber is to safeguard the fundamental human rights of the people as well as the continued existence and peaceful development of democratic institutions against encroachments by the executive. They propose a second chamber of fifty members, ten chosen by the President of the Executive Council and the remainder elected by the Dail from four panels selected on a vocational basis by the Government, public bodies and the professions. They would extend its power of demanding a referendum to all cases where the majority of the chamber believe that the passage of a Bill into law would raise some vital national issue not decided by the people. The Chief Justice, who was chairman of the commission, believing the exclusion of direct election would deprive the second chamber of all authority or claim to respect from the people, proposes, in a dissenting note, that one half of the second chamber should be elected by four constituencies coincident with the provinces of the Free State, by electors over thirty years of age; that voting should be compulsory, enforced by penalties, and that the tenure of office should be six years.

It now remains for Mr. de Valera to meditate and act on the report. The fact that Mr. Gerald Boland, the Minister for Posts and Telegraphs, has been appointed Director of Elections by the Fianna Fail party indicates that Mr. de Valera's meditations will not be protracted. Once the Constitution Bill has been introduced, the time

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will be clearly ripe for a general election. For this ordeal the United Ireland party is ill prepared. Its party newspaper has ceased to appear, its funds and morale are equally low, and its junior organisation, the League of Youth, better known as the Blueshirts, is hopelessly divided on questions of policy and control, as usually happens when a party of middle-aged politicians seeks to control rash and irresponsible youths. Clearly the moment has arrived for Mr. de Valera to strike.

III. IRELAND AND SPAIN

THE terrible struggle in Spain has had definite repercussions in the Free State, where public opinion is strongly on the side of the insurgents. The outrages perpetrated against religion by the followers of the Spanish Government have caused much indignation both here and in Northern Ireland; for fundamentally, when the Pope is forgotten, there is no distinction between North and South in the strength of their attachment to the Christian faith. The Catholic Church in Ireland is naturally and properly alarmed at the possibility that Labour may become tainted by communist propaganda, and there are signs that this is possible. Irish Labour leaders are indeed in somewhat of a quandary; for the attitude of Labour in Great Britain, to whose unions so many Irish workers belong, and which supports the Spanish Government, is entirely at variance with the Irish belief that the insurgents stand for God and fatherland against atheism and communism. This situation has already led to friction with the English trade unions and will probably lead to more. Our trade unionists naturally feel that the English unions have no right to use funds to which their Irish members have subscribed for political purposes abroad of which those members strongly disapprove.

The Irish Catholic hierarchy have ordered prayers for the persecuted Spanish Catholics and authorised a special

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church collection for their relief. It might be well for us also to realise that the plight of the Spanish Catholics is largely due to lack of social policy and leadership by those in authority, and to unchristian divisions among the political leaders of the people, who, although mostly Catholics, neglected to apply the teachings of their faith to political problems. Popular feeling here has found expression in a new organisation called the Irish Christian Front, whose aims are to combat communist principles and propaganda at home, and abroad to supply medical aid to the insurgent forces in Spain. Already many public meetings have been held and large sums of money collected for this purpose. Medical supplies have in fact already been sent to Spain.

Activity of another kind has been begun by General O'Duffy, who has found a congenial occupation in organising a body of two thousand Irishmen whom he proposes to lead into the Spanish *mêlée* at the earliest opportunity. The gallant general, whose energy is greater than his common sense, belongs to that rather dangerous category of second-rate men of action to whom thought is abhorrent. Having failed to achieve anything but senseless disturbance in Irish politics, he now turns to the Spanish civil war as a suitable arena for his activities, quite regardless of any possible international consequences. He has already visited and been welcomed at the camp of the insurgent generals and proposes to return to Spain soon with his battalions. The Free State Government have adhered to the non-intervention pact and have expressed their desire to participate in any practical effort towards restoring peace in Spain. They are hardly likely to invoke the Foreign Enlistment Act against General O'Duffy and his merry men, as they probably realise that Spain is the most suitable place for our Irish Don Quixote.

IV. ECONOMIC RECOVERY

ALL available indications prove that ripples from the slowly rising wave of world recovery have reached our shores. The trade returns for the twelve months ended September 1936 are the best for many years. The visible adverse trade balance shows a fall of £1,500,000 as compared with the previous year. The greater part of this improvement is due to the better trade relations with Great Britain, which are the direct result of the coal-cattle pact.* The export of cattle and horses alone has increased during the first nine months of this year by more than £1,000,000. During this period we have imported from Great Britain and Northern Ireland goods to the value of £15,493,261 and exported to them goods valued at £14,794,859. To other countries we have exported goods valued only at £1,360,000, whilst we have imported from them goods valued at £12,800,000. The failure of the Government's attempt to foster foreign trade at the expense of that with Great Britain is now obvious. Signs of returning sanity are to be discovered in their agreement with the Governments of Great Britain and the United States for a trans-Atlantic air service, the European starting place of which will be the mouth of the Shannon, and in their consequent refusal to permit the German air service to use Galway as a base for experimental flights. We cannot revolve in two different international orbits at the same time, and we must make our choice and stick to it.

Our national expenditure is still exceeding revenue, but the present deficit is half what it was this time last year. Moreover tax receipts show a substantial improvement. The annual report of the Electricity Supply Board also shows a further considerable increase in the sale of electricity, and its income now exceeds expenditure by over

* See THE ROUND TABLE, No. 102, March 1936, pp. 356 et seq.

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£300,000, after paying interest at five per cent. to the state on the capital outlay of £10,000,000.

On the other hand, the census of population, just completed, has given a nasty shock to those of our political economists who justified the Government's tariff policy by the necessity for providing employment for our rapidly increasing population. The figures disclose the fact that since 1926 the population of the Free State has decreased by over 6,000; it now stands at 2,965,854. They prove also that there is an increasing drift from the country to the towns—what our humorous journal, *Dublin Opinion*, aptly describes as “rush in urbe”—a drift that raises serious urban problems and proves that no effective remedy has yet been found for the evils of rural depopulation. The population of Dublin, for instance, has increased by 82,000 in the last ten years, a number equal to the population of Cork, the second largest city in the Free State. One reason for the general decrease in population is, of course, our low birth rate, which is due not to the limitation of families but to late marriages, an alternative method of birth control. Between the ages of 20 and 24 no less than 96 per cent., and between the ages of 25 and 30 no less than 79 per cent., of our male population are single. This is a higher proportion than in any other country in Europe.

The flight to the towns is, of course, largely due to the recent emphasis on industrial development and to our lack of interest and pride in our main occupation, agriculture. This strange attitude, so unlike that in most other countries, has been stimulated by recent state policy and is both undesirable and dangerous. Experts agree that, as the net result of our present agricultural policy, which encourages the growing of wheat and beet and restricts agricultural imports, there will be a marginal change-over of about ten per cent. from imports to home production. Although this is important, looked at in itself, one cannot say that it is going to bring about a profound change in

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our agricultural economy. In the main, therefore, agriculture must remain an exporting industry, to which we must look in the future as in the past for the means to pay for our imports.

As regards other industries outside agriculture, the only real export industry we have at present is Guinness's stout, and having regard to the high cost of capital, the relatively high level of industrial wages, the policy of protection, and the comparatively small domestic market, there is no possibility of any change in this situation. We shall in fact be lucky if we can maintain it. Our national policy at present is directly contrary to the virtually free trade policy which other small countries have followed in order to become exporters of industrial products. In the home market for industrial products a small increase is possible, but its nature is best shown by the fact that while the numbers employed in industrial production increased from 32,800 in 1926 to 44,600 in 1933 the amount paid in wages in the same period increased only from £4 million to £4.3 million. This industrial development is largely subsidised and reacts heavily on the consumer, who is also the taxpayer. It is dependent on tariffs and government spending which cannot go on indefinitely at the present rate. The amount of net public disbursements rose from £31,972,000 in 1930 to £43,942,000 in 1933 (they are much higher now), while at the same time the value of the national income was declining. It is true that the public debt is now only £20 per head of population, but it is certain to rise much higher before long.

Our continued prosperity as a creditor country depends in the last analysis on our substantial foreign investments, which are almost entirely in Great Britain and on which the whole structure of our foreign trade is built. No country has therefore a greater interest in the maintenance of general financial stability, the observance of international debt morality, and the continued prosperity of Great Britain. This situation is not likely to change for many

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years, and, although at the moment our Government acts as if it did not exist, it must eventually be the deciding factor in our international and domestic policy, whether we remain a Free State within the British Commonwealth, or decide to become a republic in probably even closer alliance, both political and economic, with Great Britain.

The Irish Free State,
November 1936.

GREAT BRITAIN

I. POLITICAL PATCHWORK

AS an effect, perhaps, of heightened external anxieties, the stream of British politics has been flowing briskly during the last few months. Non-intervention in Spain, national rearmament, trouble in Palestine, collective security and League reform, have furnished quite enough material for political controversy, even without the internal troubles that in a measure result from disturbance abroad. Yet, active as politics have been, there is no new trend or sudden change in their direction to record. The Government undoubtedly lost prestige at home (though less, perhaps, than they lost abroad) over the Hoare-Laval affair and, later, the inept handling of the question of Abyssinia's rights at Geneva; and this loss they have not yet fully recovered. Mr. Baldwin, too, though apparently much invigorated by the long holiday he took in the summer and early autumn, has done little of late to command acclaim as a forceful popular leader. On the other hand, there is no sign of any distinct gain in popularity for the Labour party, or of any growing preference for Mr. Attlee as Prime Minister.

A by-election at Clay Cross, Mr. Arthur Henderson's former seat, showed no change of voting expression during the year's interval. At Erdington (a Birmingham constituency that has profited appreciably by the advance of rearmament) the Conservatives held the seat in a by-election by a majority of over 6,000, compared with nearly 10,000 in the general election. Labour's poll was actually slightly higher than in 1929, when they won the seat; but on that occasion there was a three-cornered contest, and the apparent lesson of the by-election is that in such areas the bulk of the former

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Liberal vote is now going to the Conservatives rather than their opponents (despite the fact that on this occasion the Labour candidate had the endorsement of Mr. Lloyd George's Council of Action). "The result", says Labour's newspaper, the *Daily Herald*, "will be studied by prudent Labour supporters for the light it throws on the tasks ahead". So, no doubt, will the results of the municipal elections held on November 2. Labour losses were widespread, and several councils, on balance, were conceded to Conservative majorities. Nominally, these contests are concerned only with local issues, but Labour itself has been foremost in importing into them national political divisions, and has contended with some reason that the proper completion of a socialist programme requires a hold over local as well as national government.

The Labour party conference, held at Edinburgh early in October, did not display such unity and leadership as would attract the unattached voter who missed those qualities in the present Government. Over non-intervention in Spain there was an open rift. On the first day of the conference the party executive's policy of cautious support for the Blum-Eden policy was endorsed by 1,836,000 card votes to 519,000. But only the massed battalions of the trade unions carried the day; the opposition (in favour of exercising the right under international law of helping the lawful Spanish Government) included such formidable leaders as Sir Charles Trevelyan and Mr. Philip Noel Baker; and it seems that if the debate had been postponed till the end of the conference the official view might have come much closer to rejection. For later two "fraternal delegates" from the Spanish Parliament arrived, and moved the conference deeply by their appeals. The party leaders agreed to call on the acting Prime Minister to make representations on the latest reports of breaches of the non-intervention pact by Italy and Germany; and the conference was placated in its last hours by a fresh statement of the executive's policy, declaring that if the

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non-intervention pact was found either to be ineffective or to have been definitely violated Labour would urge the British and French Governments to lift their embargoes on the export of arms to the Spanish Government. This in fact Mr. Attlee and his colleagues did in the debate in the House on October 29. Yet they were unhappy and unconvincing in their turned coats, conscious as they must have been that only a very small minority of the electorate considers the fascist-communist clash in Europe to be an affair of ours, certainly not to the point of running any risk of being drawn into war over it.

It was significant that the same Labour party conference rejected by 1,728,000 votes to 592,000 a motion instructing the national executive to accept the affiliation of the Communist party. The debate gave rise to an argument as to whether the communists or the non-political unions promoted by Mr. George Spencer were the more to blame for weakening the miners' organisation. Both have recently been vigorously rebuffed by orthodox trade unionism. A bitter dispute at the Bedwas colliery between the South Wales Miners' Federation and the owners, who sought to confine their labour to Mr. Spencer's Miners' Industrial Union, threatened in September to plunge the whole industry into a strike. At the eleventh hour, however, the owners accepted a proposal for a secret ballot of the men, which resulted in a majority of nearly four to one in favour of the Federation. This was a serious blow for Mr. Spencer's organisation, which derived its original strength from the reaction after the 1926 stoppage; at the same time it averted a grave clash in the coalfield which neither side wanted. Generally speaking, the outlook for industrial relations is good.

The Conservative party conference is very different from its Labour counterpart. It is not a caucus able to elect a committee of leaders and to dictate policy, but a gathering of Conservative workers from the various constituencies to hear speeches by accepted leaders of their party and to

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make comments on them. It is not required to endorse any official programme. Hence it tends to be more rebellious than a Labour conference, while at the same time its resolutions have no binding effect and are not infrequently ignored by the Conservative leaders. This year's conference at Margate was chiefly remarkable for two things, the absence of the Prime Minister and the passage of two important resolutions in face of dissuasion by Cabinet Ministers on the platform. Mr. Baldwin, who was at the time breaking his holiday with a short visit to Downing Street, sent Mr. Neville Chamberlain to represent him—an episode that revived the rumour that the Chancellor would very shortly succeed to the Premiership. Mr. Chamberlain told the conference that the time had happily not yet arrived to make a final appraisal of Mr. Baldwin's services to his party and his country, but his phrasing was certainly consistent with the conclusion that the opportunity might not be long delayed. Political gossip at present has it that Mr. Baldwin will resign not long after the Coronation.

The two motions carried against the advice of Ministerial leaders concerned policy towards agriculture and towards the return of the mandates. The conference urged the Government,

in order to dispel grave anxieties within the Empire and dangerous hopes abroad, to give an assurance that the declaration made by the then Foreign Secretary, Sir John Simon, to the German Chancellor in Berlin in March, 1935, to the effect that the cession of any British mandated territory was not a discussable question, still represents the unaltered attitude of His Majesty's Government.

Sir Samuel Hoare tried to persuade the conference to rely on statements already made by the Government. If the resolution were passed, he said, it would be regarded by the Government as a further expression of the country's anxiety, but its passage could not, in the present sensitive state of international affairs, change the Government's attitude. They stood by the Foreign Secretary's statement

of the previous July, to the effect that, in view of the grave difficulties—moral, political and legal—that the transfer of mandated territories must raise, they hoped that with so many international problems still unsolved there would in no quarter be a desire to introduce a further cause of serious difficulties between the nations. The conference, knowing that Mr. Eden's hope had already been dashed by German leaders, was not appeased by these smooth words. Nor did it pay much heed to Mr. Elliot's opposition to a resolution urging the Government to impose a general protective tariff on agricultural produce, with a preference for the Dominions. The Minister of Agriculture exhorted the conference in vain to think twice before pinning its faith so absolutely to one remedy. The episode helped to confirm the widespread notion that the sun of "quotas" has passed its zenith.

One of the Conservative delegates declared, apparently with general agreement, that the farming community had never had such confidence in a Minister of Agriculture as it had then in Mr. Elliot. It was all the more surprising, therefore, when he was transferred to the Scottish Office, on October 29, to fill the place of the late Sir Godfrey Collins. Some commentators have ascribed his translation to a desire on the part of the Government to enter the discussions with the Dominions next year, on the future of Ottawa, with its hands freer than they would be if the Minister of Agriculture were still so closely associated as Mr. Elliot is with the device of quotas and the present marketing schemes. Mr. W. S. Morrison (at present the most likely younger "hope" for the Prime Ministership) succeeded Mr. Elliot at the Ministry of Agriculture, and the number of Liberal Nationals in the Cabinet was maintained by the promotion of Mr. Hore-Belisha to Cabinet rank.

II. REARMAMENT

BOOTH the Conservative and the Labour conferences paid a good deal of attention to rearmament. For the former, it was not a matter of any keen controversy. After a comprehensive speech by Sir Samuel Hoare the conference unanimously recorded its conviction that a policy of one-sided disarmament would be more likely to promote war than peace and would render impossible the creation of an effective system of collective security. The most noteworthy incident was the First Lord's successful plea that a section of the resolution deploring opposition to recruiting and rearmament "in the name of peace" should not specifically refer to the Labour party, followed by his appeal to Labour for positive support. He drew a distinction between "factious partisans and many of the more responsible Labour leaders". To the latter he would say:

The defence programme . . . is a national programme which should be supported by men and women of all parties who believe in democracy and are determined to strengthen the forces of peace in the world. The responsible leaders of Labour can give invaluable help. They came forward with their assistance in the war. Let them now, realising the issues at stake, come forward once again and join in carrying through a programme that is as essential for the cause of peace and freedom as it is for the security of the British Commonwealth of Nations.

This appeal, patronising as many of those to whom it was addressed may have thought it, did not fall entirely upon stony ground. The trade unions—not only because they tend to be the more moderate wing of the Labour movement, but also because they have foreseen that a large-scale rearmament programme might become popular as a provider of employment, not least in the depressed areas—have from the outset been loath to oppose it. But the Labour party as a whole, with its strong pacifist section and its condemnation and distrust of the Government's foreign policy, is gravely split. The party conference carried by a

majority of 1,738,000 votes to 657,000 a tight-rope resolution declaring that Labour was in favour of adequate defence, of arming in concert with the peaceful Powers to a degree "conditioned by the armed strength of the potential aggressors", while in the same breath it declared its distrust of the Government, declined to accept responsibility for a "purely competitive armament policy", and reserved "full liberty to criticise the Government's rearmament programme".

This official statement of Labour policy found powerful supporters, including Mr. Herbert Morrison, Mr. Attlee, and Dr. Dalton, who painted a horrific picture of German rearmament, and added :

The time has come when we must say to the fascist States, acting now in the Spanish case for the first time in collusion : There is a limit. So far and no farther. Henceforth law must be observed ; treaties must not be broken ; aggression must not be executed. If you have grievances, come in and join us and let us see what they are.

But on the other side was a formidable array of pacifists like Mr. Lansbury and doctrinaire socialists like Sir Stafford Cripps, who opposed any increase of arms in the hands of a capitalist government. And from the trade unionists of the Right came angry demands for a more straightforward announcement of policy. Mr. Bevin, the chairman of the T.U.C., wanted plain talk to Hitler and Mussolini and a warning that the trade unions would not stand for weakness.

In spite of the opposition of some sections of the Left, and widespread controversy and confusion about foreign policy, rapid rearmament may fairly be called, like the effort to stand aside from the fascist-communist conflict in other countries, a national policy. Indeed the divisions on the subject in the Labour party, which have left it (according to the labour correspondent of the *Manchester Guardian*) "an enfeebled political force", have served merely to confirm political waverers in support for the Government. But there have been misgivings and debate about some of the

details of rearmament and about its scope and direction. The aeroplane *versus* battleship debate will probably not have been entirely silenced by the report of a special sub-committee of the Committee of Imperial Defence, which declared that the day of the capital ship is not over, and that to cease to build such vessels would lead to grave risk of disaster. It was plain to the sub-committee that capital ships could not be constructed so as to be indestructible from the air, but they were satisfied that everything was being done to secure the maximum of immunity. They pointed out that other navies had not abandoned the capital ship,* and that over vast ranges of the ocean either our fleet would be out of range of enemy air forces or an enemy fleet would be out of range of ours.

On the other hand, the controversy over the strategic future of the Mediterranean seems to have been stilled for the time being by emphatic governmental statement and action. It is understood that the defences of Malta are being thoroughly modernised, and its provision for anti-aircraft defence and air counter-attack greatly expanded. On his return, on September 22, from an official cruise in the Mediterranean, Sir Samuel Hoare declared that

so far from there being any question of our abdicating our position in the Mediterranean or scuttling from Malta, we intend to face these new and difficult problems, to make our future position quite secure. . . . Air power has already made a difference, but I do not think it is a question of revolutionising our policy. It is more a question of adapting ourselves to new conditions. We have to make the fullest possible use of our own air power.

The First Lord of the Admiralty added that he thought we had not given half enough attention to Cyprus. Its military future was being considered, but in any case he felt the island ought to have a better harbour, and he had always thought it important from the air point of view.

The determination still to regard the Mediterranean as a main theatre of imperial defence was confirmed by the

* The new German naval programme includes a 35,000 ton battleship.

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Foreign Secretary in the debate on the Address. A few days earlier (on November 1) Signor Mussolini had made a speech expressing Italian resentment at the British attitude towards his country and the Mediterranean, which was for Italy "her very life", whereas for Great Britain it was only a short cut to some of her outlying territories. Mr. Eden denied the implication that the freedom to come and go in the Mediterranean was for Great Britain a convenience rather than a vital interest.

For us the Mediterranean is not a short cut but a main arterial road. We do not challenge Signor Mussolini's word that for Italy the Mediterranean is her very life, but we affirm that freedom of communication in these waters is also a vital interest in a full sense of the word to the British Commonwealth of Nations. In years gone by the interests of the two countries of the Mediterranean have been complementary rather than divergent. On the part of His Majesty's Government there is every desire that those relations should be preserved in the future.

These sentiments were received with cheers in the House.

To return to rearmament—public opinion was recently disturbed by an incident in connection with Lord Nuffield's part in the "shadow programme" for the manufacture of aero-engines. The programme provides for the building and maintenance of factories by a number of motor-car manufacturers, with government funds, for the production of various engine components. Staffs are to be trained and experiments pursued, but large quantities of finished products are to be turned out only in the event of war or emergency. Each of half a dozen firms is to produce some part of the engines. One of the firms originally associated with the Air Ministry's plans was the Wolseley Motor company, a subsidiary of the "Morris" group. Suddenly it was announced that the Wolseley company was withdrawing from the scheme and that the Wolseley Aero Engines company, another of Lord Nuffield's firms, was not prepared to accept certain orders from the Ministry. The withdrawal of the country's leading motor group,

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with the impressive personality of Lord Nuffield behind it, naturally caused a sensation.

In a long statement he explained his disappointment, and from the national point of view his dismay, at the Air Ministry's preference for the "shadow" scheme to the allotment of orders for complete engines to the Wolseley Aero-Engines company. He had not haggled over the question of price, but was willing to build engines at the price the Air Ministry was actually paying. The Air Ministry had written :

Whatever success may be achieved by your company in the production of engines during the expansion period, the scheme would contribute little towards the development of the largely extended capacity required for an emergency, nor would there be created thereby any prospect of Air Ministry's orders for engines from your company after the expansion was completed.

"You see", commented Lord Nuffield, "I am asked to put up a factory at government expense when I have already an aero-engine factory standing there doing nothing". An order for 300 engines had later arrived, but only after the decision had been taken to close down the aero-engine factory.

A few days later the chairman of the Alvis Car and Engineering company made a similar complaint, to the effect that while new factories were being built at public expense under the shadow scheme his company's "large, modern" aero-engine factory was "ignored officially".

The Government's case was issued in the form of a White Paper* on October 29. It gave a rather different account of the personal relations between Lord Nuffield and the Secretary of State for Air and his advisers, dispelling the impression that the former had been treated with brusqueness and discourtesy. Lord Nuffield had been told in November 1935 that the air expansion programme of that date was within the scope of the existing industry, and that the Air Ministry could give no guarantee of a market for aero-engines, but that they welcomed the existence of his

* Cmd. 5295.

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factory. The scheme for the making of components in seven different factories, and the assembly and testing of complete units by two of them only, had been adopted on the advice of the participating firms themselves, re-endorsed by Lord Austin in a letter written to the Secretary of State after the Nuffield disclosures.

The Air Ministry (admitted the White Paper) would have preferred that each engine should not have been sub-divided among as many as seven firms.

This was followed by a statement in both Houses of Parliament, and by a personal reconciliation between Lord Nuffield and the Government. The Wolseley factory is to be used, apparently, for the purpose of army mechanisation, while the "shadow" scheme will go forward with another firm taking Wolseley's place.

Nevertheless, the anxieties of Parliament and the public have been aroused. Strong criticism continues to be directed from some quarters against the shadow scheme, which is accused of exposing the whole production of aeroplanes to interruption through an air raid on a single factory. Equally serious is the more general criticism that the decision whether to sub-divide production or to create a number of independent factories ought not to have lain with the interested manufacturers, but with the Air Ministry and the Committee of Imperial Defence. The Debate on the Address indicated that the Government realised the force of these anxieties, and the Minister for the Co-ordination of Defence offered this reassurance:

In war time the Air Ministry would not accept a single link chain. The firms would turn over the whole of their existing factories to doing aircraft work.

The public concern in this episode, and the strong views that it has caused to be expressed, are symptomatic of a natural popular suspicion towards the armaments industry, which becomes the more intense as national armament is accelerated and higher profits are derived from the manufacture of weapons of war. This feeling, sharpened by

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the disclosures of the United States Senate committee, led to the appointment, eighteen months ago, of a Royal Commission on the private manufacture of and trading in arms. Its unanimous report * was published on November 1. To the disgruntlement, no doubt, of many of those who had pressed most eagerly for its appointment, it declared that

The abolition of the private industry in the United Kingdom and the substitution for it of a system of State monopoly may be practicable; but it is undesirable. . . . The necessities of Imperial defence cannot be effectively met, in existing conditions, except by the maintenance in peace-time of a system of collaboration between the Government and the private industry of the country in the supply of arms and munitions. . . .

We recommend that the Government should assume complete responsibility for the arms industry in the United Kingdom and should organise and regulate the necessary collaboration between the Government and private industry; that this responsibility should be exercised through a controlling body, presided over by a Minister responsible to Parliament, having executive powers in peace-time and in war-time over all matters relating to the supply and manufacture of arms and munitions, costing, and the authorisation of orders from abroad.

We further recommend that the Government's own manufacturing establishments should be fully equipped for the production in some measure of naval, military, and air armaments of all types.

We recommend that measures be taken to restrict the profits of armament firms in peace-time to a reasonable scale of remuneration, designed not only to prevent excessive profits, but to satisfy the public that they do so.

We are of opinion that the problems involved in formulating plans for the conscription of industry in war-time will have to be faced, and should be faced without delay.

The system of export licences should be tightened up; the practice of open general licences for the export of certain classes of arms should be discontinued, and the grant of licences should be restricted to orders of foreign Governments, supported by import licences issued by those Governments stating that the goods would not be re-exported. And the private export trade in surplus and second-hand arms and munitions should cease completely.

* Cmd. 3292.

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These are only the most vital of the recommendations of a report to which it is impossible to do justice in a short space.

The King's Speech at the opening of Parliament on November 3 made no mention of action in furtherance of the Arms Commission's recommendations, an omission that was made the subject of the Liberal amendment to the Address. Sir Thomas Inskip, the Minister for the Co-ordination of Defence, expressed his scepticism about some of the Commission's major proposals, but assured the Opposition that the Government would "welcome an opportunity to consider the recommendations". Anticipating Mr. Churchill's demand for the establishment of a Ministry of Supply, he described it as "a fundamental change of organisation which would . . . involve so much delay and uncertainty that the Government could not contemplate it except on the most cogent proof of its necessity". This proof Mr. Churchill sought to give in a speech which, even for him, was exceptionally vehement and scornful of the Government's alleged apathy and inertia in matters of defence. He drew from Mr. Baldwin a remarkable confession that anxieties for the Government's political position had caused them to postpone, between 1933 and 1935, a rearmament policy that they had really thought necessary in view of the threatening international situation.

In other directions there is a full programme of legislation: reorganisation of the coal industry and the unification of coal royalties, the protection of the mercantile marine, the extension of the Special Areas Act, the amendment and consolidation of the Factories Acts, the improvement of the physical condition of the nation, the strengthening of the law dealing with "persons or organisations who provoke or cause disturbances of the public peace", and a number of other measures that will fully occupy an already over-worked parliamentary machine.

FASCIST AND COMMUNIST

III. FASCIST AND COMMUNIST

NOT the least important item in the list is the effort to deal with disorderly or provocative political activity. While there is no sign yet of the spreading of either fascism or communism beyond a very small minority in Great Britain, most of Europe is to-day a monument to the weakness of democracy in the face of antagonists whom at one stage it despised or neglected. The trouble, as most British citizens see it, is that the rival revolutionary factions encourage each other: the more numerous or more provocative the blackshirts become, the readier are their opponents to embrace the counter-doctrine of the red revolution; and every demonstration of force or act of violence on either side encourages similar acts or demonstrations on the other.

This sequence of action and reaction has reached a new phase with the adoption of a fierce anti-semitism by Sir Oswald Mosley and his followers. If the fascists by words or blows attack the Jews, identifying them with communism, sure enough many more Jews will become communists, and moderate men who bear the Jews no grudge but who fear the hand of Moscow will grow more sympathetic towards the blackshirt cause. This violent anti-semitism is a comparatively new thing in British fascism. In an interview with the *Jewish Chronicle*, published on May 12, 1933, Sir Oswald Mosley

expressed a desire to make it perfectly clear that neither he nor his organisation was anti-semitic. He resented the allegation that his organisation had attacked the Jews, as such activities had been forbidden from the outset.

It is a little surprising, therefore, to find anti-semitism one of the leading *motifs* in Sir Oswald Mosley's propaganda to-day, though consistency is hardly the strong point of a politician who previously sought his career first in the Conservative and then in the Labour party. The motive for the change of front is generally assumed to be the

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fascists' disappointment at failure to whip up enthusiasm among the electorate by other portions of their programme.

Whatever the underlying reason, a serious situation has been thus created. The fascists planned for Sunday, October 4, a great procession ("march" is the better word for so military a demonstration) through the East End of London, including districts where Jews predominate. Strong representations were made to the Home Secretary, by local authorities, Jewish bodies and others, to have the demonstration banned, but Ministerial policy was to "wait and see". While the official Labour organ urged its supporters to stay away and kill fascism by ignoring it, the Independent Labour party and the Communists organised counter-demonstrations. Tremendous excitement was aroused in the East End, and packed crowds of people lined the route of the march and blocked the roads leading up to it. The rest may be told in the words of the official statement issued by Scotland Yard.

Prior to the arrival of Sir Oswald Mosley disorder broke out among those who had collected to oppose the Fascist marchers, and resulted in a number of arrests. In view of the very large crowds, the Commissioner of Police for the Metropolis decided that the procession through the East End should not be permitted owing to the great likelihood of further breaches of the peace. The Fascists' procession, therefore, was escorted by the police along the Embankment to the Temple station, where it dispersed. A portion of it reformed and caused minor disorders in Trafalgar Square and the Strand.

The following Sunday witnessed a further series of disorders. In London an anti-fascist demonstration had a stormy passage, and had it not been for thorough police precautions there might have been a serious riot. As it was, a good many heads were broken, a few Jewish shops were pillaged by ruffians, and a motor car was overturned and set on fire. In other parts of the country fascist meetings met with violent opposition.

Ministers were not slow to express themselves on this

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threatening situation. Thus Sir Thomas Inskip declared at Watford on October 14 :

Everybody knows that in this country there is no colour and no creed which deprives anybody of his equal rights. What right, I should like to know, has one section of the community calling itself a fascist body to point a finger to a section to which we have given hospitality for centuries?

These fascists tell us they are fighting the communists. The people who are making communists to-day are Sir Oswald Mosley and his friends.

On November 10 the Government issued the text of a Bill

to prohibit the wearing of uniforms in connection with political objects and the maintenance by private persons of associations of military or similar character, and to make further provision for the preservation of public order on the occasion of public processions and meetings and in public places.

The courts are left to determine what constitutes a "uniform signifying association with any political organisation or with the promotion of any political object". It becomes an offence punishable with imprisonment for six months or a fine of £100, or both, with higher penalties on conviction on indictment, to take part in the control or management of an association of persons who are either

(a) Organised, trained or equipped for the purpose of enabling them to be employed in usurping the functions of the police or armed forces of the Crown; or

(b) Organised and trained or organised and equipped either for the purpose of enabling them to be employed for the use or display of physical force in promoting any political object, or in such manner as to arouse reasonable apprehension that they are organised and either trained or equipped for that purpose.

Other sections of the Bill give greater powers to the police to control public processions, and make it an offence to carry an offensive weapon at any public meeting or on the occasion of any public procession. The Bill passed its second reading on November 16 without a division, being supported by all parties.

CANADA

I. DEBT IN ALBERTA

AN earlier issue of *THE ROUND TABLE* * described the origins of the Social Credit movement in Alberta and the advent of a Government, with an overwhelming majority, professing ideas based on the theories of Major Douglas. It may now be opportune to carry on the chronicle of Alberta politics and to comment on the situation that has developed during the last year.

Since its inauguration in September, 1935, the Aberhart Government has been concerned with two major tasks—the liquidation of debt, public and private, and preparations to fulfil the promises of the election period, which included the alluring promise to every adult citizen of \$25 a month in Alberta credit or, as more popularly understood, simply \$25 a month. During the year, the emphasis in governmental action has been placed not on direct preparations for Social Credit but rather on the liquidation of debt; the Government's drastic handling of the problem, especially in a second session of the Legislative Assembly held in the last week of August, has been at once the cause of great enthusiasm and, in other quarters, the cause of the gravest concern.

Debt is the canker in the economy of Alberta and the root of political discontents. It is the result of exaggerated borrowing, lending and spending before 1929, of low agricultural prices during the depression, and of heavy charges for unemployment and farm relief in recent years. Yet the disease is not greater in Alberta than in other provinces of western Canada and is not less capable of

orderly treatment. The new Government was not unaware of the menace of accumulating debt. Whether with orthodox motives or as a preparation for Social Credit, it devoted the early months of power to the task of balancing the budget. As an adviser on this subject, no expert in Social Credit was employed but instead an industrialist from eastern Canada with experience of the pathology of private companies. Study of the financial problem led to no significant action until the Legislature met in regular session in February.

In the budget speech of March 2, the net funded and unfunded debt of the province at August 31, 1935, was stated to be \$154 million. The estimates for the fiscal year beginning April 1, 1936, proposed expenditure of \$18 million. The additional \$3 million required to balance the budget were to be found by increasing rates on existing taxes, including the provincial income tax, and by levying a new tax of 2 per cent. on retail sales, calculated to produce a revenue of \$2 million. The Provincial Treasurer said that since nearly 50 per cent. of total revenue was devoted to debt charges, "the greatest part of which is withdrawn from the province", the Government would be compelled to call upon the bondholders to accept a lower rate of interest. To provide for the reduction of public debt charges by retiring and refunding provincial securities, a "Provincial Loans Refunding Act" empowered the Government to issue perpetual stock from time to time at a rate of interest to be fixed by the Lieutenant-Governor in Council. This Act was to come into force only on proclamation and has not been proclaimed.

Meanwhile, at Ottawa, the federal Government had been proposing to the provinces the creation, on a voluntary basis, of a Dominion loan council to facilitate the refunding of provincial debts with federal guarantees and federal control over future borrowing. On April 1, Alberta rejected the idea of the loan council on grounds of provincial autonomy, and, lacking federal aid, was constrained to

* No. 101, December 1935, pp. 157-165.

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default in respect of principal on a loan of \$3,200,000 maturing on that date. The interest on this sum due on April 1 was paid. For the first time, a Canadian province had failed to meet a maturing bond issue. At that time, it was said that there was division in the ranks of the party and that private members had carried the day against the Prime Minister and the Right wing of the Cabinet. On May 30, by order-in-council, the Provincial Treasurer was authorised to offer and, if the offer was accepted, to pay rates of interest equal to half the contractual rates on all provincial securities except one. The offer was not generally accepted and a bondholders' protective association came into action. In the special August session of the Legislative Assembly, which met after drought had ruined the crops in southern Alberta, the cut in interest rates was confirmed by statute.

An Act of the August session for the reduction and settlement of private debt has been even more drastic. The Act applies to all debts except those due to the Crown and to certain government boards and such debts as may be removed from the operation of the Act from time to time by order-in-council. The Act divides debts into two classes: "old debts" arising before July 1, 1932, and other debts. The amount recoverable on any old debt is the amount outstanding and payable on July 1, 1932, reduced by any payments since made on account of principal or interest. After July 1, 1932, no interest is payable on any part of the debt, and the principal amount is to be paid in ten annual instalments beginning November 15, 1937. On "other debts", the amount recoverable is the original amount and subsequent advances with simple interest at the contracted rate or 5 per cent., whichever is less. All sums paid in respect of principal or interest since the debts were originally created are deductible. This Act for the reduction of private debt was supplemented by amendment of the Debt Recovery Act, 1933. No action may be taken against a resident farmer or home-owner save by permission of the Debt Recovery Board. A former right

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of appeal from this Board to a judge of the Supreme Court of the province is abolished. A further Act of the Legislative Assembly in August, to come into force on proclamation, declares that interest payable by Alberta municipalities shall not exceed 3 per cent. and that no court proceedings shall be entertained on account of any interest payable in excess of that rate. It was said that this violent debt legislation was passed under pressure of private members against the wishes of a majority of the Cabinet.

II. THE PROGRESS OF SOCIAL CREDIT

POSTPONING comment on the debt legislation, let us turn to the other part of the story, to the preparations for social dividends and the just price. Mr. Aberhart had always said that it would take 18 months to inaugurate a system of Social Credit and that the plans would be prepared by "our best experts". It might have been expected that Major Douglas would arrive in Alberta. Whatever the reasons, Major Douglas did not return to Canada. In the regular February-April session of the Legislative Assembly, an Act was passed "respecting Social Credit measures." The preamble makes the following statements:

Under modern scientific conditions, productive capacity is unlimited.

The existence of indigence and unemployment demonstrates the fact that the present monetary system is obsolete and a hindrance to the efficient production and distribution of goods.

The electors are favourable to the adoption of a measure based on Social Credit principles, their general objects being to bring about the equation of consumption to production, and to afford to each person a fair share in the cultural heritage of the people in the province.

The Act declares that "the people of the province are entitled to the full benefit of the increment arising from their association". It authorises the Government to appoint fit persons to consider and formulate proposals "having for their object to increase the purchasing power of the consumer by means of social dividends, compensating

discounts or by any other means and the payment to the producer of any commodity of a just price"; also to investigate the prevailing conditions of all businesses and trades, and to ascertain whether they operate to the detriment of the province or of any category of persons in the province.

In spite of this Act, it was not evident at the close of the regular session that the Government had any definite plan for the issue of social dividends. It had, however, in various Acts indicated its intention to establish codes of fair prices, to set up a "price spreads" board, and to enlarge the area of government control of business by the threat of refusing licences. Codes have already been established in a few businesses in which excessive competition was said to prevail.

An order-in-council of June 16 authorised the issue of "Alberta Prosperity Certificates" to the amount of \$2,000,000. These were promises to pay at face value at the end of two years provided stamps had been affixed for 104 weeks at the weekly rate of 1 per cent. of each denomination. Certificates to the amount of \$250,000 were issued. Later, provision was made for redemption during three days of each month. At the middle of September, \$140,000 had been redeemed, and at October 1 only \$25,000 re-issued. The purpose of these certificates is not clear. They were perhaps, originally, an experiment in the financing of public-works unemployment relief. Issued in small and redeemable volume, they have done neither good nor harm.

A further order-in-council of July 29 under the Social Credit Measures Act appointed the Provincial Secretary to make the investigations referred to in the Act. The enquiry has been conducted by means of questions addressed to farmers and producers, manufacturers and processors, and by a registration form, also requesting detailed information, addressed to citizens generally. These forms were to be returned before September 30.

When registering and submitting the desired information, persons in each category were required to sign a "covenant" with the government. The citizen agrees to co-operate with the government, to accept remuneration in Alberta credit as far as he can reasonably do so, to exchange income in Canadian currency for Alberta credit so far as is convenient, to make no demand for the redemption of Alberta credit, and to offer no Alberta credit in payment of taxes until such time as the government shall be able to accept it. The government agrees to maintain a just rate of wages with reasonable hours of work, to grant loans with an administrative charge of 2 per cent. but without interest for productive enterprise or the building of houses, to grant monthly dividends and to redeem Alberta credit with Canadian currency when possible. The farmer agrees "to sell at least 50 per cent. of his products, over and above that required by himself or his dependents, within Alberta for Alberta credit, when called upon to do so, provided the price allowed is at least equal to the general market price". To the farmer, the government promises a just price, increased sale of Alberta products by issuing social credit, bonuses to compete in the world's markets, and loans free of interest. The manufacturer agrees to co-operate in planning, to sell at least 50 per cent. of his output for Alberta credit, and to deposit surpluses in the "Credit House". The Government promises the manufacturer to assist in the purchase of raw material, to increase purchasing power, to offer bonuses and compensating discounts, to make external agreements for the exchange of surplus goods outside the province. The retailer is to give preference to the sale of Alberta credit for all goods obtained in that way. He is to receive benefits similar to those offered to farmers and manufacturers.

The most recent and definite step towards Social Credit is the Act of the special session of the Legislature confirming the previous arrangements for enquiry and registration and authorising the establishment of an "Alberta Credit

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An order-in-council of June 16 authorised the issue of "Alberta Prosperity Certificates" to the amount of \$2,000,000. These were promises to pay at face value at the end of two years provided stamps had been affixed for 104 weeks at the weekly rate of 1 per cent. of each denomination. Certificates to the amount of \$250,000 were issued. Later, provision was made for redemption during three days of each month. At the middle of September, \$140,000 had been redeemed, and at October 1 only \$25,000 re-issued. The purpose of these certificates is not clear. They were perhaps, originally, an experiment in the financing of public-works unemployment relief. Issued in small and redeemable volume, they have done neither good nor harm.

A further order-in-council of July 29 under the Social Credit Measures Act appointed the Provincial Secretary to make the investigations referred to in the Act. The enquiry has been conducted by means of questions addressed to farmers and producers, manufacturers and processors, and by a registration form, also requesting detailed information, addressed to citizens generally. These forms were to be returned before September 30.

When registering and submitting the desired information, persons in each category were required to sign a "covenant" with the government. The citizen agrees to co-operate with the government, to accept remuneration in Alberta credit as far as he can reasonably do so, to exchange income in Canadian currency for Alberta credit so far as is convenient, to make no demand for the redemption of Alberta credit, and to offer no Alberta credit in payment of taxes until such time as the government shall be able to accept it. The government agrees to maintain a just rate of wages with reasonable hours of work, to grant loans with an administrative charge of 2 per cent. but without interest for productive enterprise or the building of houses, to grant monthly dividends and to redeem Alberta credit with Canadian currency when possible. The farmer agrees "to sell at least 50 per cent. of his products, over and above that required by himself or his dependents, within Alberta for Alberta credit, when called upon to do so, provided the price allowed is at least equal to the general market price". To the farmer, the government promises a just price, increased sale of Alberta products by issuing social credit, bonuses to compete in the world's markets, and loans free of interest. The manufacturer agrees to co-operate in planning, to sell at least 50 per cent. of his output for Alberta credit, and to deposit surpluses in the "Credit House". The Government promises the manufacturer to assist in the purchase of raw material, to increase purchasing power, to offer bonuses and compensating discounts, to make external agreements for the exchange of surplus goods outside the province. The retailer is to give preference to the sale of Alberta credit for all goods obtained in that way. He is to receive benefits similar to those offered to farmers and manufacturers.

The most recent and definite step towards Social Credit is the Act of the special session of the Legislature confirming the previous arrangements for enquiry and registration and authorising the establishment of an "Alberta Credit

House". The Credit House is to issue Alberta credit in social dividends and loans, to receive Alberta credit, currency, and all kinds of negotiable instruments, and to acquire provincial and Dominion securities. In the Act the Credit House appears to be not merely an instrument of the new experiment but also a provincial bank calculated to assume many functions of the chartered banks of Canada. Government officials are now busy with its organisation.

These have been the major acts of the Government of Alberta in 1936. From the point of view of all but Mr. Aberhart's supporters, they have many disturbing features. The plans for an experiment in Social Credit have been least alarming to the opponents of the movement, possibly because they do not believe that the idea is practicable and think that the movement may defeat itself. There has been no effort to obstruct the experiment inside or outside the province. Outside, there have been many to welcome the willingness of Alberta to play the rôle of laboratory dog. The implications of increased government control of economic affairs, including provincial control of marketing and exchange, may presently arouse apprehension; so may the tendency further to restrict the jurisdiction of the courts. It is alleged that there are disquieting symptoms of intimidation; many of the "convenanters" signed from expediency and not with faith, fearing that they might lose their jobs or that their businesses might be boycotted. The freedom of the press has been threatened. On September 13, in a speech at the Prophetic Bible Institute in Calgary, which had been heralded by similar utterances, Mr. Aberhart threatened to bridle the press. Objecting not to editorial criticisms of his policy but to news articles of a sniping character, he proceeded to argue that it might be expedient to license the press as other trades and professions are licensed.

However, the most serious aspect of recent government policy has been the violent legislative repudiation of debt. The Act concerning the reduction of private debts is

pretty generally regarded outside the ranks of the Social Credit party as a capricious measure that materially benefits not merely the have-nots but also many of the haves. Mr. Aberhart has said that there is nothing in the legislation to prevent those able and willing to pay from fulfilling their obligations, but it is regarded as unlikely that many of those so able and willing will refrain from taking advantage of the law. Here it may be remarked that the municipalities show no desire to speed the proclamation of the Act reducing their obligations. The debt legislation, in general, which includes all manner of debts save those due to the government, strikes at the private investor, sinking funds, the banks, insurance companies, trust and loan companies. It is feared in many quarters that it may ruin the borrowing power of a province requiring capital for years to come. It is pointed out that it arouses fear of further expropriation, encourages the flight of local capital and paralyses initiative in business. If the movement spreads—and debt repudiation may easily be contagious—it might threaten the financial structure of Canada. Debt adjustment is necessary. It has perhaps been too long delayed or inadequate in measure. Repudiation is not necessary. Such are the views expressed in many responsible quarters.

However unpopular its conclusions may be, the comprehensive report of the bondholders' association is probably right when it says :

The province of Alberta is economically and fiscally solvent and can pay all its interest obligations in full and reasonably expect surpluses in the near future . . . Alberta budgets can be balanced without the imposing of new taxation or reduction of necessary expenditure.

Certainly, budgets may be balanced if the province is willing to accept the idea of a Dominion loan council and of refunding with federal guarantees. This seems to be the better way for all concerned. And, in respect of private debt, the better way appears to be along the lines of the Saskatchewan plan announced at the end of September.

There, governments, municipal, provincial, and federal, and loan companies are co-operating to cancel \$75 million of debts to governments and to private corporations in drought-area municipalities. Interest on all farm mortgages in Saskatchewan is to be reduced from January 1937.

To describe the situation in Alberta, strong words such as dictatorship, class-war, revolution, and communism have been used. There is no doubt that some of these longer possibilities are implicit in the present situation, but it would be hard to find consciously subversive forces or a revolutionary state of mind. The driving force behind the radical legislation has been the party caucus of private members. These men have exerted pressure on their leaders to repudiate debt and to get on with the fulfilment of their election promises. They are probably as innocent of marxian theory and of revolutionary technique as they are vague about the theory and implications of Social Credit. The movement is one of distress championed by men who came far west for better things. It expresses a desire to escape from the frustrations of the depression and from the calamities of nature, and impatience to hasten the process of debt adjustment. It is a movement that saw no Utopia in the programmes and practices of old parties and found hope and a religious sanction in the message of Mr. Aberhart.

The development of the situation in the near future is not easy to forecast. Much of the new legislation is of doubtful constitutional validity and may be declared by the courts to be beyond the powers of a province. While the British North America Act gives wide powers to a province in respect of property and civil rights, there is much in the recent Acts that may be considered repugnant to the federal powers and to Dominion statutes. Judicial decisions, however, will not solve the economic and political problems of Alberta, and political passions may not be subdued in the no man's land between *ultra vires* and *intra vires*. If the federal Government should consider that there is any

genuine threat to the financial structure or to the economic unity of Canada, it might, on grounds of high policy, exercise the power of disallowance. Only apprehension of grave danger to the people of Canada outside Alberta is likely to prompt such action and, presumably, there will be no resort to disallowance without the offer to Alberta of a constructive scheme of debt adjustment.

It may be that there is no remedy for present discontents except by the votes of the electors of Alberta. If this be the case, a reversal of policy still seems remote. The Social Credit party has gained in strength as a result of the summer drought. The measures for the partial repudiation of debt have caused no loss of popular support. The party has an effective organisation and is said to be stronger than ever. There is a minority opinion strongly opposed to the policies of the Government, but it is still unorganised and divided by conflicting allegiances to old parties. If the United Farmers abandon party politics, the opposition may rally either to the Liberal party, which had the largest minority vote at the last election, or to a new party. An effective constitutional opposition, however small, might readily gather strength as the more unhappy effects of arbitrary repudiation emerged and as the policy of Social Credit came to make demands instead of promises. Since the current account of the province is now relieved of half the interest charges, there is presumably little immediate prospect that the Government will collapse by reason of financial difficulties.

Canada,

October 1936.

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THE quarter under review has been characterised by over-production of grist for a chronicler's mill. A rigorous selection, on whatever basis, is disappointing to the writer and perhaps provoking to the reader. There may be some surprise at finding no discussion at all of the centenary celebration in South Australia, the proposal of the Victorian Government to restrict the powers of the Legislative Council along the lines of the Parliament Act of 1911, the decision of the Commonwealth Government to adopt the Statute of Westminster after further consultation with the states, the acceleration of the Commonwealth's defence programme, and the recent Commonwealth budget. But these things are only minnows, and the pool of Australian politics boasts two strenuous young whales as well. Not since the onset of the depression has the Australian people had to face simultaneously two such great economic-political issues. Both concern marketing. One arises from the decision of the Judicial Committee of the Privy Council in July in the case of *James v. Commonwealth*, invalidating the Commonwealth law controlling the interstate and overseas marketing of dried fruit, and indirectly affecting similarly the marketing of butter. The other arises from the trade diversion policy announced by the Commonwealth Government just before Parliament rose in May.*

I. THE PRIVY COUNCIL AND MARKETING

A COMMUNITY bent on a rapid increase of population and on the development of a balanced economy relies almost of necessity upon the principle of protecting home

* See THE ROUND TABLE, No. 104, September 1936, pp. 843-8.

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production. In the circumstances of Australia, secondary industry has generally been developed under the protection of a customs tariff, and though the major primary industries were able to hold their own until recently, more or less unassisted, in the export markets, primary production was encouraged in a number of minor directions by means of bounties, either on production or on export. Since the fall in world prices of primary products at the onset of the depression the effort has been to maintain, and even extend, the volume of exports, and to compensate the producer for low returns from exports, partly by devaluation of the currency and partly by maintaining an artificially raised home consumption price.

In so far as the home consumption price has been achieved by means of bounties, no considerable constitutional problems have been raised. The power to grant bounties, along with that to impose duties of customs and of excise, passed on federation to the Commonwealth. But, when an industry of the magnitude of the wheat industry has to be protected in this way, real political difficulties begin at once. Recurring surpluses have to some extent lightened the task of the Commonwealth Treasurer. But a bounty has to be paid at last out of revenue, and if great sums have to be found a special tax for the purpose can scarcely be avoided. The obvious thing will be an excise—a form of tax which, despite the notorious political weakness of the consumer, is always unpopular, which no political party will be willing to impose as anything but a temporary expedient, and which no body of producers would be well advised to count on obtaining. Alternative methods of benefiting the producers had, however, already been worked out, and were available, with some modification, for use in the major exporting industries.

These experiments had first been tried under the authority of state law, and for the most part in industries with no substantial export market. The states, charged under the constitution with the general responsibility for

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development, were not averse from attempting a small-scale economic nationalism of their own. Where substantial interstate or export trade was involved (as in dried fruits), co-operation between the producing states was found necessary, and was achieved.

Queensland and New South Wales first employed generally the method of compulsory "pools". The broad principle is that, if on a poll of the growers of a commodity a sufficient majority (usually about sixty per cent.) so decide, a marketing board representing the producers is set up for that commodity, the commodity as and when produced is vested in the board, and it becomes unlawful for a grower to deliver his commodity otherwise than to the board. The board ensures compliance with the rules regarding quality and grading, and endeavours to maintain prices by rationalising sales. This is "orderly marketing", strictly so called: the first article of faith in the primary producer's present-day creed.

Another obvious method, especially where the export market is both large in quantity and depressed in price (as in the dried fruits trade), is to maintain Australian prices by fixing the maximum percentage (quota) of his crop that each producer may sell within Australia. The surplus is thus forced abroad, to be sold at the lower overseas price. Regulation of quality and grading is achieved by licensing and controlling the packing or processing establishments. Compliance with the quota is enforced either by fine or other penalty or by actual expropriation. It is not necessary, indeed, to enforce exact compliance with the quota upon every individual seller, so long as he is prepared to "equalise", that is to say, pay into a common fund receipts from home-consumption sales in excess of the quota.

In writing the foregoing paragraphs, it has been embarrassing to decide the appropriate tense. The relevant Acts indeed still stand unrepealed on the statute-books. But, one by one, the interpretation placed by the courts on the constitution has destroyed their validity; they have been

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held to infringe the declaration in section 92 of the constitution that trade among the states shall be "absolutely free". The plaintiff in the recent Privy Council case, Mr. F. A. James, a South Australian grower of and dealer in dried fruits, has been throughout the outstanding opponent of the marketing schemes. Since 1926 he has had four successive victories, two in the High Court and two in the Privy Council. The High Court upheld his contention that the state could not lawfully fix a quota for his Australian sales, so as to force him to abandon profitable markets in other states and send his fruit abroad. The Privy Council upheld his subsequent contention that the state could not lawfully expropriate his crop in order likewise to force the surplus fruit off the Australian market. The High Court later applied this principle to the case of a Peanut Marketing Board in Queensland, set up on a compulsory pooling basis. The result was that the state was held to be powerless to control any part of a grower's produce with which he could trade interstate. If a state that was prohibiting interstate dealings in a commodity, either in excess of a prescribed proportion or to persons other than a prescribed authority, could be said to be leaving interstate trade "absolutely free", the constitutional charter, as the Privy Council remarked, might as well be torn up.

What the states were unable to do for themselves, however, a remarkable interpretation of section 92, adopted by the High Court in 1920, enabled the Commonwealth to assist them to achieve. It was necessary, said the Court in *McArthur v. Queensland*, to give to the words "absolutely free" their full ordinary natural meaning. This meaning was held to be "free from all governmental interference". Once that meaning was conceded, it seemed to follow inexorably that the prohibition contained in section 92 could not be addressed to the Commonwealth government at all, but only to the states. For the Commonwealth was given, by the constitution, express power to make laws

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with respect to interstate trade. It would be absurd to read the constitution as saying in one place that interstate trade was to be subject to Commonwealth law and in another that it must be absolutely free from all governmental interference on the part of the Commonwealth. What the constitution did forbid to the Commonwealth was to discriminate between states in the exercise of the trade and commerce powers.

Astonishing as this result is, it held the field for fifteen years in the High Court of Australia. The value of such an interpretation for marketing purposes is obvious. Under the constitution, trade and commerce powers are divided between the Commonwealth and the states, on the same basis as in the constitution of the United States—the Commonwealth having power with respect to overseas and interstate trade only, intrastate trade being reserved to the states alone. When, therefore, it was found that the state marketing laws could not, by reason of section 92, validly control interstate transactions, Commonwealth assistance was sought. In the dried fruits industry, the quota method was restored, but under complementary laws both of the Commonwealth and of the producing states, the latter operating only upon transactions within the state itself, the former operating—free of section 92—upon the interstate and overseas transactions. This was the scheme which was applied to dried fruits and butter, which Mr. James again attacked, and which the Privy Council has declared invalid. A still more elaborate form of regulation, on the same constitutional basis, was devised in 1935 for the wheat industry, but has not been put into operation; it too is regarded as invalidated by the Privy Council's decision.

Despite the serious consequences, the Privy Council's decision that section 92 is a prohibition addressed to the Commonwealth as well as to the states has been welcomed throughout the legal profession in Australia. Indeed a contrary decision would have been widely deplored as a

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surrender of principle to expediency. The interpretation adopted by the High Court in 1920 has never commended itself to Australian lawyers generally, and, though the High Court has followed the traditional British doctrine of precedent in adhering to its previous interpretation until overruled by the tribunal of final resort, a majority of the members of the Bench by which James's case was decided have expressed their individual views that the interpretation adopted in McArthur's case was wrong. The judgment has materially strengthened the prestige of the Privy Council as a final court of appeal from Australia.

In *James v. Commonwealth*, as in recent Canadian cases, the Privy Council has attempted to preserve the recorded historic intention with which the constitution was established. But the circumstances under which section 92 found its way into the Commonwealth constitution have made its subsequent interpretation a matter of exceptional difficulty. The principle involved, free trade among the constituent states, is an essential part of any federal structure, and the desire to secure interstate free trade, to put an end to the inter-colonial tariff warfare that cramped Australian life in the latter half of last century, to escape from "the barbarism of borderism", was one of the most powerful factors that produced Australian federation. In the constitutions of the United States and of Canada the principle of interstate free trade is embodied in a more or less technical section prohibiting the imposition of financial imposts on interstate trade. In the Australian constitution the formulation is attractively categorical and sonorous: "*Trade, commerce and intercourse among the states, whether by internal carriage or by ocean navigation, shall be absolutely free*". A well-turned phrase, with a strong popular appeal, put forward by Parkes in 1891 as one of the six original bases for discussion at the first Convention.

But "free" is a deceptive word—a literary chameleon. It means different things as applied, for instance, to a dinner, to speech, and to a church respectively. To remove

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ambiguity, one must say what it is that trade is to be free *from*. Some of the ablest lawyers in the Federal Conventions strove to do this, but the laymen would not have it. In face of this persistently and expensively litigated section, Australian lawyers recall ironically Reid's optimistic declaration :

The words have the further recommendation that no legal technicalities can be built up upon them in order to restrict their operation. It is a little bit of layman's language, which comes in here very well.

The courts have striven ever since "to explain the elliptical and expound the unexpressed", as Sir George Rich has put it in the High Court of Australia.

Precisely what was in contemplation in 1900 is exceedingly hard to elucidate; the Convention debates present, as might be expected, a great many blurred or ragged edges on a subject like this. Probably it was freedom in the narrow fiscal sense that was envisaged—freedom from financial imposts and from embargoes. Certainly nobody contemplated the wide rendering of 1920—"free from all governmental interference". The Privy Council in James's case has made a powerful attempt at a new interpretation, along a line that falls somewhere between these two. What section 92 predicates, their Lordships have said, is "freedom as at the state barrier". This is a formula which, as the Master of the Rolls himself said, is difficult and requires explanation. There will no doubt be judicial controversy about its scope hereafter. The immediate point, however, is the definitive conclusion that the power of the Commonwealth to make laws with respect to interstate trade and commerce must be exercised so as to leave trade among the states "absolutely free", in that sense.

In all the industries in which there are, or can profitably be, substantial interstate transactions, the present marketing legislation has been rendered ineffective by the decision in the dried fruits case. On a voluntary basis, the existing organisation could certainly subsist. But that implies a

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higher degree of organisation than any of the industries at present possess: the publicly-controlled schemes both for dried fruit and for butter grew out of the failure of previously existing voluntary schemes. Luckily for the community, a rapid rise in wheat prices has rendered unnecessary for the present any action to support the growers in that industry. The other two export industries immediately affected—dried fruits and butter—may perhaps be able to carry on for a limited time on a voluntary basis. But difficulties are already beginning, and if the organisation breaks down the producers can only be assisted (as the constitution now stands) either by a return to the excise-and-bounty system or by a further depreciation of the currency. The alternative is for the Australian people, by an amendment of the constitution, to resume the power to regulate the marketing of primary products, whether in Australia or abroad, in the manner that seems to some or all of the Parliaments most fitting.

It is tempting to take a high line, and rejoice that the wisdom of the fathers of the constitution has been vindicated. General prohibitions fettering the exercise of legislative powers are by no means rare in written constitutions, and the whole point of inserting them is to prevent the infringement of fundamental principle under the pressure of sectional interests or temporary exigencies. The preservation of interstate free trade means, and has meant, a great deal in Australian life, and the decision of the Privy Council does preserve it from infringement by the Commonwealth. The problem, however, cannot quite be solved along such abstract lines.

At any rate where export industries are concerned, the problem presented is not at all the kind of situation that the fathers of the federation had in mind in laying down the categorical principle of interstate free trade. What they desired was to prevent the separate states from developing as separate and conflicting economic units. They wanted Australian production to develop as a whole. Marketing

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schemes on a state basis are very likely in fact to contravene this principle and to attempt protection of the home producers as against the producers in other states. But the attempt, on the other hand, to secure by means of Commonwealth action a home consumption price for Australian producers as a whole is precisely in line with the determination that Australian trade shall be treated as a unit. The control of interstate transactions is merely an instrument by means of which marketing may be controlled on a national basis.

That is why the declaration by the Privy Council that the Commonwealth is bound by section 92 raises such serious problems. The decision discloses a gap in the legislative power of the Australian people to control trade and commerce on a national basis, whether that power is exercised through the Commonwealth or through the states or through Commonwealth and states together. In these circumstances, the Commonwealth Government's decision to seek an amendment of the constitution is scarcely a matter to be deplored.

The difficulties and hazards of the constitution-amending process in Australia are well known. The initiative rests with the Commonwealth Parliament, and a proposed amendment, in all its technical precision, has thereafter to run the gauntlet of a referendum, and requires not only a majority of votes in the Commonwealth as a whole but also a majority in a majority of states (that is, in four states out of six). The negations of inertia are widespread. An amendment which can plausibly be represented as put forward for party purposes has only the slenderest chance of success. Fear of the Commonwealth, moreover, is still never far below the surface in state politics, and any issue that can be represented as an attempt by the Commonwealth to enlarge its powers starts from a long way behind scratch, more especially in the outlying and less populous states. In this particular instance, the Commonwealth Government hesitated a good deal before making up its mind to seek an

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amendment of the constitution, in order to permit marketing schemes along the familiar lines, and to close the legislative gap just referred to.

The prospects of the referendum (which is to be taken, it is understood, in February) do not at present look bright. Support from Labour might possibly have been expected, since the party is in principle pledged to unification as the constitutional goal for Australia. In the Commonwealth Parliament, however, the party leaders have managed to find in the charge that the Government's proposals are not far-reaching enough a technical ground for opposing them. The Labour leaders would have liked to secure, as the price for Labour support, an attempt to obtain from the people a general extension of the powers of the Commonwealth with respect to commerce and industry (with a 40-hour week particularly in view). Such powers have several times been refused, and if the marketing amendment is to have even a remote chance of success the Government has been wise in declining to couple it with any other proposals whatever.

Ministerial supporters in the constituencies will no doubt be divided on this issue. The United Australia party contains strong conservative elements which distrust on principle as well as by interest any extension of governmental regulation of industry. The powerful private interests carrying on the marketing of a great industry like wheat are fearful of any amendment that would permit compulsory pooling schemes. In some cases, these interests reinforce state fears of Commonwealth aggression, and greatly stiffen the opposition to any amendment that may be proposed. The sentiment in favour of interstate free trade is still widespread, moreover, in spite of the powerful vested interests that have grown up in support of regulated marketing.

A referendum is usually thought to have stronger chances of success if taken by a popular Government along with a general election. But only a strong Government will face

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the risks of such a union. On the other hand, a Government that takes an isolated referendum is certain to lose in prestige if the people reject its proposals.

The success of the referendum of 1928, taken to validate the Financial Agreement, showed what could be done if all the State Governments could be committed to a proposed amendment. A meeting of the Premiers' Conference was held in Adelaide in August, mainly in the hope of reaching some similar understanding, but without success. The Commonwealth, afraid not without reason of stimulating the latent jealousy of the states if it appeared to press for an amendment, gave no strong lead. The states in their turn were hopelessly at odds among themselves. New South Wales, Victoria and Queensland supported, the other three opposed, an attempt to secure a constitutional amendment.

The task of drafting an amendment which will be at once legally sound and politically seductive has taxed the ingenuity of the Government. The formula announced has the merits both of brevity and of modesty. The proposal is to insert into the constitution a new section, after section 92, as follows :

92A. The provisions of the last preceding section shall not apply to laws with respect to marketing made by the Parliament in the exercise of any power vested in the Parliament by this constitution.

"Marketing" is just now a word with a popular appeal, and likely to be "understood of the people"; its legal scope, however, is not beyond dispute and will no doubt—if the necessary affirmative votes are cast—immediately be disputed in the courts.

The object of this limited proposal is to regain, but only for the purposes of regulating marketing, the freedom from section 92 that the Commonwealth was previously thought to possess. The amendment will leave untouched the constitutional division of trade and commerce powers between the Commonwealth and the states. The Commonwealth will acquire no power to control intrastate transactions.

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Marketing schemes will still depend, as at present, on the willingness of the states to regulate the transactions within their own borders. On the other hand, the amendment will not in any way enlarge state powers to impair the freedom of interstate trade by local marketing schemes of their own. It is only that (to borrow a metaphor from Mr. Menzies) if the amendment is carried the Commonwealth will have power, as before, by controlling interstate transactions, to supply the cement with which to unite the state bricks.

During the referendum campaign, the real issues will only too probably be overlaid by a mass of relevant though secondary prejudices. The fundamental issue, of course, is the merit, if any, of maintaining an artificially raised home consumption price for the necessities of life. But, even if that issue be conceded, others remain, quite apart from the issue of state rights—real enough in itself. It has been widely asserted, for instance, that without any constitutional amendment at all, and merely by means of its excise-and-bounty powers, the Commonwealth can do everything that is necessary to protect the primary producer. The accuracy of this analysis needs careful examination. Many of those engaged in the present regulation of industry are convinced that a special home consumption price could never be maintained unless there were also power to regulate Australian sales. This view appears to be right. Even if it were wrong, the political objections to the excise-and-bounty system are very great.

On the other hand, there seems to be considerable room for improvement in the mechanism of marketing control. To keep as many as possible of the producers on the land has been a matter of urgent national concern during the depression. It is said, however, that the existing methods, based on "producer control", have led to the preservation of a good deal of marginal production, of a costly or inefficient kind. Such matters as these have been the subject, so far, of asseveration rather than examination.

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Again, the permanence of the present relation of Australia to world markets is assumed rather than even asserted. Upon all these issues, a critical democracy should demand enlightenment. The referendum campaign will be a real test of the political capacity of the Australian people.

II. THE TRADE DIVERSION POLICY AND JAPAN

THE trade diversion policy, announced on May 22 last, raises in the sphere of external affairs, political and economic, even larger issues for the future of the Australian people. A summary account of the steps taken, and of the principal reasons advanced by the Government for taking them, appeared in the last number of *THE ROUND TABLE*.^{*} Present needs will be met by simply recalling the three main elements in the new policy: the diversion to England from Japan, by means of drastically increased customs duties, of a large import trade in textiles; the diversion from America to Australian home manufacture of a large trade in motor car engines and parts; and the diversion from "bad-customer countries" (chiefly the United States) to "good-customer countries" (mainly European) of a substantial amount of imported manufactures. The technique of the two later diversions has been to prohibit the importation of the goods concerned, save under licence from the Minister.

These steps may fairly be regarded as committing Australia wholly, for the time being at any rate, to the prevailing policy of economic nationalism, trade restrictions, quotas, bargains between governments. Obviously enough, because of her external indebtedness if for no other reason, the Australian economy cannot be self-contained. The question then is, where is Australia to find her complementary units. The policy of May 22 answers this question emphatically, in an imperial sense. Readers of *THE ROUND TABLE* will be familiar with this theme. The

^{*} No. 104, September, 1936, pp. 843-8.

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Ottawa agreements were a clear expression of it, and it is thus expressed by Mr. Amery:

It is indeed one of the apparent paradoxes of modern economic development that while the whole conception and structure of the modern state imply a policy of economic nationalism, the technical developments of modern production all demand so wide a range of varied natural products, so large a market to secure the maximum efficiency of mass production, so powerful a financial basis, that few of the existing countries into which the world is divided constitute economic units adequate to modern conditions. The solution of the paradox lies not in flying in the face of the whole tendency of modern thought in order to restore a nineteenth-century internationalism, nor in acquiescing in the stifling of progress by existing national boundaries. It lies in widening those boundaries by bringing together nations in groups large enough to satisfy the technical requirements of modern production, and yet also sufficiently held together by some common ideal, some permanent co-operative purpose, to enlist the forces of economic nationalism on their behalf. . . . For us that wider basis, political and economic, is already given. The British Empire, with the outer circle of economic or political dependencies which are, or may yet come, within its orbit, provides, for us at least, our natural starting point and the object of our main endeavour during this next phase of the world's development.*

But is this policy sound for Australia to-day? Fundamentally, the criticism of the trade diversion policy now making itself slowly manifest is that it is neither economically expedient nor politically safe for Australia to adopt towards the countries of the northern Pacific the attitude which the new policy implies.

Misgivings along these lines were widely felt in Australia as soon as the new policy was announced, and they have not since been lessened. The volume of overt criticism, however, has so far been almost incredibly small. The newspapers, even where not supporting the Government, have at least been reticent, the graziers for the most part unconvinced but not vocal. Partly, no doubt, this apparent complaisance is due to pressing party-political considerations. The only effective alternative to the present

^{*} *The Forward View*, pp. 111, 115.

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Government would at the moment be a Labour Government, and the shadow of Mr. Lang has kept many critics silent.

There have been other considerations operating as well, notably the request made by the Prime Minister that interested parties should "keep out of the ring". So dramatic have been the Government's moves, so skilfully have suggestions about defence been introduced, so sedulously has an air of mystery been preserved, that the plain man feels, almost in spite of himself, that there is a great deal more in this business than meets the eye. It will be remembered that the Government announced the new policy, without warning and without opportunity for discussion, only a few hours before Parliament adjourned for the winter recess. In informing the people later of developments in the trade dispute with Japan, the Prime Minister has twice used an instrument of propaganda unprecedented in Australia—a broadcast over all networks in Australia. These tactics have produced a considerable impression, but, in periodicals and in pamphlets, reasoned criticism is growing in volume.

Parliament reassembled early in September, but the Opposition has been in some difficulties about launching any effective challenge. To begin with, the trade diversion involved the promise of a very considerable expansion of employment in Australian secondary industry; in addition, an Australian Labour member would inevitably find himself in an unenviable position in defending the entry into Australia of goods produced by workers under less favourable wage conditions and on a longer working week.

In some quarters the trade diversion policy was regarded as a far-sighted measure, calculated to induce in Japan a greater willingness to accept the import restrictions that the Australian Government had proposed during the previous negotiations. Certainly no realist could have expected any immediate result of the kind. The immediate result was, in fact, Japanese retaliation, as was to have been expected.

THE TRADE DIVERSION POLICY AND JAPAN

The Japanese wool-buyers began it by boycotting the Australian sales. Then on June 25 an official Japanese ordinance prohibited the import into Japan, save under licence, of wool, wheat, flour and starch, and imposed a 50 per cent. *ad valorem* surtax on a number of other commodities usually imported from Australia. The list included meat, butter, condensed milk, leather, animal fat and casein. Whereas the Australian customs duties were not to come into full force until December 1, these customs increases were to operate immediately.

The next move came from Australia, in the shape of a regulation, issued on July 8, prohibiting save under licence a wide range of imports from Japan. The Prime Minister explained that this action was not taken in any "retaliatory or punitive spirit", and he accompanied it with an offer to resume negotiations on the basis of a suspension of the measures taken on both sides, with the exception of the Australian tariff alterations of May 22. This was not very promising diplomacy. The Japanese Chamber of Commerce in Sydney urbanely remarked that: "a sporting people will readily realise that Australia thus suggested compromise whilst she retained a hammer lock on Japanese trade". In the alternative, Mr. Lyons offered to resume negotiations whilst leaving all the recent measures to their operation. This offer was accepted, and negotiations so far abortive were resumed. The exact proposals and counter-proposals do not appear to be known. The Ministry has denied a report from Tokyo that the Japanese Government offered to barter cottons and rayons for wool.

In the meantime the wool sales have been proceeding. If the Japanese had hoped for any dramatic slump in prices they were disappointed. On the other hand, it is idle to pretend that the market has been unaffected, though how much it has been affected is very difficult to estimate.

The Prime Minister has put the issue as one that "involves our right to legislate, as we may decide, upon our own domestic affairs, and touches our right to trade as we

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wish within the British Empire". That is a strong enough point in itself, though of course it is a boomerang argument, and if pressed makes all tariff discussions useless. After all, Japan is doing to Australia exactly what Australia is herself doing to the "bad-customer countries" with whom she has an unfavourable trade balance. The whole point of negotiating trade treaties is precisely to modify the manner in which each country shall exercise its admitted rights.

In any case the insistence on Australia's right to follow this particular policy determines nothing whatever as to the merits of the policy itself, in Australia's own interest and in that of the Empire. The dilemma in which the Government has found itself should be clearly realised. On the one hand, it has been trying to negotiate, as against South American and European competitors, for a larger share of the British import market in meat and in other foodstuffs. In that negotiation, Australia's bargaining counter has been the offer to regain for British textiles, at Japan's expense, a larger share of the Australian import trade. But the very act of making such an offer impairs the success of Australia's efforts to find in the northern Pacific an expanding market for meat, flour and wool, particularly for wool. Australia loses, perhaps, whichever way she chooses.

That means she must choose in the light of the long-distance factors. Possibly not all of them are known to the general public. But those which are known weigh, on balance, against the particular arm of the dilemma that the Government has chosen. The strenuous effort being made to increase British home production and to make the Mother Country more nearly self-sufficient in foodstuffs suggests strongly that Great Britain cannot continue to offer an expanding market for Australian produce. The East can. But the trade diversion policy not only produces immediate dislocation of that market, it threatens ultimate contraction of it, in wool especially.

Arguments for this part of the trade diversion policy

THE TRADE DIVERSION POLICY AND JAPAN

based on defence needs are disturbing but not altogether convincing. To provoke the antagonism of Japan is not, obviously at any rate, the best service that Australia can render Great Britain and the rest of the British Commonwealth. The British Government is reported as having disclaimed all responsibility for the introduction of the new policy, and the repercussions of Australia's action may perhaps cause some embarrassment to Great Britain herself in the East. There seems to be some ground for thinking that the diversion of trade may help Lancashire rather than Great Britain, and even that, taking a long view, its advantages to Lancashire are dubious. If the reports are correct that the future of Lancashire depends on courageous reorganisation and re-equipment within the cotton industry itself, the present concessions may well be on a wrong basis altogether.

One aspect of the new policy has been adversely commented upon, and never seriously justified. The Commonwealth Government has, over a term of years, been building up a tariff system based on a sound technique of expert and impartial investigation by the Tariff Board. The introduction of the licensing system, the imposition of new tariffs upon Japanese textiles, and upon motor engines and parts, took place, so far as the public is aware, without any prior consultation whatever with the Tariff Board. When questioned, the Government's answer in each case was simply that this was "a policy of trade diversion", and fell outside the scope of the Tariff Board's operations. Upon this the Ritchie Professor of Economics in the University of Melbourne remarked that "the Government appears to have exposed the whole structure of our tariff policy to the vagaries of future political expediency, and the log-rolling of interested parties".

Australia,

October 1936.

SOUTH AFRICA

I. THE POLITICAL OUTLOOK

IN the last number of *THE ROUND TABLE* * reference was made to the impending elections for the provincial councils in the four provinces of the Union as being likely to furnish an important indication of the political strength of the Union Government throughout the country. It is true that these elections are nominally concerned with provincial rather than with general political issues. But they were contested purely on party lines, and, as this was the first occasion since the formation of the United party Government on which the people throughout the Union have been able to cast their votes on general political issues, the anticipation expressed in the article referred to—that these elections would be regarded by all sections as a preliminary trial of strength in anticipation of the parliamentary elections due in 1938—was fully realised. The results, however, in the Transvaal and Orange Free State—the only two provinces in which the elections have already taken place—have been far more favourable to the United party than even its optimistic supporters had hoped for.

In the Transvaal the Dominion party confined itself to contesting seats on the Witwatersrand. Its candidates stood in 13 of the 23 constituencies in that area, but only one was returned, and he by a narrow majority of 28 votes, in Colonel Stallard's own constituency. The Labour party, as was anticipated, was more fortunate, and succeeded in carrying six seats, but this, in view of the splitting of the anti-Labour vote by Dominion party candidates, must be regarded as a very moderate performance. In the

country districts the only opposition to the United party came from the followers of Dr. Malan. The result in their case was equally disastrous, as only two candidates were returned, by majorities of 25 and 1 respectively. In the latter case the successful candidate has resigned, in view of an impending election petition. The new council therefore consists of 48 United party members, 6 Labour members and one each of the Dominion and Malanite Nationalist parties.

The results of the Transvaal election in themselves would thus appear to be a remarkable expression of confidence in the United party Government. This, however, must to a certain extent be discounted by two considerations: first, that the election was after all a provincial and not a parliamentary election; and, secondly, that the poll was a small one, as not more than 50 per cent. of the registered voters recorded their votes. On this point it is claimed by supporters of the United party that, as the Opposition parties were the attacking force, and had chosen the occasion to test the feeling of the electorate, the apathy, which led to so large a proportion of the voters neglecting to vote, would naturally be more in evidence on the side of the defence. However that may be, the fact remains that, in so far as the elections in the Transvaal were used as a challenge to the strength of the Government, their position remains unshaken.

In the Orange Free State the polls were larger than in the Transvaal—almost up to the normal percentage of a parliamentary election. Great hopes were entertained by the dissident Nationalist party of their prospects in the Orange Free State, and the belief was widely held that the popular vote in that province had definitely turned against the United party. The result of this provincial election, however, does not give ground for that belief. In the outgoing council the United party had 18 seats, the Nationalists 6 and the Central party—a resuscitation of the party founded by the late Mr. Tielman Roos—one. In

* No. 104, September 1936, p. 857.

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this election the United party won the Central party seat and two Nationalist seats, while the Nationalists won two United party seats, so that the new council consists of 19 United party members and 6 Nationalists—a result which again (in so far as inferences can be drawn from it) shows an unshaken position for the Government party.

II. THE UNION AND ITS NEIGHBOURS

THE City of Johannesburg has been celebrating the fiftieth anniversary of its birth. Foundation would be an inappropriate word; for the people who gathered fifty years ago on that bare upland of the high veld, to explore the possibilities of an outcrop of gold-bearing reef, had little conception of the miles of streets and buildings that cover that ground to-day. To commemorate this anniversary an Empire Exhibition has been opened, to display the products and industries of South Africa, its scenery, life and inhabitants, together with exhibits from Great Britain and other parts of the Empire. Attracted by this unique occasion have come visitors from Africa outside the Union and from overseas, and the opportunity has been taken of holding conferences of persons from different parts of the sub-continent interested in particular movements or associations.

The most important of these was a conference of African Governments south of the Equator invited by the Union Government to consider common problems of transport by land and air. The Belgian Congo, the Portuguese colonies of Angola and Mozambique, the French colony of Madagascar, the British colonies of Uganda, Nyasaland, Kenya and Northern Rhodesia, Southern Rhodesia and the mandated territory of Tanganyika were all represented by Governors or their deputies with their technical advisers—in the case of Southern Rhodesia by the Governor, the Prime Minister and the Minister of Mines. This is the latest and most important of a series of conferences of

THE UNION AND ITS NEIGHBOURS

neighbouring African States and colonies by which the Union Government has been endeavouring to bring about closer co-operation and a better mutual understanding in matters of common interest—for instance, postal services, or public health regulation.

This last conference on transport was of wider scope, and brought together for the first time the actual heads (or their representatives) of the respective States and territories. The conference, after its formal opening by the Governor-General, set up two technical committees for air and land traffic respectively, and these, after a few days' deliberation, produced unanimous reports. In view of the diversity of conditions prevailing in the various territories it was not to be expected that agreement would be reached, or sought, on matters of detailed administration. On such matters an interchange of views and comparison of conditions was welcomed and appreciated. On two important matters of railway administrative policy, definite resolutions were taken—one that the standard track gauge should be the three-feet-six-inches gauge, on which so much of the African railways have already been laid, and that rolling stock and other equipment should be planned on that basis, and the other that common policies should be adopted to meet road transport competition and co-ordinate roads with railways. In the field of air transport, resolutions were taken for the demarcation and equipment of international air routes.

But more important than these practical resolutions was the unanimous recognition of the permanent value of the new principle of consultation and conference. A permanent secretariat was established, as a centre for the acquisition and circulation of information among the parties to the conference, and for the formulation and discussion of new suggestions. It was also decided that this conference should again be called together in 1940 at Lourenço Marques.

In this way a beginning was made of what may be a very

fruitful development for peace and advancement in southern Africa.

III. THE NATIVE TRUST AND LAND ACT

EARLY in June 1936 the Native Trust and Land Bill passed its third reading in the Union House of Assembly. It received the *imprimatur* of the Senate immediately afterwards, and has now become the law of the land.

The Land Act is one of the trilogy of measures by which General Hertzog has proposed to lay down the native policy of the Union, for this and succeeding generations, on the basis of segregation. These measures are, firstly, the Natives' Representation Act, which has segregated the Bantu politically from the rest of the population; secondly, the Land Act, which seeks to provide for the territorial segregation of the rural natives; and, thirdly, a measure (amending the Urban Areas Act) which will regulate the terms on which natives are to be admitted to and live in the towns of the Union's "European" areas. This third measure is still in process of elaboration.

The Representation of Natives Act has already been fully dealt with in *THE ROUND TABLE*.^{*} So have certain aspects of the Native Trust and Land Act.[†] It is the object of the following pages to give an account of the measure as a whole, dealing summarily with the aspects already discussed.

The Land Act falls into two main parts. The first part deals with the extension of the Union's over-populated native reserves, in order to make room, not only for the natives' natural increase, but also for the "redundant" [‡] natives who will be compelled to leave the European urban and rural areas in the interests of the segregation policy.

^{*} No. 100, September 1935, p. 725; No. 102, March 1936, p. 414; No. 103, June 1936, p. 528.

[†] No. 100, September 1935, p. 723; No. 102, March 1936, p. 416; No. 103, June 1936, p. 535; No. 104, September 1936, p. 852.

[‡] *I.e.*, those whose services are not required by the Europeans as labourers.

THE NATIVE TRUST AND LAND ACT

This part of the Act has already been discussed in *THE ROUND TABLE*. Briefly, it provides for the setting aside of certain "released areas" where, in addition to the existing reserves, native land-holding will in future be legally recognised.* European landholders in the released areas may be bought out by the natives or by the Government; and, as a last resort, the Government has reserved to itself the right of expropriation. When in the course of time (and the time is certain to be a long one) all the Europeans in the released areas have been bought out, the existing 10.4 million morgen [†] of native reserves will have been increased to 17.7 million morgen, which is 12.3 per cent. of the total area of the Union. The land held by natives in this reserve is to be vested in a trust (the South African Native Trust) and the trustee is to be the Government of the day, that is to say, a Government elected almost exclusively by the Europeans.

The second part of the Act deals with natives who live on European-owned land. There are three classes of such natives: firstly the "squatter," who hires land on terms other than labour services; secondly the "labour tenant," who is allowed by the landowner to sow and graze cattle on his land in return for specified labour services by himself and his family; and thirdly the ordinary labourer, who works for wages. The Act deals with squatters and labour tenants: it seeks to eliminate the former and to reduce, on certain farms, the numbers of the latter.

This type of legislation is nothing new in South African history, at any rate as far as squatting is concerned. From the days of the Great Trek onward, Boer *Volkraads*, and the Legislatures of British colonies as well, have sought to limit the number of natives living on European farms to such as were genuinely required by the farmer to work his land and tend his live-stock. In the "liberal" Cape Colony,

* Some 400,000 natives already live in the released areas.

[†] One morgen = $2\frac{1}{6}$ acres. The area of the Union is about 143,000,000 morgen.

for example, a whole series of "Location" Acts were passed during the latter part of the nineteenth century whose aim was to get rid of the squatter, either by taxing him out of existence or in other ways. Since Union a number of laws have had a similar objective. Thus the Land Act of 1913 (which the courts ruled to be not applicable to the Cape Province) sought to prevent farmers from allowing any new squatters on to their farms, the intention being to let the system gradually die out. Again, the Native Service Contract Act of 1932, which affects the Transvaal and Natal, imposed a tax of £5 on every adult male squatter in any district where the Act was proclaimed. (So far the Act has been nowhere proclaimed, and it is now superseded, with respect to squatting, by the Native Trust and Land Act.)

The Land Act of 1936 does, however, differ from its predecessors in a number of ways in respect of its squatting and labour tenant provisions. For the first time it applies, or rather enables the Government to apply, a uniform system to the whole country. The squatting provisions, taken by themselves, do not make the native's position any worse than it has been since 1932. But these provisions should be read in conjunction with other clauses of the Act, which will in future take away the right hitherto still enjoyed by certain natives, namely, those of the Cape Province, to purchase or lease land anywhere in that province. The uniformity introduced by the labour tenant provisions involves more important changes which will be discussed presently.

One of the great merits of the Act, in the opinion of its supporters, is that it will put an end to "Kaffir farming" in the midst of Europeans. Kaffir farming means the cultivation of the soil (and its exhaustion) by primitive tribal methods and its stocking with the worst description of scrub cattle. Progressive farmers have undoubtedly a strong case when they urge that European areas should be protected against this kind of farming, and against the

other annoyances that result from the close proximity on the soil of advanced and backward peoples. But the natives may fairly claim that they should not be driven from what is, in many cases, the land of their ancestors without some real *quid pro quo*, which it is extremely doubtful whether the administrators of the Act will be able in all (perhaps even in most) cases to provide. What is more, there are some progressive farmers among the natives also (though their numbers may be few) and more who have it in them to become progressive. There does not seem to be much hope for these people, unless some separation is effected between them and their more primitive brethren, and they are given a chance to acquire substantial holdings.

Let us now consider the more important details of the squatting and labour tenant section of the Act. It should be noted that this section has not come into force with the passage of the Act. The Government has reserved to itself the right to determine when and in what districts (or portions of districts) the section shall take effect. It may also determine which clauses of the section shall operate in any particular district. What follows is a description of the effect on a district of the application to it of the whole section.

First, as regards squatting, a progressive tax will be imposed on the landowner, starting from 10s. per adult male squatter in the first year and rising gradually to £5 in the tenth and subsequent years. Thus will the squatter be eliminated, not only from the surplus land of *bona fide* farmers, but also from large areas held by companies for the sole purpose of collecting rents from the natives, especially in the Transvaal. Such areas, together with a certain amount of crown land at present occupied by natives, will then become available for European settlement. As regards labour tenants, the section will operate as follows. In every district to which the section is applied a Labour Tenants Control Board will be set up, consisting of an officer of the Native Affairs Department as chairman

and two landowners farming in the district. (In the Cape Province the Divisional Councils will perform the functions of the Boards). At the request of the Government or of six landholders in the district the Native Commissioner must summon before the Board any farmer named in such request, who will then be required to show cause why the number of his labour tenants should not be reduced. In calculating the number of labour tenants a farmer may need, the Board will assume that each of his labour tenants works for him at least six months in every year. In 1932 the Native Service Contract Act did its best to extend the three months' service customary up to that time to six in the Transvaal and Natal. The six months' service, which may be spread over the whole year, is now apparently to become general throughout the country. Similarly the penal sanctions of the Masters and Servants Laws, which in 1932 became applicable to labour tenants in the Transvaal and Natal, are now to become applicable to them throughout the Union.

What will happen to the displaced squatters and labour tenants? Clause 37 of the Act lays upon the Government the duty of accommodating these people in the areas set aside for the natives. The wording of the clause would seem to suggest that all natives who are ejected from the land on which they live will be thus provided for. But there are certain indications that this may not, in fact, be the intention of the Government. In the House of Assembly the Minister of Native Affairs refused to accept an amendment designed to compel the Government to see that adequate provision was made for a native before he was displaced under the Act. Again, the Prime Minister gave anxious rural members the assurance that they need not "fear anything where you have to do with labour required." Some members, particularly members from the Transvaal, quite obviously regarded the section we are discussing as a means of a better distribution of the native labour supply among the farmers. As one of them put it, "There is an

opportunity to make the native more employable than is the case to-day." If an appreciable number of displaced natives are going to be thrown on to the rural labour market to satisfy the need of certain farmers for more cheap labour, the condition of the rural labourer may very well become further depressed.

A word may be said about the passage of the Act through Parliament. During the course of the debate on the second reading General Hertzog made the important and welcome announcement that £10,000,000 would be made available within the next five years (and further sums if required thereafter) for the purchase of land for natives in the released areas. But to enable natives to purchase land will not be enough: the Government will have to tell the country what it proposes to do to forestall the development of those "desert conditions" in the native areas to which the Native Economic Commission drew its attention a few years ago. If it proposes to vote money for this object on the scale that befits the magnitude of the problem, it will certainly encounter opposition. As it is, the bitterest parliamentary opposition to the Government's programme of rural segregation was directed by the Nationalists at the £10,000,000 set aside for land purchase. Their attitude drew from the Government the retort that it was no good paying lip service to the policy of segregation unless you were going to provide the means of making it effective. For the rest, the Land Bill encountered little real opposition, and it was finally passed almost exactly in the form in which it had emerged from the Joint Select Committee of the Senate and the House of Assembly in 1935. General Hertzog can claim with truth that his coalition with General Smuts has enabled him to carry through the most important aspects of his native policy.

Union of South Africa,
October, 1936.

NEW ZEALAND

I. THE BUDGET

LABOUR'S first budget was presented on August 4. Its essential figures may be thus summarised: *

	1936-7 <i>Estimates</i>	1935-6 <i>Results</i>
<i>Revenue</i>	£	£
Taxation	26,017,000	21,556,415
Interest receipts	2,520,000	2,721,446
Other receipts	2,530,000	1,894,506
	<u>£31,067,000</u>	<u>£26,172,367</u>
<i>Expenditure.†</i>		
Debt services	9,259,000	9,345,954
Exchange	1,455,000	1,593,536
Transfer of highways revenue	2,512,000	2,107,406
Other permanent appropriations	618,000	701,552
Annual votes :		
Social services	10,302,000	7,756,212
Other votes	6,658,000	4,385,907
Total, main estimates	<u>30,804,000</u>	<u>25,890,567</u>
Cost of reducing working hours in various state services	150,000	
Other supplementary estimates	100,000	
	<u>£31,054,000</u>	
Surplus	13,000	281,800
Unemployment levy and tax	4,210,000	3,920,026

The budget contained little that was unexpected. It provided for public works this year to the extent of

* For the previous year's figures, see THE ROUND TABLE, No. 101, December 1935, p. 212.

† Supplementary estimates brought down in October provide for additional expenditure to the extent of £1,718,289.

£10,450,000—of which sum £4,510,000 will come from revenue. The balance will be borrowed "without any loan issue to the public": presumably it will come from uninvested departmental funds. Mr. Nash hopes that "additional ordinary expenditure" to the extent of something like £3,000,000 will be met by the buoyancy of the revenue without increase in taxation. But the budget also provided for generally increased pension rates, with the important addition of an invalid pension of £1 per week; and the income and property qualifications have been liberalised. "The principle guiding the Government", said Mr. Nash, "is that a first charge on the national income should be the care of the aged and the ailing." The pensions bill will thus be increased from £3,770,000 last year to £5,480,000. The necessary funds are to be obtained by increases in income tax (estimated to produce £1,000,000), and by the re-introduction of the graduated land tax (estimated to produce £800,000).

The new land tax is to be at the rate of 1d in the £ on taxable values up to £5,000, rising to 6d in the £ on taxable values of £45,000 or more. The purpose of the tax is apparently two-fold: to raise revenue, and also "to obtain for the community the values created by it". The meaning of this last phrase is not very clear. The new tax is one of the means by which the Government hopes to prevent speculation, and, if necessary, take for the state unimproved values "created by the community" in the past or in the future.*

The new income tax differs from the old in that the rate of graduation becomes more uniform, and the general exemption of £210 (*plus* the usual exemptions in respect of wife, children, etc.) will be deducted from *every* income before tax is levied. On the balance of "earned" income, taxation will be at the "basic" rate of 1s. 8d in the £, rising with every £ of additional income to a maximum

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rate of 8s. 2d (reached with a taxable income of £8,950). Company income tax rises from 1s. in the £ to a maximum of 7s. 6d in the £ on incomes of £8,950 and over. The normal rate of tax on income from debentures is 8s. 2d in the £. "Unearned" income will (as in the past) be taxed 33 $\frac{1}{3}$ per cent. higher than "earned" income. The tax payable under the new rates will be substantially larger than last year: an average increase, it is said, of 20 per cent. As in the case of the land tax, this increase in income tax appears to have a double purpose: to raise revenue, and to re-distribute purchasing power—for the Government insists that the increased revenue is, as it were, ear-marked for pensioners. In the words of Mr. Armstrong, Minister of Labour,

we are taking from the people with any amount to spare in order to relieve distress among the ranks of people who have been living for years on the poverty line. The higher pensions are a complete justification for the increased taxes on people who are well able to pay.

On the whole, the budget was well received. Admittedly it increased direct taxation to a very high level and was criticised accordingly. Some go so far as to say that the Government's object is gradually to squeeze out private enterprise so as to clear the way for state industrial and commercial activities. All the same, Mr. Nash's budget was financially orthodox, and it was of a familiar type. "Generally speaking", said the Christchurch *Star-Sun*, the budget "is the kind of statement that might be expected from any orthodox but rather extravagant Finance Minister in boom times."

II. MR. NASH AND SOCIAL CREDIT

ONE sign of Mr. Nash's "orthodoxy" was the virtual absence from his budget of any reference to the use of "public credit" and "debt free money". These terms still have considerable political significance.

It is well known that Social Credit supporters played an important part in Labour's victory, and that there is a group in the party caucus and in the Cabinet that favours "public credit" policy. At times there have been rumours of internal dissensions that might depose Mr. Nash in favour of someone more "Douglas minded". However, to all appearance he is at present firmly in the saddle, and his views dominate Labour's financial policy.

Mr. Nash, since becoming Minister of Finance, has sketched in firm outline his views on the use of public credit. On June 3 he rejected a suggestion that non-interest-bearing securities should be used "for state purposes", substantially on the ground that such a policy would dislocate existing financial machinery. His desire was to use that machinery rather than to destroy it.* Again, his views were further explained in a debate on August 12. "An expanding economy", he said, needed a corresponding expansion of credit. His Government had deliberately embarked on a policy of expanding "production up to the limit set by the needs of the community". If the "capital wealth" necessary to finance this expansion were not forthcoming from savings ("which constitute obviously the best source") or taxation, it would be provided by expansion of bank credit. The rule governing such expansion would be "that there would be £1 worth of goods or services behind every £1 of extra credit created". By this means the dangers of inflation would be avoided; in fact he seemed to argue that inflation would be impossible so long as the object and effect of credit expansion was to enable human labour to convert raw materials into "usable and desirable commodities". He added that this was "standard orthodox economics".

Those outside the Labour party feel some apprehension about the matter, and await practical examples of the Minister's policy. So far the only example to hand is the Government's housing scheme. On September 9 Mr. Nash

* See THE ROUND TABLE, No. 104, September 1936, p. 871.

announced that arrangements had been completed with the Reserve Bank for the advance of £3,500,000 during the next 12 months.* This will be spent either directly by the Ministry of Housing (under Mr. J. A. Lee, Parliamentary Under-Secretary to the Minister of Finance) or through building loans to local bodies. The resulting houses will be "high grade, reasonably priced residences, grouped in accordance with the best town-planning principles". The terms of the loan from the Reserve Bank are not disclosed; but it will presumably be repaid by the rent drawn from the new houses.

Whether Mr. Nash is orthodox or not there is little doubt that he can give his plans a fair trial. It has already been explained in *THE ROUND TABLE* how the Reserve Bank has been armed with the most extensive powers and placed strictly under Ministerial control.† In case "orthodox" financiers should prove obstructive, Mr. Nash has potential control over the policy of such financial institutions as the Post Office, State Insurance Offices, and the State Advances Corporation. And finally there is the Bank of New Zealand. This bank conducts nearly half of New Zealand's ordinary banking business and four of its six directors are nominated by the state. In the past the state has normally had no particular banking policy, and its nominees have in fact adopted the same general "orthodox" policy as the other trading banks. In March, however, two government nominees, Sir Harold Beauchamp and Mr. Oliver Nicholson, retired from the directorate in the ordinary course. They have given the bank long and faithful service, and have been repeatedly re-nominated to the directorate. In their place the Government appointed two men of a younger generation, a professional economist (Mr. D. O. Williams) and an Auckland

THE GUARANTEED PRICE

business man (Mr. H. J. Kelliher). Further, the July Finance Act provides that the remaining government directors will retire on March 31 next.

Presumably the new directors will be men in broad sympathy with the Government's policy; and thus will be completed a formidable array of institutions under government control. In these circumstances the personal character and ability of Mr. Nash have considerable political importance; for it is widely felt that they give a valuable safeguard against extravagant use of the Government's power.

III. THE GUARANTEED PRICE

DURING his budget speech Mr. Nash at last announced the guaranteed price for dairy produce.* It is to be 117s. 3d (N.Z.) per cwt f.o.b. for finest creamery butter. As previously announced, however, this "basic" price will be somewhat varied according to the precise quality of the butter and cheese supplied. The government will pay for the finished product, but the farmers (and the country) think generally in terms of the price paid by factories to farmers per lb of butter-fat. It is generally calculated that the average factory pay-out will be approximately 1s. 1d (N.Z.) per lb of butter-fat to butter factory suppliers, and 1s. 2½d (N.Z.) per lb of butter-fat to cheese factory suppliers. Mr. Nash explained that the Government had faithfully carried out its policy. The price was based on average prices for the past 8 or 10 years "plus something more", and it included an allowance for rising costs. He added that the marketing would be carried out in London as usual through Tooley Street merchants, but that Tooley Street had agreed to reduce the usual commission. This reduction would benefit the industry, which would also save "at least £60,000 in bank charges". It is understood, also, that other economies

* The Second Finance Bill, introduced on October 7, raised this figure to £5,000,000.

† See *THE ROUND TABLE*, No. 103, June 1936, p. 649; and No. 104, September 1936, p. 861.

* See *THE ROUND TABLE*, No. 103, June 1936, p. 647.

arising from "orderly" marketing will be considerable. Mr. Nash stated that if this year's London sales did not cover the guaranteed price the deficit would be "the responsibility . . . of the Government." If there is a surplus, it "will be used for the benefit of the dairy farmer and the industry after consultation with its representatives".*

As was to be expected, comment on the guaranteed price by representatives of the farming industry ranged from acute disappointment to moderate satisfaction. On balance, opinion seems to be that the price is a fair one, erring if anything on the side of caution. In Mr. Savage's own phrase, "the price is a fairly liberal interpretation of my statements to the farmers". It is generally said that "the Government has played very safe". As for the future, next season's price will be fixed on somewhat different principles.† But meanwhile Mr. Nash will have visited England, where, he hopes, "the simple logical reasonableness" of his case will "persuade Britain to take a maximum quantity of goods from New Zealand". The result of his mission will have an important bearing on the future of the whole scheme.

IV. MORTGAGE POLICY

THE guaranteed price is only one part of the Government's policy towards farmers. It must be considered in relation to mortgage policy and the wages of farm labourers.

On August 25 the "Mortgagors and Lessees Rehabilitation Bill" was introduced into the House. Its object is "to keep the farmer on his farm and the home owner in his house"; to do this by making sure that mortgages are not greater than 100 per cent. of the relative security; and to reach a settlement quickly and finally. All applications

* See his budget speech on August 4 and his speech in reply on August 12.

† See THE ROUND TABLE, No. 104, September 1936, p. 867.

for relief must be made by January 31 next. If such application is not made, all relief and protection given under previous legislation ceases forthwith. Mr. Nash hopes that all cases brought under the new Act will be finalised by the end of next year, so that "the ordinary relations between mortgagors and mortgagees may be resumed".

The Act, like much of the present Government's major legislation, is an adaptation of the law as framed by its predecessors. The Rural Mortgagor's Final Adjustment Act 1934-5 provided that farm mortgages should be written down in conformity with current values as determined by the five-year budgetary period.* The new Act makes use of similar Adjustment Commissions and Court of Review, though the entire personnel (except Mr. Justice Johnston) retires, and is eligible for re-appointment. The principle is the same (that mortgages should not exceed the present value of the security), but it is applied to all mortgages, not merely rural, and a different method of valuation is used. Farming property is to be valued in accordance with the guaranteed price policy. The Commission (or Court) is to discover how much produce could be produced from a given farm "by the average efficient farmer". This produce will be valued on the basis of "the prices of farm products received over a period of from 8 to 10 years immediately prior to July 31, 1935". This gives the gross income of the farm. Net income will then be calculated by deducting "all the costs incurred in production, including a sum that would give a reasonable standard of living". This net income will be "capitalised at a rate to be fixed . . . by order in council". The result is the "basic value" of the farm. If it is mortgaged for a greater amount, the mortgage is written down to equal the basic value, and the balance becomes an unsecured and "adjustable debt". "Adjustable debts" are written off unless an Adjustment Commission provides otherwise.

* See THE ROUND TABLE, No. 99, June 1935, p. 640.

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With respect to non-farming properties, the Commission is to value them as at the date of the Bill's passing; if the properties are mortgaged for amounts greater than this value, the excess becomes an "adjustable" debt. The Adjustment Commissions, subject to supervision by (and appeal to) the Court of Review, are given the widest administrative powers, including the power to vary any of the terms of any mortgage, to deal with arrears, and so forth. All mortgaged property in the Dominion may be brought under the present Act. A further point is that the "temporary" interest and rent reductions made in 1932 are now declared permanent; and all mortgagors are given the opportunity to pay off their mortgages and re-finance (if they can) on better terms, merely by giving notice to the mortgagee before January 31 next that they wish the interest rate to be reduced.

These proposals have met with a chorus of criticism. For example, they are said to "make the mortgagee pay" by writing down values at a time very favourable to the mortgagor. Alternatively, they place the farmer in a strait-jacket: mortgaged up to 100 per cent. with no opportunity to repay his debt (this particular point will turn on the rate of interest on which the "net income" is capitalised, and on its relation to actual mortgage rates). Again, they help the improvident man who is over-mortgaged, and give nothing to the man who (perhaps at great sacrifice) has paid off a portion of his mortgage. It is said that they are based on values of the moment (for non-farming property), and in the case of farms on a guaranteed price which will next year be fixed on different principles from those governing the current price. There is much resentment among mortgagees at the inclusion within the scope of the new Act of mortgages arranged since 1932; even those arranged in 1936 are included. Finally, it is said that the new legislation will lead to land speculation and over-capitalisation.

Experience shows that any benefit conferred on the

DAIRY FARM LABOUR

farming industry tends to be absorbed in over-capitalisation. The question is whether the Government can carry out its avowed intention to prevent this process from happening in the present case. It has taken certain powers under the State Advances Corporation legislation. A man whose land is mortgaged to the Corporation may give no further mortgage over that land without the Corporation's consent; and if he sells his land the Corporation may call up the whole or any part of its loan to him. Further powers are taken in the mortgage legislation. If *any* mortgage is "adjusted", and the mortgagor sells out, the loan becomes repayable. Further, no sale may take place before December 31, 1940, without the consent of the Court; and, if the selling price is above the value (or basic value) to which the mortgage was adjusted, the court may order any part of the balance to be paid over to previous creditors "whose accounts have been written off". Mr. Nash also hopes that the graduated land tax will discourage speculation. Opinions differ sharply as to whether or not these provisions will have the desired effect.

V. DAIRY FARM LABOUR

LABOUR costs have been an outstanding problem in our farming system: a problem that had to be solved if farming costs were to be stabilised, and was all the more serious because of the existing tendency for farm labour to be attracted to industry and public works by higher pay and shorter hours. The Government consulted the representatives of the Farmers' Union about this problem, and reached agreement on general conditions of employment, and on the relation that dairy farm labourers' wages should bear to guaranteed prices. When the guaranteed price was announced the wage rate was finalised, and the whole agreement embodied in a Bill introduced on August 14. Minimum wage rates are fixed until July 31 next at rates rising from 17s. 6d for workers under 17 to £2 2s. 6d for adults: board and lodging is to be provided

revoke or amend any plan. The industries concerned may finally be invited to accept any plan voluntarily: failing voluntary acceptance it may be enforced by regulation. Levies may be imposed on any industry to finance the preparation or carrying out of an industrial plan.

If the Minister so proclaims in the Gazette, any industry can be carried on only under licence from the Bureau. Before granting a licence, the Bureau will consider such questions as the efficiency of factories, their capacity to meet the probable demand, the local costs of production in relation to overseas costs, and "any other matters which it thinks fit" in view of the general object of promoting the "economic welfare of New Zealand". Subject to appeal to the Minister, the Bureau may grant, suspend, or revoke licences. Finally, power is given to make "regulations by Order-in-Council to give effect to the purposes of the legislation": and it is expressly provided that these regulations may fix prices and control production and marketing.

The Minister of Industries and Commerce (Mr. Sullivan), in moving the first reading, admitted frankly that the Bill is "far reaching" and "involves a substantial experiment on a wide scale". He admitted that its value would depend primarily on its administration. "If administered wisely and honestly and in a faithful democratic spirit" it would do much good, otherwise much harm. Outside critics add that the Bill's wide powers might be used virtually to nationalise all industry; alternatively, they might be used to stabilise and make permanent the existing forms of private control. Meantime, Mr. Savage assured the House that "the Bill was not going to be sledge-hammered through". According to one report he added: "if those affected by the legislation did not want it—well, that would be the end of it". Mr. Sullivan said, however, that "manufacturers and others concerned" had been fully consulted, and had accepted the principles of the Bill. Whether or not the Industrial Efficiency Bill is passed in

its present form, its basic principle of government-controlled rationalisation is an important part of Labour's industrial policy. Manufacturers claim that the Government's legislation will increase costs and therefore prices, thus exposing them to ruinous competition from overseas—unless the tariff is raised. From time to time Government spokesmen have endorsed this line of argument and promised protection of some kind.

New Zealand standards must be protected (said Mr. Savage on June 26) either by the old method of tariff wall or by the new ideals of Labour—trade agreements, that is, taking what we want from abroad consciously and deliberately.

Apparently the plan is ultimately to prohibit the importation of goods which can be produced economically in New Zealand, while giving free entry to goods which cannot be so produced. Meanwhile it is hoped that "rationalisation" or "industrial efficiency" will strengthen local industry to meet overseas competition, and may ultimately be a means of keeping the newly sheltered industries up to the mark.

VII. RISING PRICES

OF all the manifold practical difficulties which have appeared with the evolution of Labour's policy, most attention has been paid to that of rising prices, which (it is often said) threaten to take from poor people the fruits of government benevolence.

Retail prices have risen and are rising. It will be some time before the Government Statistician can give an accurate survey of the general movement, but it is perceptible enough to the ordinary consumer. It has affected goods and services provided by private enterprise operating freely, or (as in the case of bread) selling at prices fixed by the government. Municipal services such as trams have been affected, and services managed directly by the state (such as the state coal mine). Of course increases are not uniform in amount, and are by no means universal;

and they cannot all be traced to the same cause. Some are due to recent legislation; others would have occurred in any case—for example, where prices of imported goods have been increased by overseas suppliers; in other cases again, desire for increased profit may have played a part.

The Government admits that its industrial legislation increases costs (it is officially estimated that the 40-hour week and restoration of “cuts” will cost the railways an additional £486,000 in the present year) and that increased costs may compel increased prices. It argues, however, that those costs may in many cases be met (partially or wholly) by increased profit due to improving turnover. Where legislation has genuinely increased net costs, prices may be raised to a reasonable degree. It is argued that while 1931 money wages have been restored, the cost of living is still well below 1931 figures, and a further considerable rise can take place before increased prices will absorb increased wages—*provided* “exploitation” does not take place. That, says Mr. Savage, will be vigorously traced out and ruthlessly punished. To that end there has been passed the Prevention of Profiteering Act, which imposes heavy penalties on individuals or companies who increase prices over those charged on June 1, 1936, by an “unreasonable amount”. Complaints about rising prices may be sent to the Minister of Industries and Commerce, who will make all enquiries, and (if he thinks fit) make friendly representations to those concerned. If prices still seem to him to be excessive, he may bring the case before a judicial tribunal consisting of one stipendiary magistrate. The magistrate will then decide whether or not the prices are reasonable, paying special regard to increased costs due to recent legislation, and increased profit to be expected from the public’s increased purchasing power. The magistrate acts alone, and there is no appeal from his decision.

Even among Labour supporters there is considerable doubt as to the effectiveness of this legislation. It is

commonly called “bluff”, which can have little effect on the general course of rising prices. And this matter of rising prices is only one of those problems which raise the question: will the Government be forced either to retrace its steps, or to try to develop a state of social control more advanced than it at present appears to contemplate?

Criticism of the present Government comes partly from the Left. Those who look for quick and radical change in our social and economic system say that that system is still intact: that much of the Government’s stabilising and regulating legislation guarantees profits, instead of seizing them for the community. Critics of the Right, on the contrary, complain that private enterprise is to be bound hand and foot by regulation, and crushed by confiscatory taxation. They say that it is humanly impossible for Ministers and civil servants to cope with the detailed administrative problems—infinite in number and in complexity—that must be solved if the Government’s legislation is to be successful. They denounce the concentration of powers in the hands of Ministers: finance, marketing, industry, housing, transport, broadcasting, all under the absolute control of Ministers who can act without further reference to Parliament. In many of the major Acts, the widest possible powers are taken to make regulations by Order-in-Council—a procedure much criticised by the Labour party when in Opposition. Such dictatorship (say critics) may be beneficial in good hands, but will Ministers always be able to maintain the necessary high level? And will they always be able to withstand pressure from their organised followers, especially in times of depression?

Such general criticisms are met with the answer that dictatorial powers inevitably exist in a modern society, and should be placed in the hands of the people’s constitutional representatives. Criticism and answer raise questions too big to be here discussed.

New Zealand.

October 1936.

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CROWN, CONSTITUTION AND COMMONWEALTH

I. THE KING AND HIS MINISTERS

BETWEEN the first appearance in the English papers of any overt reference to King Edward's wish to marry Mrs. Simpson, and his signing of his instrument of abdication, eight days elapsed. So quickly did the crisis, as the general public knew it, come and go. Actually it was the culmination of events stretching back over several years. It was not until the summer and autumn of 1936, however, that the King's association with Mrs. Simpson became the object of a growing flood of scurrilous and banal gossip, originating in the less reputable American papers, and inevitably seeping into the countries of the Commonwealth. Political and press circles in Great Britain and the Dominions were far from ignorant of what was passing; indeed, the affair was a common topic of conversation in clubs and drawing-rooms all through that period, and more especially after October 27, when Mrs. Simpson's suit for divorce at the Ipswich Assizes gave colour to the rumour, previously derided, that a marriage was in contemplation. Yet the press was uniformly silent: not because it had been bought or censored or persuaded, or was afraid or prudish or obscurantist, but because editors and proprietors hoped that the rumours would prove false, the trouble would blow away, and everyone would be able to congratulate himself on having saved the Monarchy from the vulgar and damaging publicity inflicted on it in the United States. Some commentators now claim that "had the disclosure been gradual and accompanied by sober comment, the King himself would have been warned of the extraordinary

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difficulties of the course he had in mind, and it is more than probable that a solution would have been found without any broadcasting of what had passed between him and the Prime Minister". * But the only "solution"—in the circumstances as we now know them—was the one that was almost unanimously rejected as soon as it was proposed. Even if it had commended itself to public opinion at the time, it would have left behind a rankling sore and damaged the Monarchy beyond repair. It is easy to be wise after the event; but the silence of the press must seem in retrospect to have been as fortunate in saving us from such a "solution"—if that indeed was its effect—as it was in shortening the actual period of crisis. Certainly, once the newspapers had adopted their policy of abstinence it was extremely difficult for them to reverse it, in the absence of an occasion provided by some public utterance or official statement.

The actual occasion was a peculiar one. In the course of an address to his diocesan conference on December 1, the Bishop of Bradford discussed the religious aspect of the Coronation, and incidentally remarked that it was to be hoped the King was aware of his need for God's grace. "Some of us wish he gave more positive signs of his awareness". The next day a number of provincial newspapers, led by the *Yorkshire Post* (which, as the Bishop's leading local journal, was likely to deal with any important utterance that might fall from him), commented outspokenly on this remark, and by December 3 the whole press was full of news and opinion on the King's relations with Mrs. Simpson. The Bishop of Bradford afterwards declared that when he composed his address he had not even heard of the rumours about those relations, and that he had been referring only to the King's apparent indifference to the public practice of religion. The loosing of the flood-gates of publicity was thus in itself an accident. But the fact that a sober conservative journal, not a

circulation-crazy organ of the stunt press, was the first to break silence is a sign that it was no accident that the accident happened round about that time. A growing circle knew or suspected that already the affair was the object of urgent Cabinet discussion, and of inter-communication among the different Governments of the Commonwealth.

It is therefore necessary to take the story back a little in time, following the disclosures that have since been made in the Parliaments of the Commonwealth, notably by Mr. Baldwin on December 19, by Mr. Lyons on the following day, by Mr. Mackenzie King on January 18, and by General Hertzog on January 25. Perturbed by the gossip in the American press, and by its reactions in the Dominions and at home, Mr. Baldwin sought and obtained an interview with His Majesty on October 20. He told the King of his anxieties, especially with regard to the publicity, criticism and suspicion that might arise from the divorce proceedings then pending. He reminded the King of the unique position of the Monarchy, not only as the last link of Empire but also as a guarantee, so long as its integrity was preserved, against many evils that had afflicted other countries. But while the respect for the Monarchy had been largely built up over three generations, said the Prime Minister, it might disappear far more rapidly in the face of the kind of criticism to which it was being exposed, and against which no popularity could in the end prevail. Mr. Baldwin pressed for no answer to what he had said, but asked the King to consider it carefully. Nearly a month later, on November 16 (Mrs. Simpson having meanwhile obtained a decree *nisi*), the King sent for Mr. Baldwin, who again raised the question of a marriage, expressing the view that the suggested union would not command the approval of the people; they had a right to be heard, he said, since the King's wife must be their Queen. King Edward replied: "I am going to marry Mrs. Simpson, and I am prepared to go".

* Mr. J. A. Spender in the *Fortnightly*, January 1937.

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All this time the conversations between the King and Mr. Baldwin were on a personal and informal footing. The Prime Minister consulted none of his colleagues before visiting the King on October 20, and reported to only a few of the senior of them what then occurred. That being so, there was no question of drawing the Dominion Governments into consultation at that stage. Their right to advise the Crown on an issue affecting the whole Commonwealth was and is equal with that of the British Cabinet, but in a constitutional sense no advice to the Crown had yet been sought or tendered. Such Commonwealth inter-communication as there was at that period—and it is hard to believe that the topic of the King's intentions was entirely avoided in private discussions in London between the High Commissioners and Cabinet Ministers, or in the High Commissioners' intimate reports to their own Premiers—such inter-communication took as personal and informal a character as the explorations of Mr. Baldwin himself.

The whole character of the issue was altered, however, after Mr. Baldwin's next interview with His Majesty, which took place on November 25. In the meantime a suggestion had been privately advanced that Parliament—or rather the Parliaments of the Commonwealth—should pass an Act enabling Mrs. Simpson to become the King's wife without assuming the position of Queen. This was Mr. Baldwin's account of his conversation with the King.

He asked me whether that proposition had been put to me, and I said yes. He asked me what I thought of it. I told him that I had not considered it. I said, "I can give no considered opinion". If he asked me my first reaction informally, my first reaction was that Parliament would never pass such a Bill. But I said that if he desired it I would examine it formally. He said he did so desire. Then I said, "It will mean my putting that formally before the whole Cabinet and communicating with the Prime Ministers of all the Dominions, and was that his wish?" He told me that it was. I said that I would do it.

On November 27 an emergency meeting of the Cabinet

THE KING AND HIS MINISTERS

was held, and on the same or the following day* communication was made with the Dominion Governments. The various Dominion Prime Ministers have told the subsequent story in different terms. The first cable from Mr. Baldwin recounted his conversations with the King and asked to know the reactions of the Dominion Governments. Mr. Mackenzie King told the Canadian House of Commons that Mr. Baldwin asked for "an expression of opinion on two possible courses—the marriage of King Edward to Mrs. Simpson, she to become Queen, and a morganatic marriage, of which the issue would be barred from the succession". In General Hertzog's account a third possible course was added—voluntary abdication.

At this period the exchanges between the Governments of the Commonwealth were on the plane of mutual information. Mr. Lyons responded, he said, with his "personal view, since at that time the whole matter was highly secret and confidential". Mr. Mackenzie King likewise replied "without consulting other members of the Cabinet". The machinery of direct communication between Prime Minister and Prime Minister on "matters of Cabinet importance" had been established by the Imperial Conference of 1918. In effect, Mr. Baldwin was passing on to the Dominion Governments information essential to them in deciding what advice they should give to the Crown; and from them he was requesting information essential to the United Kingdom Cabinet in deciding what advice it should give to the Crown. Ingenious suggestions that the Prime Minister of the United Kingdom acted in the crisis as the chairman of an imaginary Imperial Conference are an inaccurate as well as unnecessary gloss on the truth; for in the actual exchanges there was never any hint of such a fictional relationship. The suggestions, indeed, are consonant neither with the status of the Dominion Governments, as having an independent relation with the

* Mr. Lyons said he received the cable on November 28, but there is ten hours' difference in time between Canberra and London.

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Crown, nor with the character of the Imperial Conference, which is not an executive body and has no power to delegate to anyone authority to act in its name.

What views the Dominions expressed in their replies to Mr. Baldwin's communication will probably never be known to the public in detail. But it is apparent that after brief reflection they were found firmly and unanimously opposed to the idea of a morganatic marriage—an idea repugnant to British law and custom, and on the face of it a confession that the woman whom the King wished to marry would be unacceptable as Queen. By December 2, when the King again sent for Mr. Baldwin, although the latter's enquiries were not yet complete, they "had gone far enough to show that neither in the Dominions nor here would there be any prospect of such legislation being accepted". Mr. Baldwin told the King that the proposal was therefore impracticable, and His Majesty "took the answer with no question and he never recurred to it again".

The next stage was the giving of formal advice to the King by his Dominion Governments. This was done at Mr. Baldwin's suggestion,* conveyed on December 5. Our information at present is incomplete, but we know that at least the Governments of Australia and South Africa at once advised the King directly that a morganatic marriage was impossible; and that the Canadian Cabinet preferred to authorise Mr. Baldwin to transmit to the King a like repudiation, as their united opinion on the only issue on which formal advice to the Crown was sought or tendered throughout the crisis. On December 8, however, they sent through the Governor General a message

* Mr. Mackenzie King reported that "an intimation was received from the Prime Minister of Great Britain to the effect that possibly the different Dominions might wish of their own accord to tender advice to His Majesty"; and Mr. Lyons' account was similar. According to General Hertzog, however, Mr. Baldwin declared in his cable that the King himself, though likely to abdicate, had "expressed the wish that his several Governments should advise him formally" on the morganatic marriage proposal.

THE ABDICATION

to His Majesty in which, after expressing their sympathy, they declared :

There is no doubt in our minds that recognition by your Majesty of what, as King, is owing by you to the Throne and to your Majesty's subjects in all parts of the British Commonwealth, regardless of what the personal sacrifice may be, should be permitted to outweigh all other considerations.

The dividing line between "advice to the Crown" and "expressions of opinion" is not easy to draw. The important fact is that some if not all of His Majesty's Governments in the Dominions exercised their right to communicate with the King, whether in the shape of formal advice or otherwise. Their status in this respect was equal to that of the United Kingdom Government, though the nature and urgency of the crisis made it inevitable that Mr. Baldwin should have played a unique part, and that His Majesty should not himself have directly sought advice from his Dominion Governments at the same time as he sought it from Mr. Baldwin. Two alternative methods of procedure were open to them in advising the Crown in person, and both, it seems, were used: to present their advice through their Governors General, as the personal representatives of the Crown, or to communicate directly with the King through his private secretary.

II. THE ABDICATION

MEANWHILE, in England, events moved rapidly towards their climax. After the first bewildered week-end, public opinion, led by the responsible press on both sides of politics, solidified swiftly and decisively behind the view that the choice lay with the King, and that it lay between giving up Mrs. Simpson and abdicating the Throne. It is clear from Mr. Baldwin's narrative that this was fully realised by His Majesty himself, who, after the rejection of the morganatic marriage plan, made no attempt

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whatever to force the issue into any other channel. There was at no time a constitutional crisis in the sense of a conflict between King and Ministers. King Edward had too wide a knowledge of affairs, and too profound a concern for the welfare of his peoples, not to rule out from the start the possibility of such a conflict, with its consequences of a Government resignation, political chaos, dissension among the members of the Commonwealth, the formation of a party of King's friends, and lasting bitterness and injury to the Crown. He had made up his mind conclusively by December 8, on which date Mr. Baldwin had his final interview at Fort Belvedere. On the following day the Cabinet addressed a last-minute plea to His Majesty, expressing the hope that before he pronounced any formal decision he would be pleased to reconsider his intention, which must so deeply distress and so vitally affect all his subjects. As late as December 10 (though half a day before corresponding English time) the Australian Prime Minister sent through the Governor General a message begging the King to reconsider his decision and to continue to reign over Australia. But the door had shut.

On December 10 the King's message was read by Mr. Speaker, and the same day the text was issued of the Bill to validate the abdication. Both these documents are reproduced in full in an appendix to this article. When the Bill was before the House the following day, seven members were found to support Mr. Maxton's amendment declining to accept a Bill necessitated by circumstances

which show clearly the danger to this country and to the British Commonwealth of Nations inherent in a hereditary monarchy, at a time when the peace and prosperity of the people require a more stable and efficient form of government of a republican kind.

The main body of the Labour party, in Mr. Attlee's words, were "not to be diverted into abstract discussions about monarchy and republicanism. The one essential is that the will of the people should prevail in a democratic

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country". Apart from the long-winded republican diversion, the proceedings on the Bill in Parliament were short and concise, emotions being too full for contentious debate or verbose approval. The Bill passed all its stages and received the Royal Assent on December 11. That same evening Prince Edward left England, by choice and not by law an exile, having first broadcast to the peoples of the Empire a moving message of explanation and farewell. The Duke of York, who immediately succeeded his brother upon the giving of the Royal Assent to the Declaration of Abdication Bill, was proclaimed King George VI on December 12. So the crisis ended.

III. THE STATUTE OF WESTMINSTER

KING EDWARD'S decision to renounce the Throne initiated a new phase in the Commonwealth aspect of the crisis; for the abdication, with its attendant consequences for the succession, had to be ratified by Parliament, and there are six sovereign Parliaments under the Commonwealth Crown. Perhaps too nice an attention has been paid in this respect to the exact phraseology of the Statute of Westminster, whose purpose was simply to give legal form to the facts and principles of equality of status in the Commonwealth, as they had been described by the 1926 Imperial Conference. Those facts and principles themselves are inherently more important than their legal expression. Lawyers fall out, indeed, over the question how far the Statute of Westminster is rigidly binding in the different jurisdictions of the Commonwealth. If the old constitutional rule applies, that no Parliament can bind its successor, and that any statute contravening an earlier statute to that extent repeals it, then no special procedure is needed to re-establish the power of the United Kingdom Parliament to pass laws for the Dominions despite the Statute of Westminster. Nevertheless the Statute is the latest and most solemn expression of Commonwealth convention,

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which no Government here or in the Dominions would flout save under the stress of the gravest emergency, such as would assuredly bring about a mutual understanding on the course to be followed.

Two portions of the Statute of Westminster clearly applied to the necessities of the crisis. The first was the preamble, which sets out that

inasmuch as the Crown is the symbol of the free association of the members of the British Commonwealth of Nations, and as they are united by a common allegiance to the Crown, it would be in accord with the established constitutional position of all the members of the Commonwealth in relation to one another that any alteration in the law touching the Succession to the Throne or the Royal Style and Titles shall hereafter require the assent as well of the Parliaments of all the Dominions as of the Parliament of the United Kingdom.

The second relevant portion—technically the more binding, since a preamble has not the force of law *—was section 4, which lays down the following rule.

No Act of Parliament of the United Kingdom passed after the commencement of this Act shall extend, or be deemed to extend, to a Dominion as part of the law of that Dominion, unless it is expressly declared in that Act that the Dominion has requested, and consented to, the enactment thereof.

This section did not apply to Australia or New Zealand, whose Parliaments had not yet adopted its terms. But since the Statute of Westminster embodies Commonwealth convention, and since an integral part of that convention is the co-equality of the Dominions, it follows that the sense of the Statute will always be applied if possible to all the Dominions equally. So it was in this case. There was

* But the Solicitor General declared in the debate on the Statute in 1931: "I take leave to say that the future of the Crown of the British Empire will not be decided by judges in courts of law, but in the hearts of the subjects of the Crown, and, having declared, as we have in the preamble, a great constitutional principle, I should have thought that it was sufficient for us to leave that notable declaration where it is in the preamble without taking the trouble to insert it in the body of the Bill".

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no more thought of the United Kingdom Parliament's legislating out of hand for Australia or New Zealand than of its doing so for Canada or South Africa. The preamble of the Declaration of Abdication Act acknowledges the assent of all those four Dominions. Indeed, the Australian Parliament was the only Parliament in the British Commonwealth to pass a resolution approving the Act on the same day as it was passed in the United Kingdom.

It is worth noting that, when section 4 of the draft Statute of Westminster was under discussion at the Imperial Conference of 1930, the Dominion representatives themselves rejected the idea of making the necessary "request and consent" parliamentary rather than executive. Canada endorsed the Declaration of Abdication Act in due form by way of a Governor General's order in council passed at Ottawa on December 10. In a broadcast address the same day, Mr. Mackenzie King explained that this action had been taken because the time-element made it impossible to summon the Canadian Parliament to a special session in time to take action before, or simultaneously with, the United Kingdom. Immediately after the opening of the next session, however, he introduced a one-clause Bill altering the succession to the Throne in accordance with the United Kingdom Act. Mr. Lapointe, the Minister of Justice, drew a distinction between validating the abdication and the new accession, which required from Canada only governmental "request and consent", and altering the law touching the succession, which required parliamentary ratification, under the preamble to the Statute of Westminster.

The inability to summon Parliaments in time to approve the United Kingdom legislation in advance caused a certain amount of constitutional embarrassment, especially with regard to the Irish Free State and the Union of South Africa. The attitude of Mr. de Valera's Government to the Crown, and the measures passed by the Free State Parliament to deal with the situation created by King

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Edward's abdication, are described at greater length elsewhere in this issue of *THE ROUND TABLE*.^{*} Here one or two points only may be noted.

First, whatever may be thought of Mr. de Valera's use of the occasion to doctor the Free State constitution, by his promptitude in calling together the Dail on December 11 to face the problem of the abdication he spared Ireland and Great Britain some constitutional problems that might have aroused the bitterest controversy. Secondly, the Executive Authority (External Relations) Bill 1936, as amended and passed by the Dail, did fully serve the purpose, essential to Commonwealth unity at that moment of crisis, of assuring that the Crown in the Irish Free State—ambiguous as its position there might be—should be the same Crown as in Great Britain and the rest of the Commonwealth. Thirdly, thanks to the needs of home politics that made Mr. de Valera sweeten the pill of accepting the Crown with the jam of abolishing the Governor General, this Bill was passed a day after the Declaration of Abdication Bill received the Royal Assent and King George VI succeeded to the Throne.

The importance of this fact emerges when it is seen against the background of the omission of the Irish Free State from the preamble to the United Kingdom measure, and of Mr. de Valera's claim, which was certainly not without justification under the Statute of Westminster, that "in so far as Saorstát Éireann is concerned the abdication will not become effective until legislation for that purpose has been enacted by the Oireachtas". If his claim is allowed, then for the space of one day Edward VIII was still King in the Free State, whereas George VI had already succeeded him across the Irish Channel. And from that admission many important consequences would flow in the realm of constitutional law. The theory of the divisibility of the Commonwealth Crown, which is intimately bound up with the doctrine of Dominion neutrality, would receive

^{*} See below, p. 348.

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an endorsement which it has not hitherto obtained among the orthodox. Such speculation, however, has at present no practical import. Neither Mr. de Valera's Government nor Mr. Baldwin's pressed the point: whatever theories may be built upon the frame of that day's interval, the event itself is past history: the unity of the Commonwealth Crown, in the person of King George VI and his successors, is assured.

The momentary divisibility of the Crown was likewise implicit in the line taken by the Government of South Africa. The Union Parliament was not sitting and could not be promptly summoned. Moreover, whereas Canada had ratified the Statute of Westminster as it stood, and could therefore comply with its provisions by formally "requesting and consenting to" the United Kingdom legislation, South Africa had taken the opportunity of the Statute to pass the Status of the Union Act, one effect of which was to bar any Act of the Parliament at Westminster from extending to the Union without a separate Act of the Union Parliament itself. The Attorney General, in explaining this point in the House of Commons debate on December 11, avoided discussing its consequences. He merely noted that the Union Government had authorised the citing of South Africa in the preamble, along with Australia and New Zealand, as having "assented" to the passage of the Declaration of Abdication Bill, although her position was very different from theirs.^{*} The accession of George VI was duly gazetted and proclaimed by salute in the Union on December 12.

Nevertheless, the legal problem remained. There was indeed another section of the Status of the Union Act, providing that the words "heirs and successors" of the Crown in section 2 of the South Africa Act 1909 (which

^{*} General Hertzog has since stated that this assent was given, and its mention authorised, not with a view to its having any legal effect, but at the request of the United Kingdom Government, and pending legislation in the Union.

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remains the main fabric of the Union's constitution) shall be taken to mean "His Majesty's heirs and successors in the sovereignty of the United Kingdom of Great Britain and Ireland as determined by the laws relating to the succession of the Crown of the United Kingdom of Great Britain and Ireland". This, however, was held inadequate by itself to secure the accession of George VI, since the phrase "as determined by the laws relating to the succession of the Crown of the United Kingdom" must plainly be construed in relation to other parts of the Status Act and to the Statute of Westminster. It is now apparent that the Union Government rested their legal position on the following argument. A demise of the Crown is a fact, not a legal myth, and the common law establishes that upon a demise of the Crown the next heir in the lawful succession instantly becomes King or Queen. The demise of the Crown is commonly a physiological fact; the Union Government seems to have held that upon this occasion it was no less indubitably a political fact, with necessary consequences in law.

But when, for the purposes of South Africa, did the demise take place? Not when the Declaration of Abdication Act received the Royal Assent, for that would be to acknowledge the power of the United Kingdom Parliament to legislate for the Union. The demise must therefore have taken place when King Edward signed his instrument of abdication. The Act subsequently passed by the Union Parliament therefore provides, independently of the United Kingdom Act but in similar terms, for the contingencies involved in the abdication, while declaring that this took place on December 10. This view, that the King may create a demise of the Crown by indicating his intention of abdicating, is not upheld by United Kingdom lawyers, and was vigorously assailed by Mr. Menzies in the Canberra debate of December 11. The succession to the Throne in modern times depended, he said, essentially upon statute, and what was contained in a statute could be modified only

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by a statute. The State Government of New South Wales even thought it necessary, in advance of the Declaration of Abdication Act, to secure amendments to the Demise of the Crown Act of 1901 and the state constitution, providing that "demise of the Crown" should cover demise by or upon abdication. Despite this conflict of opinion, the fact remains that every Government in the Commonwealth was satisfied that the abdication of Edward VIII and the accession of George VI had legal effect as from December 12 at latest; wherever it was thought necessary, retroactive legislation has now been passed to confirm this and to amend the succession to the Throne.

IV. LESSONS OF THE CRISIS

THE abdication crisis was thus a test of many things: of the strength and effectiveness of the new structure of the Commonwealth as an association of autonomous communities, of the position of the Crown in that association, of the relative force of the personal and the institutional elements in allegiance to the Crown, of the strength and flexibility of our democratic system, in which the constitutional monarchy plays an essential part. If, in the summing up on these points, we have much on which to congratulate ourselves, we must first recognise our debt to the personal qualities of the chief players in the drama. Judgment on King Edward can scarcely be offered in a few words, nor can his decision now be amended by praise or blame; it is enough to say that it was deeply regretted by the vast mass of his subjects throughout the Empire, who had looked forward to a long and brilliant reign. That said, it must be recorded that not for a moment did King Edward seek to injure the constitutional fabric, or to create difficulties for those who were advising him otherwise than he could have wished. His brother, Mr. Baldwin, the Governments and peoples of the Empire, owe much to his conduct in enabling the transition from one reign to

another to be made calmly and without political explosion. Likewise the Empire is under a debt to the personal qualities of Mr. Baldwin, whose combination of tact and candour was never more favourably seen. A blundering Prime Minister, or a King reckless of the constitution, might have produced a result with echoes far different in the fame of British democracy.

The practical unanimity of the Commonwealth peoples, both in determining what was the real issue and in accepting the outcome with resignation combined with hopeful loyalty to the new King, was perhaps the most remarkable side of the whole story.* On the face of things, it might not have been expected; for King Edward enjoyed an immense personal popularity in the Dominions, where the consequences of his having a particular Queen Consort might not have struck home so intimately as to the people of Great Britain. Yet, although there were differences of outlook between various sections of opinion in the Empire, those authorised to speak for its peoples as national groups were of one mind and voice—a tribute to the responsible leadership of Dominion Ministers, to the common ways of thought and life among the British peoples in different corners of the globe, to the allegiance and affection that are paid to the Crown as an institution, by contrast with the King as an individual ruler. The Throne is greater than the King: that was the central lesson of the crisis, and a lesson expounded no less surely by the response of people of the Dominions than by that of people of Great Britain.

This union of wills infinitely eased the task of those whose responsibility it was to guide the working of the Commonwealth constitution. Had there been a conflict among the self-governing members of the Commonwealth, the system expressed in the Statute of Westminster might have been paralysed. As it was, the pressure of urgency revealed in it certain weaknesses. It might be argued that the urgency was exceptional and that the future working of

* See the article, "The Empire and the Crisis," below.

the system is likely to take place in calmer conditions. On the contrary, whatever may happen in day-to-day routine, extreme urgency is likely to be characteristic of those very crises in the public affairs of the Commonwealth that will put its institutions to the most searching test. There has been no suggestion that the machinery of mutual information in the Commonwealth did not work smoothly on this occasion. The difficulties—which have been reflected in controversy along nationalist lines in certain of the Dominions—arose at two points: the giving of formal advice to the Crown, and the parliamentary endorsement of all-Commonwealth measures. The latter problem is doubtless inherent in the nature of the parliamentary system. Delays are inevitable, especially in vast countries like the overseas Dominions, where several days' travel may be needed to bring members to the capital; and the delays are multiplied when the simultaneous approval of several such Parliaments is required. The incident certainly gives warning of the dangers of the tendency, apparent notably in Canada, to insist upon previous parliamentary approval for executive acts of state.

The Dominion Governments' separate exercise of the convention of "advice to the Crown" as a process of executive action causes no special difficulties so long as such advice is confined to the internal affairs of the Dominions; for the Governor General can act on the spot with full responsibility as the Crown's representative, and there is no chance of conflict with advice given by other Governments to the Crown either in person or through other Governors General. The trouble arises in regard to external affairs, Commonwealth or foreign. Such issues may affect other Commonwealth members besides the one whose Government gives the advice; or they may affect the position of the Crown itself. The formal assent of a Governor General is then clearly not an adequate procedure. The advice must be given to the King himself. The constitutional machinery of the Commonwealth is not at

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present adjusted to these necessities, as the abdication crisis showed. Mr. Lyons or General Hertzog could not have audiences of His Majesty; their only means of advising the Crown directly was formal communication through the Governor General or the King's private secretary. And the only means whereby the views and intentions of the Dominions could be jointly considered before they took steps that might (though in fact they did not) lead to the giving of conflicting advice to the Crown was consultation between them and the Prime Minister of the United Kingdom. The legend of the imaginary Imperial Conference is an attempt to rationalise this situation in terms of equality among the members of the Commonwealth. It cannot thus be rationalised. The central part played by the United Kingdom Prime Minister was dictated not only by the urgent and peculiar facts of the case, but also by the absence of any machinery whereby the Dominions could advise the Crown upon an all-Commonwealth matter, on an equal footing with the Cabinet at Westminster, and after all-Commonwealth deliberation.

The responsibility for rectifying that defect, if they regard it as such, lies primarily with the Dominions. But behind it, and behind the whole story of the crisis, lies the problem of giving practical shape to the character of the Commonwealth Crown as at once sixfold and single. The old formulæ of constitutional theory no longer fit. Perhaps the best approach to a new set of formulæ lies through drawing a distinction between the "King" functions and the "Governor-General" functions of the Crown. The King acts in effect as his own Governor General over a vast range of United Kingdom and colonial business in which he could, if necessary, act by deputy, as he does in the self-governing Dominions. But that kind of business does not exhaust the functions and attributes of the Crown. There remain all those aspects of the Commonwealth Monarchy, including the whole of the personal side, which are shared by every member-nation of the Commonwealth.

George VI may be supposititiously Governor General in the United Kingdom, and may depute royal functions to Dominion Governors General, but he himself is King throughout the Commonwealth. This distinction was clearly reflected in the Regency Bill that was introduced in Parliament at the end of January. Although it does not apply to the Dominions, care has been taken to provide for a possible regency in a form equally acceptable to all parts of the Commonwealth. On the other hand, the intention of the clause concerning the appointment of Counsellors of State in the event of the King's protracted absence abroad is plainly that the King shall retain his imperial functions in person, while discharging his national functions by deputy.

A further consequence flows from this dual nature of the Crown. The King in his "Governor-General" functions, like the Governors General themselves, acts on the formal advice of a single Ministry, while being able to seek advice in a more general sense wherever he chooses. The King as wearer of the all-Commonwealth Crown is no less bound by constitutional convention, but his task of obtaining wise counsel informally is much more difficult. He cannot be in all his Dominions at the same time, and in fact he is bound to spend the greater part of his reign in the United Kingdom. Those whom he assembles about him in his household, and to whom he turns for informal advice, therefore owe a special responsibility to the Dominions. Who they shall be is a matter of personalities rather than principle. But the chief source of private information for the King on the life of the Dominions must remain the Governors General, whom, on the advice of Dominion Governments, he has appointed to act for him. The right of those Governments to nominate whom they will is unquestioned, but it must needs be so exercised as to make possible the personal contact between King and Governor General that is essential to the working of the sixfold Crown. The key lesson of the crisis is the need for mutual understanding between the King and all his peoples.

APPENDIX

I. THE KING'S MESSAGE TO PARLIAMENT

After long and anxious consideration I have determined to renounce the Throne, to which I succeeded on the death of my father, and I am now communicating this my final and irrevocable decision.

Realising as I do the gravity of this step, I can only hope that I shall have the understanding of my peoples in the decision I have taken and the reasons which have led me to take it.

I will not enter now into my private feelings, but I would beg that it should be remembered that the burden which constantly rests upon the shoulders of a Sovereign is so heavy that it can only be borne in circumstances different from those in which I now find myself.

I conceive that I am not overlooking the duty that rests on me to place in the forefront the public interest when I declare that I am conscious that I can no longer discharge this heavy task with efficiency or with satisfaction to myself.

I have accordingly this morning executed an instrument of abdication in the terms following :

I, Edward the Eighth of Great Britain, Ireland, and the British Dominions beyond the Seas, King, Emperor of India, do hereby declare my irrevocable determination to renounce the Throne for myself and for my descendants, and my desire that effect should be given to this instrument of abdication immediately.

In token whereof I have hereunto set my hand this tenth day of December, 1936, in the presence of the witnesses whose signatures are subscribed.

(Signed) EDWARD R.I.

My execution of this instrument has been witnessed by my three brothers, their Royal Highnesses the Duke of York, the Duke of Gloucester, and the Duke of Kent.

I deeply appreciate the spirit which has actuated the appeals which have been made to me to take a different decision, and I have before reaching my final determination most fully pondered over them.

But my mind is made up. Moreover, further delay cannot but be most injurious to the peoples whom I have tried to serve as Prince of Wales and as King, and whose future happiness and prosperity are the constant wish of my heart.

I take my leave of them in the confident hope that the course which I have thought it right to follow is that which is best for the stability of the Throne and Empire and the happiness of my peoples.

APPENDIX

I am deeply sensible of the consideration which they have always extended to me both before and after my accession to the Throne and which I know they will extend in full measure to my successor.

I am most anxious that there should be no delay of any kind in giving effect to the instrument which I have executed, and that all necessary steps should be taken immediately to secure that my lawful successor, my brother his Royal Highness the Duke of York, should ascend the Throne.

EDWARD R.I.

II. THE DECLARATION OF ABDICATION ACT

Whereas his Majesty by his royal message of the 10th day of December in this present year has been pleased to declare that he is irrevocably determined to renounce the Throne for himself and his descendants, and has for that purpose executed the Instrument of Abdication set out in the schedule to this Act, and has signified his desire that effect thereto should be given immediately ;

And whereas, following upon the communication to his Dominions of his Majesty's said declaration and desire, the Dominion of Canada, pursuant to the provisions of section 4 of the Statute of Westminster, 1931, has requested and consented to the enactment of this Act, and the Commonwealth of Australia, the Dominion of New Zealand, and the Union of South Africa have assented thereto ;

Be it therefore 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. (i) Immediately upon the royal assent being signified to this Act the Instrument of Abdication executed by his present Majesty on the 10th day of December, 1936, set out in the schedule to this Act, shall have effect, and thereupon his Majesty shall cease to be King and there shall be a demise of the Crown, and accordingly the member of the Royal Family then next in succession to the Throne shall succeed thereto and to all the rights, privileges, and dignities thereunto belonging.

(ii) His Majesty, his issue, if any, and the descendants of that issue, shall not after his Majesty's abdication have any right, title, or interest in or to the succession to the Throne, and section 1 of the Act of Settlement shall be construed accordingly.

(iii) The Royal Marriages Act, 1772, shall not apply to his Majesty after his abdication nor to the issue, if any, of his Majesty or the descendants of that issue.

2. This Act may be cited as his Majesty's Declaration of Abdication Act, 1936.

POWER POLITICS AND THE IMPERIAL CONFERENCE

I. SOVEREIGNTY AND THE LEAGUE

A GREATER realism is now manifesting itself in the public discussion of international affairs. The easy hopes that the League of Nations would assure us, without serious effort, a long era of peace and prosperity have been ruthlessly dispelled. The world is in even greater turmoil than it was before 1914. Some people attribute this to the rising world quarrel between communism and fascism. But it is due far more to the anarchy in which some seventy nations are trying to live, and which no league of sovereign States can possibly remedy. The centre of world disturbance is Europe, and the primary reason for its discord, for its constant expansion of armaments, for its economic distress, for the violence of the rival communist and fascist religions, is its division into twenty-six sovereign States, each armed to the limit with guns and tariffs. If Europe could achieve the federation that has spared the United States—an area of almost exactly the same size—the wars and frustrations and economic disasters of Europe, it would be at peace, and the problem of reconciling the rising socialist ideal with political and individual liberty could probably be solved by constitutional and democratic means. But, for the present, because of internal divisions, a federation of Europe is utterly out of reach.

It is curious that the countries which have learned through bitter experience that the system of co-operation between states will not work, and have established federation or union

as the only solution of their own problems, namely the United States, Canada, Australia, South Africa and the United Kingdom, should have been among the slowest to realise that a League of Nations, so long as it is based on the retention of complete national sovereignty by its members, is subject to five fatal limitations. A league of sovereign nations can neither compel universal membership nor proceed by majority decision. It has no power in itself to alter the *status quo*, and thereby remove some of the main causes of conflict. It has no power to limit or control economic nationalism, the principal cause of unemployment, dictatorship and international tension today. It has no power to limit armaments. And if it attempts coercion by applying sanctions, its members must be ready for or actually go to war.

The gradual recognition of these essential truths by the champions of the League is having two beneficial effects. On the one hand it is opening the door to a recovery of the League in the only form in which it can be of use so long as its members insist on maintaining their full sovereignty—as a system of regular universal conference, based on the undoubted fact that every nation is necessarily concerned about the possible reactions upon itself of a conflict anywhere, a system in which the members assume no automatic obligation to take coercive action, though they have the right to do so in the light of the facts and arguments produced at the time. It may seem a step back to abandon automatic sanctions, but, until the League has power to revise treaties, automatic sanctions simply mean an obligation to go to war to maintain the *status quo*. Such an obligation conduces neither to peace nor to universal membership. So long as the League consists of sovereign States it can act only by taking such action, either military or economic, as its members can agree upon in the light of the circumstances of every case.

On the other hand, recent events have brought home to us that in a world of sovereign States, whether they act

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through the League or outside it, the old diplomacy—that is diplomacy whose ultimate sanction is war or the threat of war—is still in operation, and must be conducted according to its own rules. The League has admittedly suffered from the fact that it has no power to remove the grievances that make for war. But in a completely anarchic world of sovereign States alterations in the *status quo* are just as difficult to obtain. Indeed, it is often said that under conditions of anarchy revision can be obtained only by war, that local changes will be made by local wars and that world wars will break out when the general settlement made at the end of the last world war has become sufficiently out of date. But that is not wholly true. Under the old diplomacy there is an intermediate method between petrification of the *status quo* and war. That method is power politics, or *Machtpolitik*. That is the method by which a nation or a group of nations, seeking to alter the *status quo*, justly or unjustly, succeeds either in building up such military predominance on its own side, or in so isolating its rival, that the weaker party consents to a change rather than face the alternative of probable or certain defeat in war.

Power politics, of course, is an extremely dangerous game. It is a game of poker, with war as the consequence of serious misjudgment in bluff or play. The weaker State may prefer war to humiliation, especially if it hopes that others, for their own reasons, may intervene. It is never possible to isolate a situation entirely, if only because in a world of anarchy power is what ultimately counts, and a successful act of power politics anywhere is bound to have an effect on the balance of power elsewhere. But for all its risks, and despite the fact that the effects of power politics are often unjust, it is, within limits, preferable to war as a method of readjustment, when the method of voluntary agreement has failed. If it is successful it involves no loss of life between the parties concerned, and no risk of the conversion of a local struggle into a general war in which millions are killed for causes that bear no

relation to the original quarrel and are in no way worth the terrific sacrifices involved. People may feel a moral repugnance towards the rules of the game of power politics. But the necessity for it is the result of their own insistence on sovereignty. Only when nations are willing to federate can a government come into being capable of acting on moral principles, capable because its decisions are law and the product of debate and majority decisions, and because resort to violence is prohibited and prevented. So long as we insist on living in conditions of anarchy, international politics will be governed in greater or less degree by the law of the jungle. And in the international jungle it is usually better to accept the lesser evil of change brought about by a successful *coup* of power politics, and to counter it by adjustments in the balance of power, than to insist on the greater evil of war, which may develop into world war, not least because such a war will almost inevitably end in a peace containing within itself the seeds of fresh wars.

II. MANCHURIA AND ABYSSINIA

IN the phase of world history from 1918 to 1931, international questions were, generally speaking, settled by agreement. This was mainly because of the overwhelming power of the Allies, who were substantially satisfied with the settlement they had made, both in Europe and in the Far East, after the defeat of Germany and her associates, and because the dissatisfied nations were too weak to resist or to think of being able to alter the *status quo* by force. The only considerable instance to the contrary was the occasion when in 1922 Kemal Pasha defied the Allies—by that time thoroughly pacifist themselves—and forced them to accept his own solution of the Turkish question by driving the Greeks out of Asia Minor. But in 1931 this era of tranquil adjustment came to an end, and the era of power politics definitely reappeared. Faced

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with the internal problem of providing for a population increased by a million a year, anxious about the gradually strengthening power of Bolshevik Russia, confronted by a disorderly but also slowly recovering China, the military party in Japan decided to try to solve the problem of her future by occupying Manchuria and Jehol. They knew that there was no question of getting the consent of China, or of the signatories of the Nine Power Pact, or of the League of Nations, to so radical a solution. Negotiations inevitably meant compromise, with the *status quo* as its basis. Unwilling to compromise, they took the law into their own hands, knowing that China could make no effective resistance and believing that the rest of the world would protest but not fight.

Their judgment was proved right by events. It is now clear from Mr. Stimson's book* that at no time did the United States ever propose even the mildest form of economic sanctions. He relied, first, on the moderates in Japan to restrain the military party, and later on the effect of international condemnation and a policy of non-recognition of conquest contrary to treaty. The British Government, in the interests of Anglo-American co-operation, might well have responded more cordially to Mr. Stimson's proposals for moral pressure on Japan, but there is no reason to suppose that co-operation in protest would have checked her. And the British Government was certainly right in refusing to take any action in the Pacific that would have given Japan the excuse to attack British possessions, until it was certain that the United States navy was pledged to support any agreed policy of action, for the reason that at that time it had wholly inadequate naval power in the Pacific to enable it to deal alone with a Japanese attack. Russia never seriously considered action of any kind. Nobody else counted, because nobody else had any power on the spot. So Japan "got away with" her *coup* of power politics, and accomplished her purpose in the

decisive theatre of Manchuria (though not at Shanghai) by mobilising such strength that the local resistance of the Chinese was almost immediately overcome and the larger Powers thought that protest (*alias* discretion) was better than valour in defence of the integrity of China.

It was exactly the same with Abyssinia, except that the risks of general war run both by Italy and by the League were much greater, because both sides began to mobilise power. Mussolini, partly for economic reasons, partly, perhaps, to maintain his own internal prestige, decided to obtain general economic and political control over Abyssinia. It was practically certain that he could not obtain any such results from negotiation at Geneva, especially with Abyssinia a member of the League. Deliberately or through misjudgment he employed no subterfuges and by invading Abyssinia violated the Covenant of the League in the most flagrant way. The League members, recalling the Manchurian fiasco, and many of them fearing that their own turn might come next, decided, on British initiative, that they must put their obligations under Articles 10 and 16 of the Covenant to the test. When, therefore, despite League and diplomatic remonstrance, the invasion of Abyssinia commenced, the League members began to impose the economic sanctions provided for under Article 16. Protest and moral judgment had not sufficed. The issue had become one of power.

In Abyssinia, as in Manchuria, the power of resistance of the local State was small, and when once Italy had discovered the technical means of overcoming transport difficulties and of protecting her communications by air and gas, and once the Ras had played into her hands by mass attacks, the real issue was whether the power mobilised by the collective action of the League would be sufficient to compel Mussolini to abandon his enterprise or to compromise. The result was a total victory for Mussolini, because the League Powers, headed by Great Britain and France, had decided from the first, and never wavered in

* *The Far Eastern Crisis*, by Henry L. Stimson.

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their decision, that the Abyssinian question was not worth a war. In their view it was preferable to acquiesce in an unjust alteration of the *status quo* by force, rather than to risk a general war. No doubt if we had been more realistic and less indignant and uncompromising in our judgments we could have played our cards better. The League might have made economic sanctions as intensive as possible from the start, including oil sanctions, or we might have privately threatened a blockade of the Suez Canal, or the League might have been willing to compromise on something like the Hoare-Laval terms when they were within reach. But partly because most of the European members, especially France, were far more concerned over Germany than over Abyssinia, and partly because the English-speaking members of the League had got into the habit of thinking of the League as a kind of world government, the League played the game of power politics that is inherent in the relations between sovereign States almost as badly as it was possible to play it. Mussolini, who was an expert in the game, and who, by intense and violent efforts, had snatched a victory over Hailé Selassié before the rains came and League sanctions could begin to have cumulative effect, thus achieved a more resounding success, both in Abyssinia and over the League, than he probably expected or even desired.

III. WHERE DOES THE COMMONWEALTH STAND?

IT is with this new situation—or rather with this clearer appreciation of the facts of the present-day world—that the nations of the Commonwealth have to deal. That world consists of sovereign States armed to the teeth, many of them being morally prepared by dictatorship for the use of force and dissatisfied with the *status quo*, both political and economic. In such a world, diplomacy, whether inside or outside the League, depends far more on the amount of power that can be mobilised behind particular

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courses of action than on moral principle—though moral principle and the response of nations to it is one of those *imponderabilia* which Bismarck found it so difficult to estimate. To-day, with so many large nations outside or opposed to the League, and with its smaller members increasingly unwilling to take any action that could bring them into conflict with more powerful neighbours, the necessity for facing the power aspects of every diplomatic situation becomes increasingly urgent.

There is no group of nations of which this is more true than the nations of the British Commonwealth. They have been willing to accept the obligations of the Covenant, but subject to the reservation that those obligations did not involve them in war. It is now clear both that Articles 10 and 16, if they are to be used to the full, involve liability to go to war, and that the nations of the Commonwealth are not prepared to assume such an obligation either automatically or all over the world. There is probably no Dominion that would not agree with Mr. Mackenzie King in maintaining that participation in military action can be decided upon only by the Parliament of the Dominion, and that this decision cannot be pre-judged.

Great Britain has taken the same attitude, though, like the Dominions, she put herself in a dubious and fundamentally bluffing position when Sir Samuel Hoare made his speech at Geneva in September 1935. Recently, however, in a speech made by the Foreign Secretary at Leamington on November 20—a speech that attracted much more attention abroad than it did at home—the British Government took up a far more realist position.

British arms (said Mr. Eden) will never be used in a war of aggression. They will never be used for a purpose inconsistent with the Covenant of the League or the Pact of Paris. They may, and if the occasion arose they would, be used in our own defence, and in defence of the territories of the British Commonwealth of Nations. They may, and if the occasion arose they would, be used in the defence of France and Belgium against unprovoked aggression in accordance with our existing obligation.

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They may, and, if a new Western European settlement can be reached, they would, be used in defence of Germany were she the victim of unprovoked aggression by any of the other signatories of such a settlement. Those, together with our treaty of alliance with Iraq and our projected treaty with Egypt, are our definite obligations. In addition, our armaments may be used in bringing help to a victim of aggression in any case where, in our judgment, it would be proper under the provisions of the Covenant to do so. I use the word "may" deliberately, since in such an instance there is no automatic obligation to take military action. It is, moreover, right that this should be so, for nations cannot be expected to incur automatic military obligations save for areas where their vital interests are concerned.

In this speech Mr. Eden distinguished clearly between those matters about which Great Britain would be prepared to go to war and other matters in which she was interested, but which, at least at the outset, she would not consider a *casus belli*, though the latter kind of problem may, of course, always develop into the first. The distinction is just, and Mr. Eden is to be congratulated on having made it so explicitly. It is a recognition that, in a world of sovereign States and power politics, policy must bear some definite relation to the power that can be mobilised behind it.

But two very important questions follow from this recognition of the facts. The first is how far the other nations of the Commonwealth are prepared to stand behind these declarations; for the ability of Great Britain to make them effective depends, to some extent, on the degree to which the policy is also that of the rest of the Commonwealth. The second is to what extent Great Britain, either jointly with other members of the British Commonwealth or as a member of the League, or in a regional alliance, can or ought to intervene in controversies that may arise in other parts of the world, when they become conflicts of power.

It is essential that the first question should be thoroughly discussed at the forthcoming Imperial Conference. Is the territorial integrity of the British Commonwealth a matter that affects the national security of all the self-governing

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parts of the Empire and that also concerns them because of its importance for peace, liberty and democracy in the world? If it is, will they undertake to defend it, and if so to what extent, if it is threatened? Do they, as Great Britain does, regard the security of the Suez Canal and of the territories adjacent to it, Egypt and Palestine, and the security of Singapore also, as a vital concern to themselves and to the whole Commonwealth? Are they concerned to defend France and Belgium against "unprovoked aggression"? And what about Iraq? The answers of the several Dominions are likely to differ about the importance of these various points and the action they would take over them. It may be difficult to reach any common agreement that can be published. But the issue is one that clearly affects the vital interests of every part of the Commonwealth. It is one which, under the Imperial Conference resolutions of 1923 and 1926, is the subject matter of common policy, even though the main initiative from day to day in dealing with it must, subject to consultation, fall upon Great Britain. On the answer will largely depend the effectiveness of the diplomacy of Great Britain and the Commonwealth, both for self-defence and in restraining the policies of other nations that may threaten our vital interests. And no sensible decisions can be reached by any part of the Empire about these matters until its Government has heard the advice of the general staff as to the facts of the military situation, facts that can often not be published outside.

The second question, namely, the attitude to be taken outside these decisive areas, is much more difficult to answer. The complex issues arising out of the Spanish civil war are discussed in another article in this issue of THE ROUND TABLE.* There are two other danger zones, however, which disclose clearly enough the essential nature of the problem—eastern and south-eastern Europe, and the

* See below, p. 276.

Far East. The realities of the Far Eastern situation were revealed in the Manchurian case. Presumably the Commonwealth can defend itself at Singapore, but the extent to which it can use power effectively beyond that base depends upon whether or not the navy of the United States is also committed to the same policy. As regards Europe there is stability in the west—the frontiers surrounding the Rhineland and the frontiers of France to the south are not in question. But there is, as yet, no stability in the east. There is discontent with many of the frontiers, especially between Hungary and her neighbours. There is the bitter struggle between communism and fascism. There is violent hostility among Germans to what they describe as the “encircling” alliances of France with Poland and the Little Entente, and still more to the Soviet pacts with France and Czecho-Slovakia, which in the German view, seem to ally these countries with Bolshevism. This discontent may expand an eastern European into a pan-European quarrel. Finally there is what is now called the “butter” versus “guns” issue: that is to say, is it possible to make an arrangement whereby the economic pressure from which Germany and the other so-called “have-not” countries suffer can be relieved as part of an all-round agreement which includes a limitation of armaments?

It is quite clear that Great Britain is not prepared to treat local eastern European questions, even if they become power conflicts, as matters in which her own armed strength should be involved. But it is equally clear that to-day, as in 1914, eastern European questions may become pan-European and even world questions, from the solution of which neither Great Britain nor the rest of the Commonwealth can stand apart. It is essential that the question where the line is to be drawn should as far as practicable be explored at the Imperial Conference, so that when the crisis arises there may be the least possible delay and doubt as to the policy to be pursued. In our view the general

line is clear. In no circumstances should Great Britain allow herself to be drawn into a power conflict over any central or eastern European question, and the principal test of when an eastern European question becomes a pan-European question is that laid down in the Leamington speech—whether the security of France or Belgium becomes endangered through unprovoked aggression.

The reasons for this are twofold. The first is that we do not consider that any question involving the relative strength or the alliances of France or Germany in eastern Europe, or any aspect of the central European struggle between fascism or communism, or any frontier question in eastern Europe, is of such importance as to warrant plunging Great Britain or the Commonwealth in war. These are essentially European questions which should be settled by Europeans themselves. The root of Europe's troubles lies in its division into twenty-six sovereign States, and there is no British interest or world interest to be served by risking war to prevent internal adjustments in Europe, even by power politics, and so to perpetuate the anarchy that is its bane. If as a result of power politics the twenty-six States came to be grouped into three or four more or less self-sufficient and loosely related groups, like the pan-American system or the British Commonwealth, the world would be a happier and a more peaceful place. We can offer mediation at Geneva, if the issue is taken there, or elsewhere, if it is wanted. But we should make it clear from the outset that in no circumstances shall we be drawn into war over these matters unless the conflict becomes one that raises the question whether or not a single Power seeks to establish a military hegemony over Europe. The line we have adopted over Spain should be the line we should adopt in eastern Europe also.

Our second reason for holding this view is that, in Europe as elsewhere, our policy must be related to our power and cannot be governed entirely by our sympathies. The British navy is, we believe, in a very efficient condition.

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But, as the last war showed, its effect in bringing decisive economic pressure to bear upon an enemy is extremely slow. The British army, on the other hand, is very small and finds difficulty in keeping up to strength. Though it has been reduced in size since 1914, its imperial commitments have increased, especially in the Middle East. The Palestine situation alone may require the presence of the whole expeditionary army as it is now maintained. There remains the air force. The air arm, by itself, is purely destructive. Unless the army can occupy vital territory the air can succeed only by terrorisation. A threat on the part of Great Britain to go to war over eastern Europe, to restrain, say, an attempt by Germany to nullify the French alliances there, would mean in effect a threat to rain bombs on the Ruhr, which would instantly involve the bombing of London by way of reprisal—a mere competition in brutal destruction.

British armed intervention in Europe, therefore, is bound to be quite ineffective, unless it is taken in co-operation with a combination of other nations, inside or outside the League, which is overwhelmingly superior in available military strength to a potential enemy. The support of the Dominions, for instance, except in aeroplanes and pilots, would be of little effect from the point of view of power in the early and possibly decisive stages. The question whether economic embargoes can be used—without serious risk of extending a local war into a world war—to deter nations from warfare, to bring conflicts that may arise over necessary revision to an early close, or to resist aggression, is another matter for serious discussion by the Commonwealth.

IV. THE INFLUENCE OF THE DOMINIONS

WE think a thorough discussion of foreign policy is essential at the forthcoming Imperial Conference for another reason. As armaments increase, foreign problems

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inevitably become more and more a question of power. If the Commonwealth is to be secure, if it is to pull its due weight for peace, if it is to avoid being drawn into war for causes that are not worth while or that will find its own people divided, its political and economic leaders must do their best to reach a common understanding as to their common interests, as to the degree of common action upon which they can depend, and as to how the balance of forces really lies. Public opinion is still very fluid on these matters. The champions of a sanctionist League of Nations are inclined to press their own nations to go to war against attempts to alter the *status quo* anywhere by force, though the League has no power to make the revisions that alone can prevent explosion. Communists and fascists long to involve us in the world-wide conflict between these two new political religions. The British Foreign Office and most experts on European affairs tend to become so interested in Europe and so concerned about its future as to be willing to drag us into conflicts that are not our concern and that are far better left to others to settle. Foreign propagandists are ever at work influencing press and politicians. Foreign Secretaries long to stand out as the peace-makers of Europe, when a clear declaration that Great Britain will not intervene at all may be the necessary first step towards a stable European balance—without us. Mr. Eden's utterances since the Leamington speech seem to imply a greater readiness for general European commitment.

Yet the foreign policy pursued by Great Britain must be one that has the assent of all the nations of the Commonwealth. It is essential, therefore, that the attitude the Dominions take towards European and Far Eastern questions should be made clear. They understand, too, far better than Great Britain, the policy and power of the United States—the ultimate balancing factor in the world. In a recent address at Aberdeen, as quoted in *The Times*,*

* January 31.

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Sir Patrick Duncan, the Governor General designate of South Africa, put the point very well. He said :

You are the oldest and strongest member of the Commonwealth. You live nearer to Europe : nearer to the scene of battlefields : nearer to the scenes of those international strifes and controversies which are tearing Europe apart to-day. Do not forget these free peoples overseas who are gathered in association with you. I hope you will not let these controversies in Europe pull you into commitments, even possibly into conflicts, in which it will be difficult for the Dominions to follow you.

It may well be, indeed, that a more fundamental decision is looming up than any that has confronted us since 1920. Is it really necessary that the whole world should remain tributary to Europe, so that if, as in 1914, an anarchic Europe once more stumbles into war, the whole world has to stumble into the inferno after it? Is it true that if a war starts in central Europe it must inevitably drag first France and then Russia, then Italy and Japan, then Great Britain, then the Dominions and finally the United States into the vortex? That is the direction in which we are moving to-day. Yet is not an alternative possible? Might not the pan-American system and the British Commonwealth system, if they both detached themselves from any commitment to any other continental system, form a bloc so strong that no other Power or Powers would dream of attacking it, and economically and politically so stable that it could stand outside a European war, and yet exercise decisive influence in preventing war, in isolating it if it broke out, and in ending it quickly and on reasonably just terms? If the European complex, which centres about the distribution of armaments and alliances, moves more and more towards a balance of power within itself, if British opinion continues to feel that it is not its business to take part in any European war that does not threaten the existence of France and Belgium, if the United States begins to feel that its present policy of neutrality will not suffice to keep it out of war, once Great Britain is dragged

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in, then the creation of such a group of nations, dedicated to the preservation of liberal and democratic institutions, detached from the war-systems of Europe and the Far East, may become a practical possibility. It is precisely questions of this kind which it is the business of the Dominions to compel the Europe-fascinated politicians of Great Britain to face next May.

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IN order to see the British Government's policy towards the Spanish war in true perspective we must consider it against the background, not of the circumstances of the moment only, but of the whole course of the war. That course has run on two parallel planes, the one military and Spanish, the other diplomatic and international. It is scarcely too much to say that the first has been but a projection of the second.

I. THE WAR: FIRST PHASE

THE war began with a military insurrection on July 18, 1936. But its roots went back much farther. With the advent of the Popular Front Government, the political balance in Spain had become precariously poised. On the one hand, the forces of the extreme Left tolerated the régime as a convenient façade behind which they could pursue their revolutionary organisation and propaganda. To the minds of the Comintern and its disciples, Spain seemed to be ripening for a communist *vendange*. On the other hand, the forces of the Right feared that their last chance of preventing the revolution might be slipping from them. The army officers in particular dreaded revenge for the Asturias repression, and the overthrow of their whole system as the main bulwark of the old régime. Their hope lay in striking first.

There is plenty of evidence that the revolt of July 18, though possibly hastened by the murder of Senor Sotelo, had been carefully plotted for some time beforehand. Whether foreigners played any part in the plot has not been

revealed, though it was confidently reported that orders for the flight of a number of Italian aeroplanes and their crews to Spanish Morocco had been given on July 17, though it actually took place a week later. The likelihood is, in view of later developments, that some official quarters in Italy and possibly in Germany (which General Sanjurjo had lately visited) were aware of the Spanish army leaders' intentions and had offered their benevolence.

The generals, and whatever sponsors they may have had outside Spain, were clearly disappointed by what happened. Things did not go according to plan. The army revolt was quickly overcome in Madrid and Barcelona and others of the mainland centres, giving the Government control of the capital, the Catalan coast, and—what has ever since been vitally important—the communications between them. The larger part of the navy remained loyal. The Basque Nationalists, though clerical and conservative, stood with the Government, to the rage of the army leaders, who were forced to divert a considerable portion of their effort in the early phase of the war to the reduction of Irun and San Sebastian. Bilbao, with a great part of the Basque coast and hinterland, continued to hold out against them. To the Basque resistance General Mola partly ascribed, in an interview on August 4, the fact that "the fighting, which should have ended on July 26, is taking longer than was planned". These disappointments necessarily had their effect on the international side of the conflict. If General Franco did indeed have backers abroad, they were in a predicament. Active intervention was more than they had bargained for, since they presumably shared his hopes of a swift and decisive *coup d'état*. On the other hand, if the revolt were to fail, the last state of Spain would be from their point of view much worse than the first.

The decision they took became apparent as reports of the arrival of German and Italian aircraft grew more frequent and more confident. It is noteworthy that intervention at this period seems mainly to have taken the form of providing

air forces, which it was doubtless thought would prove decisive against an enemy ill equipped in the air. Apart from air pilots and mechanics, there were no reliable reports of any German or Italian troops with General Franco. The military position was that the rebels had the command of the air (invaluable to them in securing sufficient control of the Straits of Gibraltar to transport their Moorish troops), and the Government had the advantage at sea, while on land an organised and generalised army opposed an ill-equipped militia under weak and inexperienced political leadership. The balance appeared to swing so far in favour of the rebels, in spite of their early reverses, that their friends seemed fully justified in believing that such comparatively limited assistance would be decisive. But of course the delay had given the Government also a chance of obtaining outside help. Levies said to amount to £1,000,000 a month were made upon Russian trade unionists and collectivised peasants for the benefit of "the Spanish workers". There is little doubt that in those early days war material and aeroplanes were shipped to both sides from many quarters, including Great Britain, in spite of prohibitions, licensing systems and official supervision. Volunteers also offered their services in large numbers, predominantly for the Government side.

The dangers of international intervention had not, however, escaped the responsible statesmen of Europe. On August 1 the French Government announced that it had

decided to address an urgent appeal to the principal Governments interested for the speedy adoption and rigorous observation in regard to Spain of a common rule of non-intervention. The French Government had, for its part, so far observed in the strictest fashion the decision not to authorise the export of arms for Spain.

It was not easy for M. Blum's Government to adopt this policy, pressed as it has been all along by its supporters on the Left to throw its weight behind the Government side in Spain. The policy of non-intervention by international

agreement was promptly accepted by Great Britain, and on August 19 she banned the export of arms to either party in the civil war. Favourable replies to the French appeal were promptly received also from Belgium and Russia, while Germany, Italy and Portugal agreed in principle but suggested certain conditions, regarding particularly subscriptions of money and the enrolment of volunteers. These conditions could not then be fulfilled, but eventually, at the end of August, all the European Governments chiefly concerned had agreed to prohibit the export of arms, aeroplanes and munitions to Spain. There were further delays before an international committee could be set up to supervise the working of the non-intervention agreement. This playing for time coincided with an indecisive interval in the civil war itself, between the fall of Badajos to the rebels on August 14 and the surrender of San Sebastian on September 13. Nine days later the battle for Madrid was declared to have begun.

Meanwhile the balance of intervention seems to have been swinging the other way. Naturally the public reports of shipments of war supplies to Spain were incomplete and usually unreliable, but at least a hint was given by the course of the discussions in the International Non-Intervention Committee in London. Its earliest meetings were opportunities for Russia to levy charges of intervention against Germany, Italy and Portugal, whereas by mid-October the Soviet Government was predominantly on the defensive in the exchange of accusations. Indeed, it seems to have thought it necessary to excuse itself: on October 7 it addressed a letter to the chairman of the Committee stating that if violations for the benefit of the rebels were not immediately stopped the Soviet Government would consider itself free from its obligations, and a fortnight later it declared itself unable to "consider itself bound by the agreement for non-intervention to any greater extent than any of the remaining participants of the agreement". Soviet Russia, however, continued to adhere officially to

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the agreement. On November 19, in the House of Commons, Mr. Eden stated "categorically that there are other Governments more to blame than either Germany or Italy".

Still more decisive proof of the course of intervention was the actual war news from Madrid. Foreign munitions were known to be in use in both camps, Russian tanks and, later, Russian aeroplanes being prominent on the Government side. In the early stages of the Madrid fighting those tanks possibly played a decisive part in "holding the fort". It is worth remembering, however, that the rebel forces were halted at the banks of the Manzanares, in engagements that seemed almost to have turned the scales of the war, by the Spanish militia, not by the International Brigade; by an ill-armed citizen force, almost unprotected by guns or aeroplanes from the air bombardment that General Franco obviously thought might be decisive, but making the most of idealist courage and the tactical advantages of the terrain.

II. THE WAR : SECOND PHASE

IT was while the Madrid fighting was stagnant that Italy and Germany—simultaneously, in almost identical terms, and after considerable confabulation—announced their recognition of General Franco's Government. The Berlin communiqué ran

Following the taking possession by General Franco of the greater part of Spanish territory, and now that the developments of the past weeks have shown with increasing clarity that there can be no longer any talk of a responsible Government in the other portions of Spain, the Reich Government has decided to recognise the Government of General Franco and to appoint a *Chargé d'Affaires* for the opening of diplomatic relations.

A month later, in reply to a Franco-British memorandum in favour of mediation in the war, Berlin made an even plainer gesture of partisanship.

The German Government (ran the despatch) has by its recognition of the National Government expressed the view that apart

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from this Government no other factor in Spain can claim to represent the Spanish people. . . . A reconciliation with ("the party opposing this National Government") would seem scarcely conceivable.

The German and Italian recognition of the Burgos Government has been described as the most flagrant act of intervention in the course of the war. The argument behind this somewhat exaggerated description is this. Although Senor Azana had given way to Senor Caballero, the Madrid-Valencia Government was the continuous successor of the Spanish republican Government recognised by all the Powers, including Germany and Italy. To go on recognising it until it had been overthrown and replaced was but common diplomatic usage as well as continuity of national policy. To recognise a new Government when the old one had unmistakably disappeared would also be common diplomatic practice involving no partisan responsibilities. But to recognise a new Government which had begun as a military cabal, which had not even obtained command of the capital, and which might possibly (if unaided from abroad) be defeated and dispersed, while the great body of Powers still recognised the old régime, was to link the prestige of the recognising Government irretractably with that of the recognised.

Apart from its implications in the range of high politics, the decision had troublesome legal consequences which came to a head over the issue of the freedom of the seas. As this is being written, no important Government, whether sympathising with General Franco or with Senor Caballero or with neither, has recognised a state of belligerency in Spain. Therefore neither side in the war has been able to claim the rights of belligerents (including the right to impose a blockade), nor has the law of neutrality applied to third parties. In practice, however, all countries have treated each side in the war as *de facto* government in the area under its military control, with the corresponding territorial waters, and in those waters they have submitted

to such checks upon trade and shipping as any government at war is entitled to impose. It is beyond territorial waters that clashes are constantly liable to arise between the official view of the majority of the world's governments (shared by the Caballero régime), that the latter is a legitimate government engaged in repressing a revolt, and the official view of Berlin and Rome (shared by the Franco régime), that the latter is a legitimate government engaged in clearing up the remnants of a collapsed and discredited faction.

On or about Christmas day the German steamer *Palos*, bound for Spanish ports, was seized and taken to Bilbao by warships of the Basque Nationalist Government. The seizure was said to have taken place outside territorial waters, and even Basque apologists spoke of a "twelve-mile limit". After a couple of days the Bilbao authorities released the *Palos*, but they confiscated part of her cargo which they said was contraband of war, and they kept prisoner a passenger of Spanish nationality whose papers were regarded as unsatisfactory. On New Year's day, as an act of reprisal for this incident, the Spanish steamer *Soton* was driven ashore in evading arrest under arms, in Spanish territorial waters, by the German cruiser *Koenigsberg*. The same day the "pocket battleship" *Admiral Scheer* took into custody the *Aragon*, which with another seized Spanish steamer was later disposed of to the Franco Government, as compensation for the retention of the passenger and part of the cargo of the *Palos*. These incidents exposed not only the high-handedness of German policy but also the anomalies arising from the different national attitudes towards the Spanish contestants. For Germany, the seizure of the *Palos* was an act of piracy, being committed neither by a recognised government nor by a recognised belligerent; on the other hand, if that was so, the proper recourse was direct retribution, not seizure of other ships simply because they also flew a "piratical" emblem, the Spanish republican ensign. For Great

Britain, while the seizure of the *Palos* may have been illegal, her own wartime attitude towards the freedom of the seas might go some way to justify it; whereas the seizure of the *Aragon* was clearly a hostile act against a friendly Power. Thus the German and Italian recognition of General Franco's Government greatly complicated the difficulties arising from the universal refusal to accord belligerent status to the two sides in Spain.

It had, of course, other and more direct consequences. It was the signal for the appearance in Spain of German troops on a large scale. Lack of sufficient troops had been said to be General Franco's chief handicap in pressing his attack on Madrid. Estimates of the number of German troops in Spain before Christmas varied widely, though few put the figure lower than 20,000. On December 21, M. de Kerillis, a leading French publicist of the Right, published in the *Echo de Paris* an estimate of the number of foreign troops in Spain based on information he had obtained at the insurgent headquarters at Salamanca. On the Government side there were said to be 10,000 to 15,000 Russians, mostly regular army units; 10,000 to 12,000 Frenchmen, all volunteers; 2,000 to 3,000 Belgian volunteers, and 2,000 to 3,000 Polish, Czech and German anti-fascists. On the insurgent side there were said to be 5,000 Germans equipped with special arms—aeroplanes, tanks, anti-tank guns and so on—in addition to two regular army divisions containing 20,000 to 25,000 men; 2,000 Irishmen,* and some 2,000 others, including Italian airmen. These estimates, the most detailed published with any claim to authority in the ordinary press, must be regarded with the reserve due to their source. In fact, they are almost certain to have erred in over-stating the number of foreigners then serving on the Government side, even if they did not under-state the number on the insurgent side. In the light of other information, the figure for regular

* This round figure is confirmed by THE ROUND TABLE's Irish correspondent. See below p. 365.

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Russian troops seems exaggerated, as Russia's assistance in personnel (like Germany's and Italy's in the earlier months) was known to have taken the form mainly of technicians, airmen, staff officers and key men generally.

III. THE MEDITERRANEAN ACCORD

THAT, then, was roughly the position when the French and British Governments, acting in concert, made their Christmas *démarche* in favour of stopping the flow of volunteers to Spain. There were two main reasons for feeling hopeful that this appeal might meet with success, in spite of the apparent German and Italian determination to help General Franco on a larger scale than ever. The first was the knowledge that Herr Hitler was being faced with an awkward dilemma over his Spanish policy. It was confidently rumoured that General Faupel, who had been sent to investigate the position in Spain, had reported that very much greater assistance (said to be on the scale of four to five more divisions) must be given to General Franco in order to ensure his success. The German general staff, who were known to have been diffident about the whole Spanish adventure, would certainly oppose acting on such a scale, to the injury of the army and to the jeopardising of its prestige. The clash between the views of the Reichswehr and those of the National Socialist party leaders would have to be resolved by Herr Hitler's own decision. The Franco-British move might thus prove a valuable opportunity for him.

The second factor was the approach of a Mediterranean accord between London and Rome. Negotiations to this end had begun in November, soon after Mr. Eden, replying to Signor Mussolini's claim that the Mediterranean was for Italy her very life but for the British Empire only a short cut, had affirmed that "freedom of communication in these waters is also a vital interest in a full sense of the word to the British Commonwealth of Nations". On

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January 2 a joint declaration was signed by the British Ambassador in Rome, Sir Eric Drummond, and the Italian Minister for Foreign Affairs, Count Ciano, who had been the principal negotiators. Its text was as follows :

His Majesty's Government in the United Kingdom and the Italian Government :

Animated by the desire to contribute increasingly, in the interests of the general cause of peace and security, to the betterment of relations between them and between all the Mediterranean Powers, and resolved to respect the rights and interests of those Powers ;

Recognise that the freedom of entry into, exit from and transit through, the Mediterranean is a vital interest both to the different parts of the British Empire and to Italy, and that these interests are in no way inconsistent with each other ;

Disclaim any desire to modify, or, so far as they are concerned, to see modified, the *status quo* as regards national sovereignty of territory in the Mediterranean area ;

Undertake to respect each other's rights and interests in the said area ;

Agree to use their best endeavours to discourage any activities liable to impair the good relations which it is the object of the present declaration to consolidate.

This declaration is designed to further the ends of peace and is not directed against any other Power.

The declaration was accompanied by an Exchange of Notes in which Italy gave her word against seeking any change in the territorial *status quo* as a result of the Spanish war.

What was to be read into the Anglo-Italian accord ? It was known to have been preceded by careful and detailed discussions, which presumably covered all the various possible points of conflict between the two countries in the Mediterranean. But British opinion was puzzled and anxious, on the Left because of the alleged implication that power politics ranked higher with us than League of Nations principles which Italy had flouted, on the Right because of the suggestion (promptly denied in official quarters) that undertakings had been given *sub rosa* to restrict our naval and air preparations in the Mediterranean. The lay public found it rather hard to understand the reason for making any agreement that might tie our

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hands in an area so vital to the whole Commonwealth; being reluctant to accept its purpose as nothing more than mutual protestation of good intentions, they were inclined to leap to the conclusion that Signor Mussolini had consented to attune his policy towards Spain more harmoniously with that of Great Britain.

It was not more than a day or two before this hopeful interpretation was shattered. The news spread that upwards of 10,000 Italian troops had been despatched to southern Spain, some before and some after Christmas. This was not outwardly very promising for the Anglo-French effort towards ending the supply of fighting men for Spain. Nevertheless the German and Italian replies, received on January 8, were encouraging rather than the reverse, apart from the obvious attempt to score an argumentative success. Their gist was that the two countries favoured the withdrawal of all foreign "combatants, political volunteers, propagandists and agitators" from Spain, and would themselves ban volunteering provided all the other nations concerned did the same, other forms of intervention such as money subsidies or propaganda were dealt with, and a system of unconditional effective control was agreed on. The British Government was so far satisfied with these replies that it promptly sent a Note to all Powers on the Non-Intervention Committee urging immediate action, and itself invoked the Foreign Enlistment Act to prevent the recruitment or departure of volunteers for Spain. A few days later M. Blum secured the passage, by unanimous vote in the Chamber, of a Bill with similar intent, but coming into force only on a date to be fixed under international agreement. Without this proviso, of course, the Bill might never have passed—certainly not unanimously. The Soviet Government likewise refused to act unilaterally. It is only to be supposed that Senor Caballero's friends as well as General Franco's were making every effort, in anticipation of a ban, to accelerate the help they were rendering; indeed it was reported that anti-fascist

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volunteers were pouring over the frontier in January at an even greater rate than the fascist reinforcements. Meanwhile the German and Italian replies were held up while General Goering and Signor Mussolini conferred in Rome.

In making up their minds—and it is noteworthy that this was one of the occasions on which the democracies surpassed the dictatorships in swiftness of decision and action—the German and Italian Governments were doubtless influenced by four main factors: first, their hatred of Moscow and the linking of their prestige with that of General Franco; second, the cost and danger of indefinitely expanding their commitments in Spain; third, the probability of their protégé's victory if a ban on further help to either side were forthwith imposed; fourth, the degree to which France and Great Britain were resolved to press their policy of non-intervention under international control. The last factor remained obscure. In recommending his Bill for the prevention of volunteering M. Blum spoke strongly in favour of effective international control.

But, needless to say (he said), if it proves impossible to arrive at an effective international agreement the French Government will be obliged to examine the problem in a different light.

This was widely interpreted to mean that France would institute her own system of control. But it was also consistent with the view that France might have to give up non-intervention altogether.

The result of the German and Italian cogitation was made known on January 25, when similar Notes were delivered by the two Governments in reply to the British Note of January 10. The German Government declared that it had already prepared a measure to prevent recruitment in Germany for the Spanish war, in anticipation of agreement by the London Non-Intervention Committee on the character of the non-intervention to be enforced, the system of control, and the date at which the measures

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would come into operation. Both countries renewed their demand for the removal from Spain of all foreign participants, civil and military, in the civil war, "in order to restore the position of August last year". While the Committee faced this task, the weight of the Italian troops was being felt in the insurgents' advance in the south.

IV. THE BALEARICS AND MOROCCO

MEANWHILE, both British and French policy had been powerfully influenced by another aspect of foreign intervention in the Spanish war—the future control of those outlying portions of Spanish territory or spheres of influence which are of vital strategic importance. From the earliest days of the war, anxieties were entertained in informed circles in Britain and France over the destiny of the Balearic Islands and the Spanish Zone of Morocco. A hostile air or naval base in the Balearics would mortally threaten the communications of France with her African colonies, and would be a grave obstacle to British naval control based on Gibraltar. Even more menacing would be hostile command of Spanish Morocco. If Ceuta were developed as a rival Gibraltar it would have the positive advantage over the latter of being backed by an ample hinterland. Bases at Melilla or Tetuan would be just as damaging to Franco-British naval security as bases at Palma. The Atlantic coast of the Spanish Zone (not to mention the Canary Islands or the Rio de Oro) confronts the French route to West Africa and the British route to the Cape. Moreover, the zone would be a unique vantage point for anti-British and anti-French propaganda among the native peoples of north Africa, and by this as well as by direct means a hostile influence could put in jeopardy the landward and internal security of French Morocco and Algeria. Before the war, when the future of north Africa was in the melting pot, it was an essential principle of British policy that no great Power—not even France, and

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certainly not Germany—should command the coast of what became, as a result of Franco-British diplomacy, the Spanish Zone of Morocco. The British Government, through its spokesman Mr. Lloyd George, was prepared to bring Europe to the verge of war by its vigorous reaction to the German demonstration at Agadir.

It was not surprising, therefore, that Downing Street and the Quai d'Orsay should have been anxious when German and Italian intervention, in favour of a Spanish military insurrection that had been largely based on the Balearics and Morocco, showed which way the wind might blow. The anxieties were reinforced by the actual course of events. In the early days of the war, German warships became virtually stationed on Ceuta and Melilla, where their companies openly and even formally fraternised with the insurrectionaries. Early in September it was reported that Italian war materials had been landed in Majorca on a large scale. The well-known fascist leader, Count Rossi, was known to be virtually in command of the island, where he promoted fascist organisations, from battalions of eight-year-olds to a conscript army, and suppressed the Catalan language and Catalan loyalty. On September 12 the Foreign Secretary instructed the *Chargé d'Affaires* in Rome to inform the Italian Government that "any alteration of the *status quo* in the western Mediterranean would be a matter of closest concern to His Majesty's Government". The reply was that "the Italian Government had not, either before or since the revolution in Spain, engaged in any negotiations with General Franco whereby the *status quo* in the western Mediterranean would be altered, nor would they engage in any such negotiations in the future". This assurance was confirmed in the Exchange of Notes of December 31. The Italian Foreign Minister added his undertaking that, "so far as Italy is concerned, the integrity of the present territories of Spain shall in all circumstances remain intact and unmodified".

Almost immediately afterwards the lid blew off the

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cauldron of Franco-British fears over Morocco. Previously the complaints had been chiefly of German economic penetration in the Spanish Zone, in some directions amounting almost to monopoly, and of propaganda among the Arab population. On January 8, however, the French Ambassador informed Mr. Eden that "his Government had received news of the impending arrival in the Spanish Zone of Morocco of a strong contingent of German volunteers . . . that preparations for their reception in the form of barracks and food supplies was being made, and that German engineers were engaged on fortifications near Ceuta".* The same day it was officially announced in Paris that the Government had "reminded the Junta at Burgos of the stipulation of the Franco-Spanish Treaty of 1922, forbidding the two Powers to permit foreign troops to enter Moroccan territory". The German press indignantly denied the French charges, and feeling ran high on both sides.

There was general relief when Herr Hitler assured the French Ambassador, on January 11, that Germany had no designs on Morocco and had no intention of violating the integrity of Spain or of Spanish possessions.† This led on to an invitation from the acting High Commissioner in the Spanish Zone of Morocco to the French and British authorities to send military officers through the zone to discover for themselves what was happening. The invitation was accepted, and the reports received as a result of the visit were cautiously described by Mr. Eden as "generally of a reassuring character, so far as concerns the alleged landing or preparations for landing of German troops". This was confirmed by the *Times* special correspondent, who reported that :

At Ceuta there was no evidence visible of any serious work on the fortifications near the town. . . . The general impression gained

* Mr. Eden in the House of Commons, January 19, 1937.

† Legally the Spanish Zone of Morocco is not a Spanish possession or even protectorate, but a Spanish-administered part of the Empire of the Sultan of Morocco, who is under French protection.

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from this north-eastern area is that military activity is normal and wholly Spanish; but that Germans are active at Tetuan, which is the commercial centre. . . . Air activity is almost wholly German, and is far from being purely commercial . . .*

A similar account was given by Lord Cranborne in the House of Commons on January 27. As far as could be ascertained, he said, the number of Germans at Melilla and the air bases was about 150, but it was understood from the military commandant that their number varied considerably from day to day. Access to the aerodromes had been forbidden to the British investigators.

The dangers of foreign control in Morocco thus seemed to lie mainly in the future. Herr Hitler's and Signor Mussolini's promises are not to be ignored, but their scope must not be exaggerated. They refer to the strictly territorial integrity of Spain and Spanish Morocco; they do not rule out the possibility of economic, political and military monopolising of the Balearics or the Morocco Zone by Italy or Germany under the nominal sovereignty of a puppet state. Signor Mussolini even hinted that he might use the understanding with Great Britain as a pretext for open intervention in Spain if a "Soviet state" were erected in Spain or in part of Spain, an eventuality which he would regard as a violation of the Mediterranean *status quo*. Indeed it is not certain that in this the British Government might not sympathise with him. At present, Germany and Italy, in continuous diplomatic collusion as they are, seem to present the most direct threat to the military security of the British Empire, and Russia appears as a useful counterbalance. But that condition may not endure for ever; with a few more turns of the European wheel of fortune, which in the past generation has deposed first monarchy and then republic in Germany, has created democracies and destroyed them, has partitioned Austria-Hungary, bolshevised Russia, and turned the Sick Man of Europe into a strong dictatorship, there may come a time

* *The Times*, January 15 and 18, 1937.

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when our chief fears in Europe will be directed against Russia, as they were for the greater part of the century preceding the world war.

V. BRITISH POLICY

THUS even the strategic considerations alone do not all point in one direction. They may make disinterestedness impossible for the Empire, but they do not thereby make intervention more desirable. The ideological war is a war between two enemies of British ideas and British institutions. If, according to our different political opinions, we reserve the worst of our gall for one—for communism or for fascism—that is no good reason for spilling our blood on behalf of the other. There has been a tendency among the British parties of the Left, who detest fascism and sympathise with the Russian experiment, to call for intervention in Spain on the side of Caballero, in the name of freedom. Freedom for Spaniards? Freedom for all Spaniards might indeed be a cause to stir self-sacrifice, but it must be freedom from the dictatorship of the proletariat—that is, of the communist party—as well as from the dictatorship of a fascist oligarchy. Freedom for Englishmen? War is the grave of freedom, and every act of intervention in the civil war increases the danger of international war. Behind the ideological clash lies the infernal mechanism of power politics. As often as not the one is but a cloak for the other. To take sides in Spain is to take sides in the European balance of power, and to fight on either side in the ideological war is to play the game of the dictators.

Imperial unity would be impossible behind such a policy. The Dominions would be perplexed by its motives, and if it dragged us into war—as well it might—they would be reluctant to assist us. A split in the British Commonwealth is a far more serious danger, to the British Commonwealth, than any possible outcome of the war in Spain.

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Possibly, the Spanish war is moving to an end. But the problem of British policy in this test case is of permanent importance. Barring intervention, the choice lies between two courses. The first is a purely national policy of non-intervention, combined with willingness to co-operate in any international measures to secure non-intervention that may be supported by all the other countries concerned. The second is the more positive policy of insisting upon all-round non-intervention, and backing that insistence with our diplomatic and, if necessary, our martial power. It would involve using the British navy to help in enforcing such measures of control as could be agreed upon by ourselves and the other non-interventionist Governments of Europe, with or without the co-operation of Rome, Berlin, and Moscow.

The choice between the two courses is thus a choice between one set of risks and another: between the danger of our being faced eventually by a puppet Spain, dominated by some potentially hostile dictatorship, entrenched at the mouth of the Mediterranean and alongside the route to the Cape, and the danger of our being faced much sooner by war as the only alternative to humiliation, should our policy of enforcing non-intervention be challenged by a reckless Power. It is not easy to determine which of these risks weighs the more heavily. Many observers claim that the danger of German or Italian military penetration on Spanish territory has been immensely exaggerated. Neither country, exhausted by its efforts in the Spanish war on top of its vast problems of "guns and butter" at home, would have the means, it is said, to establish itself in Spain or Morocco in face of the patriotism of the Spaniards and of the Moorish tribes. Others claim that the danger of war through enforcement of international non-intervention has also been exaggerated, since neither Germany nor Italy, certainly not Russia, is ready for a trial of strength with an Anglo-French bloc. There would be "incidents," outbursts of fury, but if we held our ground we should, it

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is argued, score a durable victory over anarchy and power politics in Europe, and save Spain for the Spaniards.

The weakness of British foreign policy is not due to a false choice between one set of risks and another. It is due to the apparent failure to see the risks until it is too late, until humiliation is the only escape from the consequences of sticking to our guns, which we suddenly realise are still too few to guarantee our security. That was what happened over Abyssinia, and that is what has been in constant danger of happening over Spain. The courage of our convictions, in a world of power politics, is limited by the strength of our defences.

One further reflection is prompted by the events in Spain and the way in which British policy has been forced by those events to develop. Their lesson is that nowadays wars and threats of war in Europe may not happen in anything like the 1914 manner, with ultimata, mobilisations, open violations of frontiers. Rather there may be a mutiny, a riotous election, a sectional uprising either spontaneous or engineered, and before the general public have had time to gather their wits foreign troops and munitions are everywhere. The outcome then is a desperate gamble, with world war and the future of civilisation as stakes on the table. If that is the kind of possibility we have to guard against in Europe, neither the sanctions technique of the League of Nations, nor the pre-League technique of neutrality and non-intervention, is sufficient by itself to determine the lines of our policy, and the policy of the Dominions. Both the League of Nations principle and the neutrality principle have played a vital part in solving the difficult problems of British Commonwealth relations in matters of foreign policy since the war; hence this new phase in international affairs will have to be earnestly and realistically considered by the Commonwealth statesmen when they meet in conference this year.

CHINESE COMMUNISM: THE SIANFU INCIDENT

NEWS about the Chinese communists appears in the European press only sporadically. Yet in every turn of policy of the Nanking Government, in every one of its major decisions during the past six years, the communist problem has been an important consideration. Its foreign policy, for example, cannot be fully understood except in the light of the communist civil wars. The communist party is a kind of *eminence grise* of China—seldom seen or reported, but exerting an influence which, if indirect, has been profound.

I. THE KIANGSI SOVIET

THE Chinese communist movement is, in origin, a rising of the peasants, similar in many respects to the *acquerie* in fourteenth-century France or the rebellions in Germany at the Reformation. That it is called communist is due to its drawing colour from its times. A peasant rising would probably have taken place in China even if there had been no Bolshevik revolution in Russia. Sovietism supplied the slogans for the peasant armies, but these armies might have been recruited as easily under other banners; they came into being less in response to an ideological appeal than as a result of the destitution of the peasants; and their leaders, far from seeking to imitate the state socialist programme of Russia, have based their appeal and policy on the Chinese situation and the psychology of the Chinese farmers.

As with all mass movements, the causes of Chinese

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communism are partly political, partly economic, and lie some distance back in Chinese history. With worsening economic conditions, a section of the population became disposed to revolt. Political circumstances gave them an occasion.

The recent history of China begins with the revolution of 1911, which overthrew the Manchu dynasty. This revolution, made by an ambitious general allied with a group of intelligentsia, was the last of the succession of revolutions that, beginning in France, swept during the nineteenth century through almost all the civilised world—literally from Peru to China—their object being the substitution of parliamentary and democratic institutions for autocratic government.

The Chinese intelligentsia in 1911 were interested in changing the political system. Yet what made their revolution possible—though few of them understood this—was not the desire of a large part of the population for constitutional government, but the distress in the countryside, the inability of the Manchu administration to bring relief, and the consequent feeling of the classes on which the dynasty reposed that its defence was no longer worth while. China is an agricultural country, and its strength or weakness, tranquillity or disorder, depends ultimately on the well-being of the farmers. At the opening of the twentieth century the country was experiencing an acute agrarian crisis. A long period of peace (broken only by the Taiping rebellion in the south and the Mahommedan rebellion in the north-west, which were a kind of prelude to the disturbances of the present time), had caused the population to expand. China as a whole was probably not over-populated. Much cultivable land was still lying waste; but to break it in required a capital investment and an organised effort greater than the farmers, on their own initiative, were capable of making. The richer agricultural areas became increasingly congested; and at the turn of the century, in the provinces south of the

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river Yangtze, at least half the holdings were no larger than one English acre. From such diminutive farms five or six persons had to find a living. Simultaneously the domestic industries, which had been a source of income nearly as important as agriculture and to some extent a compensation for the shortage of land, were depressed and in many areas completely destroyed by the inflow of factory-made commodities. Increasing poverty intensified the sense of grievance against a rack-renting tenancy system and a credit and marketing organisation by which the peasant was systematically fleeced. The problem of tenancy in China is on an entirely different plane from the problem in western countries such as England or Canada. Cultivating fairly extensive areas, farmers in these countries dispose of large crops, and can afford, without the risk of real want, to part with a portion of them as rent. But a Chinese family dependent for its living on a single acre is already on the subsistence level. To be compelled, out of a miserably poor income, to pay a considerable part to the landlord—40 per cent. of the main crop in 1911, and in later years much more—was regarded by the tenant as an almost intolerable grievance.

It is true that the Chinese farmer, compared with the European peasant of two hundred years ago, was a free man; there was no feudal system. It is true also that there were no *grands seigneurs*, and that the number of immensely wealthy land-owners was few. The landlords were mostly small men; those who had an income the equivalent of £500 were considered distinctly well off. It mattered little to the peasant, however, whether his landlord was an Esterhazy or a small rentier; it made his rent no smaller, the interest rate no lower. Chinese rural society was thus divided into two classes: the peasants tilling the soil; and the rural gentry, most of them by no means wealthy by our standards, but deriving their incomes from the rent, the interest, and in the case of officials the taxes, paid by the peasantry, and in return performing the services

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of maintaining the credit and marketing system, of running the local administration, and of maintaining the national culture and scholarship. The value of their services should not be underrated; but the bill they presented to society tended to be excessive.

The revolution of 1911 brought, and could have brought, no relief of the rural crisis. If parliamentary government had been established, the last thing the parliament would have discussed was land reform; for nearly all the members of a Chinese parliament were landlords. In fact the revolution failed to achieve even its political objects. And as a result of that failure—the passing of power into the hands of the war-lords, the break-up of the old administrative system, the collapse of the old morality and spread of cynicism among officials—the situation in the countryside still further deteriorated. Rents in some provinces rose to be 70 per cent. of the crop; and what the farmer was able to keep back from the landlord and the money-lender he was forced to pay to the tax collector.

A new period began in 1927 with the success of the Kuomintang, which was the old revolutionary party of Dr. Sun Yat-sen. After reorganisation, and with Russian aid, it had consolidated its position in South China, seized the Yangtze valley, and set up the National Government at Nanking. At first, by its attack upon the old style buccaneering war-lords, the Kuomintang rallied to itself all the radical groups in the country. Among these was the Chinese Communist party, which, founded in 1920, consisted chiefly of younger members of the intelligentsia (for the most part themselves the sons of the rural gentry) who had come under the influence of communist writers. The nucleus of the Kuomintang was, however, a professional military class and the substantial *bourgeois*. Though by no means obscurantist, and though genuinely determined to transform the old society—if possible, to turn China into something rather like modern America—these classes were opposed to drastic measures, especially

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to drastic measures against the land-owning interests. When the communists began organising rural soviets, the Kuomintang expelled them and took measures against them that have been described, not unjustly, as a white terror.

Thus began the civil war between the communists and the Government. For the time the communists went underground. From their experience in working with the Kuomintang, they had come to appreciate the intensity of the discontent among the farmers, and to realise that their best chance of reaching power was through a farmers' revolt. Concentrating their efforts on Kiangsi—a province in central China which, because of the suitability of its terrain for guerilla warfare, had become a centre for bandits and mutinous soldiers—by means of intensive propaganda they crystallised the general bitterness into a revolutionary movement. When, in 1930, the attention of Nanking was distracted by a revolt in north China, the communists managed to set up a soviet government over a large part of the province, and heavily defeated a punitive expedition sent against them.

The soviet lasted four years. It was in many ways the most peculiar government to be found in Asia. It re-cast the structure of society; organised a currency; changed the marriage and family system; maintained universities and schools. Soviet printing presses turned out a large literature, including two daily newspapers. The Lytton Commission reported :

Communism in China not only means, as in most countries other than the U.S.S.R., either a political doctrine held by certain members of existing parties, or the organization of a special party to compete for power with other political parties. It has become an actual rival of the National Government. It possesses its own law, army, and government, and its own territorial sphere of action. For this state of affairs there is no parallel in any other country.

Yet, during all this period, it was easier for a European—at least a European from a capitalist country—to visit

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the remote corners of Tibet than to penetrate into soviet territory. Kiangsi was a sealed state—sealed both by the blockade of the Nanking Government and by the Red frontier guards. The details of the soviet system have had to be learned at secondhand, from the biased publications of the Nanking Government, the biased publications of the communists, and the interrogation of farmers in the recovered areas.

Even on the extent of soviet rule there is no agreement. The communists claimed in 1931 to control sixty million people; actually, it seems that the number under their direct and continuous government was five or six millions, though the population on the fringe of red territory, which from time to time and for short periods was sovietised, was probably as large again.

The record of the soviet government is a combination of the detestable and the admirable. In some respects, Kiangsi seems to have resembled Plato's Republic; in others, a shambles. On the government's debit side is to be placed an extraordinary disregard for human life, a striking example of which was the execution, at one weekend, of 4,500 persons, not out-and-out opponents but members of the Communist party who had been guilty of a "deviation". The soviet state was based on class war; when a district was occupied the support of tenants and debtors was bought by the sacrifice of the gentry; the blood of the landlords was the need of the soviet state. It is, however, only fair to recognise that atrocities were more often inspired by private vengeance, the result of years of oppression, than sanctioned by the authorities.

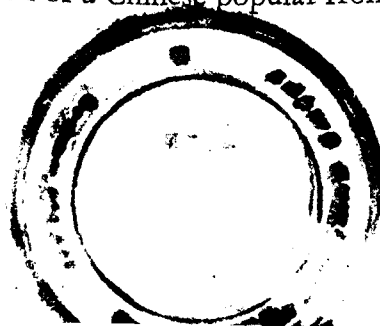
On the credit side is to be reckoned a land policy that although brutal in its execution was not unsound in its general aim, and an education policy that might be imitated with advantage by the Nanking Government. In the present circumstances of China no lasting peace is possible without a drastic curtailment of the rights of land-owners: the dividend from agriculture is too small to sustain both

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the cultivating farmers and the rural gentry. The communist land programme was the violent one of eliminating the land-owners by expropriation and banishment; though the method may be deplored, the result—the creation of a nation of small-holders, of yeomen farmers—is what the Nanking Government must, if it is to survive, find some way, though a more equitable way, of achieving.

The merits of the education policy need no qualifying. Education is the first condition for the reconstruction of rural China. Health services, a co-operative movement, agricultural aid, can realise only a part of their usefulness as long as the peasantry is illiterate. The communists showed remarkable ingenuity in popularising their schools and in reducing their cost. A feature of their system was to train the children first, and to use them, organised in bands of "pioneers" on the Russian model, to educate the rest of the community. So successful were the methods employed that, whereas before the communist occupation 70 or 80 per cent. of the peasantry had been illiterate, it was found, after the reconquest, that in many areas a similar proportion could now read and write.

To what extent the Kiangsi programme was influenced by the U.S.S.R. or the Comintern is quite uncertain. It seems well established that there were, at least for a time, three or four Russian advisers in the province, and that the soviet was in touch by wireless with Vladivostok. But aid in money or materials, if it was given at all, was certainly very limited. The general impression is that Moscow, for the past three or four years, has been friendly disposed towards Chiang Kai-shek; and it is believed that, if any advice has recently been given to the Chinese Red Army, it has been directed towards the creation of a Chinese popular front.



II. THE MARCH TO THE NORTH-WEST

IN 1934 Kiangsi was finally reoccupied by the troops of the Nanking Government. The communist army—the Chinese Red Army—had shown great skill in defence. It was recruited from farmers and from soldiers mutinying against Nanking, and its discipline, both in war and in its relations with the civilian population, was very strict. It does not seem to have numbered more than 120,000 men, its size being limited not by lack of recruits but by lack of rifles. It possessed no artillery, and except for a very brief time no aircraft; and though in the early days of the Soviet it was able to import ammunition from the coast it depended, when the blockade had been tightened, upon supplies handed over by deserters from the Nanking troops, or obtained by purchase from corrupt officers on the Government side. Nevertheless, by guerilla tactics, by extreme mobility, by surprise attacks (in which radio was used to co-ordinate the movements of its units), and by first-class intelligence and espionage, it offered a surprisingly formidable resistance to the immensely more powerful armies of the Nanking Government. Its achievement is a proof that, on a certain kind of terrain, troops armed with machine-guns and skilfully handled are a match for even the best equipped modern armies—a significant fact in case of war between China and Japan. The Nanking troops, for example, found that in mountain country they could make little use of aircraft; their eventual success was won by road-building and by a system of block-houses which the communists, being without artillery, could not destroy, and which prevented the lightning raids on which the communist strategy was based.

The length of the campaign caused some speculation whether Nanking was using all its efforts to end the war as quickly as possible. The reconciling of the *bourgeois* element in the Nanking Government to a large standing army, the direction of the greater part of the public

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expenditure to military purposes, and the increase in the rôle of the army in politics—these are not the least important effects of the communist wars.

Upon being driven out of Kiangsi, the Red Army, about 100,000 strong, divided into sections, and by marches that were a considerable military achievement moved towards the north-western provinces. It was noticeable that, in the course of its manœuvring, it entered two provinces, Szechuan and Shansi, in which the Nanking Government had for long wished to increase its influence; and that the local generals, faced with the choice of extermination by the communists or aid (on conditions) from Nanking, chose the latter.

In the second half of 1936 the different sections of the Red Army, of whose combined strength there are the most varying estimates, reunited in the provinces of Shensi and Kansu. A first contingent had arrived in Shensi a year previously; and, settling in the north, where agrarian exploitation was especially acute and where soviets had already been organised by students from Peiping, began to erect a new soviet state. There was, however, one great change. In Kiangsi interest had been centred on the class war; in the north-west it was centred upon war with Japan. In Kiangsi, the communists had appealed for support to the proletariat and the tenant farmer; in the north-west, appealing for a national front against Japan, they promised respect for the life and property of all but the most substantial and most hated of the gentry. Either because they believed that there would be no chance for a communist revolution in a China dominated by Japan, or because they were more nationalist than they were communist, or because they saw in the revival of national feeling in China the best instrument for embarrassing the Nanking Government, they came out in new colours as Chinese National Champions. In a series of manifestoes, of which the most striking was issued on May 5 of last year, they asked for an armistice from the

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Nanking Government; suggested a conference in order to decide on joint measures against Japan; and offered in the event of war with Japan to serve under the orders of General Chiang Kai-shek.

The changed policy of the communists—as was perhaps intended—increased the political difficulties of General Chiang. Hitherto he has based his government on the support of four groups: the officer corps of the Nanking armies, the leaders of the Kuomintang (through whom he controlled the party organs), the Shanghai bankers, and the rural gentry, whose influence, though threatened, was still very strong. His programme was to increase the power of the Nanking Government; to modernise its machinery of administration; to fit China with the apparatus of modern civilisation—roads, railways, air services, industries. The rural crisis he proposed to meet by combining a progressive land tax, which would induce land-owners to reduce their estates, with the development of the co-operative credit movement, which would provide farmers with cheap funds to purchase the land thus thrown on the market. His foreign policy was to oppose Japanese aggression—but not to the point of war until he had so built up the army as to have some hope of success.

In December occurred the kidnapping incident at Sianfu. The communists had probably no direct hand in this; but Chang Hsueh-liang had certainly in mind the possibility of a united front with them; and communist influence and prestige have increased. The significance of the incident has not been sufficiently stressed in the European press; in China it is expected to lead to a reconstruction of the Government, with far-reaching effects on internal and international politics. The causes of the kidnapping of Chiang Kai-shek and some of the possible consequences are described in the following section by a correspondent in China.

THE SIANFU INCIDENT

III. THE SIANFU INCIDENT *

IT is to-day the fashion to ascribe every political crisis in China to the influence of Japan or Russia. But the plain fact is that the drama that was staged in the remote and wintry province of Shensi was simply a Chinese family affair. The Japanese watched eagerly, but slightly bewildered, from the stalls, the Russians had dress circle seats in company with the rest of us. European commentators thought it incredible that Chiang Kai-shek should have blundered into his predicament at Sianfu. But the simplest explanation appears to be the correct one. Chiang Kai-shek is by no means infallible; and he overplayed his hand at Sianfu.

The situation that arose there had been blowing up for more than a year. Chang Hsueh-liang's troops left their homes and families in Manchukuo. They have no cause to respect Nanking, and their commanders owe no loyalty to Chiang Kai-shek. Chiang Kai-shek sought to employ their superfluous energies in fighting the Chinese Red Army in Shensi. They showed no great enthusiasm for this task. Their ultimate concern was to get back to Manchuria; their immediate objective was to make themselves comfortable where they were. They were short of funds; Chang Hsueh-liang could not supply them himself; for the past year or more there has been an insistent demand for an increased subvention from Nanking—a demand which Chiang Kai-shek was unwilling or unable to satisfy.

Some of Chang Hsueh-liang's officers lent a sympathetic ear to the propaganda of the National Salvation Association—an underground society supported by disgruntled elements among the intelligentsia and certain political factions which are left in the cold by the self-appointed oligarchy in Nanking. There is no doubt that Chang Hsueh-liang himself became involved in the movement.

* This section has been contributed by a correspondent in China.
—Editor.

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Its platform—active resistance to Japan and a broader basis for the Nanking Government—has a wide appeal. All political factions in opposition to Nanking advocate resistance to Japan.

The Manchurian troops—short of supplies and exiled from their homes—felt that they were in much the same situation as their fellow Chinese in the Red Army whom they were ordered to exterminate. Both were armies at large, loosely associated with identical elements in other parts of China. The principal motives of some of Chang Hsueh-liang's commanders may have been mercenary. Yang Hu-cheng—commanding the original Shensi garrison—probably hoped to use the occasion to strengthen his own position. But Chang Hsueh-liang himself was convinced of the futility of fighting the communists and genuinely dissatisfied with the policy of temporising with Japan. As long ago as last October he warned Chiang Kai-shek that the Shensi situation was almost beyond his control. Although the nominal leader of the revolt, he seems to have been carried into it, half-protesting, half-willing, by his own officers and by Yang Hu-cheng.

Chiang Kai-shek precipitated the crisis by his dictatorial methods, and by his tactless way of dealing with a patriotic student demonstration in Sianfu. His dramatic release on Christmas Day was due to a combination of three factors—his lucky star, resolute action taken in Nanking, and the personal character of Chang Hsueh-liang. Part of his good fortune lay in the fact that the Shensi revolt was unsuccessful. Help was expected and eagerly sought from provinces in other parts of China. But no support was forthcoming: even the recalcitrant generals in Kwangsi stood fast. They learnt their lesson last summer when the North-West failed to respond to the overtures made on that occasion by the South.* The ill-assorted group of politicians and militarists who found themselves at the helm in Nanking decided to march Chiang Kai-shek's trained divisions upon

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Shensi. This concentration of central Government troops had a sobering effect in Sianfu.

Nanking persistently stated that no political bargain was struck at Sianfu. Chang Hsueh-liang demanded a less compromising attitude to Japan and the summoning of a general conference at Nanking to discuss national policy, in which all political elements, including the communists, would take part. There is little doubt that Chang Hsueh-liang came down to Nanking with the feeling that Chiang Kai-shek had experienced a change of heart. But the cleavages that have now come to the surface in the Kuomintang and among Ministers in Nanking have shaken Chiang's position—at least for the time being. His personal inclinations remain a mystery; but he probably emerges from his Sianfu experience a wiser and more tolerant autocrat. This may eventually bear fruit.

The alliance between the Chinese Red Army, the National Salvation Association and Chang Hsueh-liang—focussed at Sianfu—may perhaps be described as the nucleus of a Left bloc in opposition to the militarists and monied elements in control of the Nanking Government. Apart from domestic considerations, an avowed compromise between Nanking and the communists is ruled out of court on account of its possible repercussions on Japanese policy. To Japan a communist is always a communist and as such beyond the pale. But it is conceivable that Chiang Kai-shek, in order to strengthen his own position, may be compelled to adopt a sterner policy towards Japan. How far dare he go in meeting the forces arrayed against him, both inside and outside the Kuomintang, without inviting another onslaught from the Japanese military machine?

* See THE ROUND TABLE, No. 104, September 1936, pp. 688 *et seq.*

THE BIRTH RATE AND THE EMPIRE

IT would be interesting to consider what part has been played in the development of modern economic and social ideas by man's boundless and unquestioning confidence in the indefinite expansion of his numbers. This confidence must have been a strong stimulus to those ideas of inevitable progress which still linger in liberal minds in western Europe; it undoubtedly still plays a part in the calculations of business men and philosophers. And political parties, when they expand their programmes of social services for the population, seldom stop to think how far these services may be superfluous fifty years hence; nor do they consider, for the most part, how the cost of these services is to be distributed in the future. Yet, if present population trends persist, nothing can be more certain than that some of our schools, teachers, trains, reservoirs—perhaps many of our houses—will be superfluous; that a smaller proportion of the population will be supporting the expenses of the “paternal state”, whose burdens will grow year by year as a greater proportion becomes incapable, by virtue of age, of self-support and contribution to national income.

There is obviously a simple argument, based on pride of race and considerations of man-power, for feeling alarm at the figures. There is also an obvious but fallacious argument for the view that the British Isles and the world in general are over-populated; that many of the world's troubles—for instance, the ambitious foreign policies of Italy and Japan—are caused by the pressure of population on space. What has not yet been generally considered is

the probable result of a rapid decline in population upon an economic system of the type that we have in the British Empire. The political dangers of leaving the Dominions so under-populated that they offer a tempting contrast to the crowded nations of Europe and the East are obvious. But the economic dangers of a general decline have still to be examined. The present article does not undertake this highly specialised and difficult task, but suggests some lines of investigation that should be followed up by experts.

I. THE PROBLEM IN GREAT BRITAIN

LET us first survey the alarming situation in Great Britain itself. There is yet no evidence to suggest that the British population will in the future maintain its numbers. The small family has become the rule in those strata of the population that set social fashions. All the circumstances of the higher economic classes encourage the deliberate limitation of families: their housing, their educational standards, their social standards, the domestic servant problem, the changed status and outlook of women, the higher standards of amusement and leisure activities, which take the parents out of the home.

At the most fertile period of population expansion in the last century, between 1851 and 1860, the rate of natural increase of births over deaths in Great Britain was 15.1 per thousand. That rate is now between 3 and 4 per thousand. To appreciate the importance of this decline for the future, it must be emphasised that the key to population changes must be sought in the statistics dealing with women between the ages of 15 and 45. If a population is to maintain itself it must clearly maintain its proportion of women capable of child-bearing. It is not enough, moreover, that every 1,000 women should produce 1,000 girl babies within the fertile thirty years; for some of the new generation will die before they reach maturity. Yet there has been a disastrous fall in the “specific fertility rate”. In 1871, on the average,

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1,000 women produced 292 children per annum; two years ago, 1,000 women were producing 110 children. There is no sign of improvement as yet. The critical factor is what is known as the net reproduction rate,* which represents the ratio of each succeeding generation of women of child-bearing age to its predecessor. Our net reproduction rate is below unity. In fact, only three European countries show a rate above unity: Bulgaria, Italy and Russia. In England and Wales the rate was 0.734 in 1933. To realise the full significance of this figure it must be understood that the situation created by it gets rapidly worse with time. By the end of the century, if present trends continue, not merely will the British population be only half its present size, but 64 per cent. of the women will be over child-bearing age. To those who deny the urgency of the problem it must be pointed out that the present tendency to stagnation of numbers is the result of factors that were active as long as thirty to fifty years ago. In short, at our present birth-rate we shall lose a quarter of our population per generation, once the decline begins. And that will be very soon.

Dr. Leybourne, with a not unreasonable set of assumptions,† foresees a decline of 12 millions in the next forty years. Another more pessimistic estimate puts the population at under 20 millions a hundred years hence. From the political and financial point of view, the age-distribution aspect is even more disturbing. The Italian press was reported recently as pointing at the "senescence" of this country. What are the grounds for this? If Dr. Leybourne's assumptions hold good, the number of people under 45 will fall from just over 31 millions to about 16 millions in 1976, while the number over 45 will rise from about 13½ millions to over 16½ millions. The present

* A statistical device worked out by Mr. Kuczynski of the London School of Economics, combining birth statistics with average mortality rates among women.

† See THE ROUND TABLE, No. 97, December 1934, p. 78.

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ratio of about three to one between the younger and the older group will change to a ratio of equality.

No doubt the rapid and remarkable victory of science, hygiene and food production over the death-rate during the last century made some adjustment of the birth-rate necessary. There is no reason to wish the populations of Europe to expand indefinitely at the rates of the last century; although in Russia it seems inevitable that such an expansion will take place. But we have now reached a stage where the small family system is becoming universal. To reverse the trend will involve far-reaching changes in social habits, in outlook, in family and educational standards. To take only one example—at present rates of reproduction, the "public school" class in England is heading for extinction. It is limiting its numbers in order to ensure a high standard of education and social advantage to its children. As its educational demands increase, the amenities of the public schools have to increase, with consequent increased fees. The high fees in their turn discourage the birth-rate of the public-schools' customers. To break this vicious circle, propaganda, argument, leadership, and probably financial inducement are necessary. In Germany and Italy it was quickly realised that the problem was not only economic but also psychological. It was seen that, as living standards rise, families decrease, a tendency which is obviously eugenically bad.

The view is frequently expressed that a falling population may be welcome as a solution of the unemployment problem. But there are two clear answers to this. First, thinly populated countries like the Dominions have had just as serious unemployment problems during the depression as densely populated countries like Great Britain. Secondly, as the number of producers falls, so does the number of consumers. There seems fairly general agreement among economists that a rapid decline of population in a complicated economic system can bring nothing but trouble and maladjustment.

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Apart from the economic arguments, there are grave political, social and even moral arguments against allowing a decline to go unchecked. Pride of race has been so exploited and cheapened by political propaganda in post-war Europe that the modern English politician or publicist can speak of it only with trepidation. But the following questions are not merely rhetorical. Can we look forward without alarm to the dwindling of a race that has shown, if nothing else, a genius for self-government, that has preserved free institutions and gained a new conception of imperialism? Can we look forward hopefully to a time when there will be a sudden shrinkage of demand from one of the biggest import markets of the world? Can we look forward hopefully to a sudden decline in the youth, the man-power and the taxable capacity of Great Britain? Can we look forward without misgiving to a time when of all the world's races only the peoples of Asia and perhaps of eastern Europe will be expanding in numbers, while the nations with the highest economic standards inevitably decline? This last question is not, for the British Empire, one only of its relations with foreign countries. The population increase of India, while creating a stupendous problem for India itself*; intensifies the problem for the less densely populated countries of the Commonwealth.

A writer in the *Hibbert Journal* has pointed out that, unless nations can learn to control population trends, the social utopias on which European liberals, socialists and communists have set their hearts must remain beyond their grasp. Over-population and sudden declines in population alike endanger standards of living in a community. It is indeed strange that the necessity for a state population policy has been so long ignored in face of the demand for more and more control and stricter and stricter planning of economic life. It is as if a hotel keeper planned his furniture, his menus, his prices, his amusements, without making sure how many guests he would be likely to

* See below, p. 386.

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have, or whether they would be mostly Old Fogeyes or Bright Young Things.

II. THE PROBLEM IN THE DOMINIONS

THE problem of population has a direct as well as an indirect importance for the British Commonwealth overseas. For the Dominions, the question is not merely one of saving stagnant populations from decline, but rather one of ensuring that adequate use shall be made of the space and resources of under-populated areas, which may be a future cause of envy among nations that consider themselves over-populated. The Astor Committee on Empire Migration made some useful comparisons between the density of population in the United States and the density in the Dominions. Canada is calculated to have 1,350,000 square miles fit for white settlement. If this area were populated at the present density of the United States, Canada's population would be 50 millions instead of under 11 millions. It must be remembered that of all the Dominions Canada has the best population record, her net reproduction rate being over unity. On a similar calculation, Australia could hold 46 million people instead of 6·7 millions, and New Zealand could take nine times her present population of a million and a half.

What prospects are there that these nations will make fuller use of their resources of space? Their populations may grow by natural increase of births over deaths and by the influx of immigrants. Until five years ago the population of the Dominions was increasing at the rate of roughly 20 per 1,000 per annum. What relative parts were played by migration and natural increase? In Canada, during the peak migration period (1901-11) there was an annual net gain of population of 3·41 per cent., of which 1·59 per cent. was due to natural increase and 1·82 per cent. to net immigration. Twenty years later, the annual increase was only 1·81 per cent., of which 1·51 per cent. was due to natural increase and only 0·30 per cent. to immigration.

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In Australia and New Zealand the decline in the rate of increase was even more serious. In 1931-2 the increase in the Australian population was only 0.77 per cent., in the New Zealand population only 0.71 per cent., and there were more emigrants than immigrants.*

In all three of the great immigrant countries of the Commonwealth there has been a sharp fall in birth-rates. Between the 1921-25 quinquennium and 1934 the rate per thousand of population fell from 27.1 to 20.4 in Canada, from 23.9 to 16.4 in Australia, and from 22.2 to 16.5 in New Zealand. As one would expect from these figures, there has been a startling drop in the rate of natural increase, which is now around 11 per thousand in Canada, 7 per thousand in Australia, and 8 per thousand in New Zealand. Fifteen years ago the rates were 16, 14.4 and 13.6 respectively. It may be remarked in passing that those who maintain that fear of war is a prime cause of declining birth-rates must account for this resemblance between Dominion and European trends.

Clearly any rapid increase of the populations of these countries to a density comparable with that of the United States is out of the question under present economic and political conditions. But let us assume as possible the rate of increase that prevailed up to 1930. That rate was about 2 per cent. per annum. To maintain this rate now and in the future would demand the arrival of about 200,000 emigrants annually in the Dominions—a rate of migration above that of the peak years at the beginning of the century. The average annual immigration into Australia between 1905 and 1930 was 23,000; if the increase of population suggested above were to be maintained, an annual immigration of 87,000 would be required.

The British population problem, as stated in the opening pages, is bad enough. But if immigration into the

* A later article in this issue of *THE ROUND TABLE* records the anxiety felt in New Zealand over the trends of population and migration.

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Dominions is to be mainly or entirely confined in the future to British stock the imperial population problem becomes bewildering. At a time when Great Britain's own population is turning away from its peak, the interests of the Dominions require of her an outflow of 200,000 people a year. Unless steps are taken to deal with the British birth-rate, such an outflow would be eugenically and economically disastrous. Not only would it mean transferring the centre of British civilisation to another hemisphere; in a few generations it would transform Great Britain into a nation of pensioners.

The industrial and commercial outlook, if present population trends continue, is scarcely less disturbing. A rapid fall in the population of Great Britain would surely deal a final blow at the principle on which the prosperity of the Empire was built up in the last century, the principle of an international division of labour, of the exchange of British manufactures for oversea raw materials and foodstuffs. It might be possible for a declining population to maintain a rate of production out of all proportion to its man-power, thanks to improvements in machine technique. But its demands for foodstuffs and the simpler necessities of life would inevitably so shrink that the mechanism of exchange would be seriously upset, unless the oversea countries could develop new lines of export. Moreover, it seems probable that in a shrinking community the character of demand would change; services, highly manufactured goods, luxury goods would be proportionately more in demand than ordinary necessities. These objects of demand, even if not essentially produced when they are consumed, have as a rule little bulk in relation to value, and therefore require a smaller volume of shipping—another great imperial industry. The change in the proportions of young and old people would tend to increase the burden of taxation on the productive section of the community. When the tendency to decline had dangerously accelerated, it seems unlikely that the community

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would be strong enough economically to undertake the task of replenishing its numbers. An attempt to increase the population would demand extraordinary efforts from every member of the community, involving probably serious curtailment of individual liberty and standards of living.

Optimists who are content to leave this task to future generations should realise its full immensity. At present rates, 1,000 mothers born thirty years ago may produce 750 girl babies. After another generation, these girl babies will probably produce only 570 daughters, even if birth-rates do not decline. If a revival of the birth-rate is attempted thirty years hence, can those mothers seriously be expected to produce children at twice the rate necessary to ensure their own replacement? That is what would be then required. As Professor Carr-Saunders has urged, the problem is one to be dealt with in the next twenty years.

III. POPULATION AND POWER

IT must be repeated that the various aspects of the problem call for expert investigation. For instance, what will be the military position thirty years hence? Clearly there may be a scarcity of young man-power in an emergency. Will the Dominions be ready to take a larger share in the burden of imperial defence? Will the United Kingdom still be able to bear the cost of maintaining the strength of an imperial Power? The empire of the Netherlands reveals the situation that arises when a colonial Power has defensive responsibilities beyond the capacity of a small population. It is no exaggeration to say that Dutch sovereignty in the East Indies is at the pleasure of the three naval Powers of the Pacific.

Another disturbing aspect of the power problem is revealed by the population figures of the so-called "expansionist" or "have-not" nations. The population of Italy in 1961 will probably have reached the figure of 47 millions; that of Germany will probably reach a maximum

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of about 70 millions in the next thirty years before it begins to decline; that of Japan, according to a Japanese estimate, will be about 70 millions in 1950 and will not begin to decline until it reaches a figure between 80 and 90 millions.

The picture that emerges may well make us anxious. On the one hand the great imperial and colonial countries, France, Great Britain, Holland and Belgium, will certainly face a decline in numbers during the next thirty years, unless policies and habits are changed. On the other hand, three great Powers, discontented with the post-war settlement, without special access to space for settlement (apart from the territories they have already seized by force), ambitious, ruled by authoritarian régimes, prepared to sacrifice prosperity to military efficiency, can look forward to an increase in their numbers in the next thirty years, an increase which two of them are doing all in their power to maintain. Can it be only coincidence that the nations that have accepted authoritarian government, militarism and extreme nationalist doctrine are also those which are increasing their numbers and working out a national population policy? German Nazis maintain that there is a close relation between the mood of a people and its willingness to produce children as a pledge of confidence in the future. Political enthusiasm, mystic nationalism and deep devotion to the racial creed are helping to obscure economic realities. The young people of these nations are encouraged to look forward to a future of expansion, creation, and opportunity. By contrast, so far as we can tell, the young people of western Europe think more of consolidating their gains, of internal reforms, of social happiness and intellectual advance. In fact, one group seems to be planning for the race; the other seems to be planning for the individual. Here we are concerned, not with the question which of these philosophies is right, but only with their consequences in the demographic and social field.

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Until some kind of large-scale investigation has been carried out it would be rash to try to dogmatise about the causes of population decline. But two things seem clear. First, there is no necessary connection between rising standards of living and rising or recovering birth-rates. Economic fluctuations cause minor variations in the birth-rate—largely by delaying or accelerating marriages—but do not change its trend. As the English family rises in the economic scale it tends to restrict its numbers. Secondly, it seems likely that the tendency to place the interests of the individual before those of the community plays an important part in British population trends. The growing knowledge of birth-control methods, the changing character of house accommodation, rural depopulation and high standards of living and education—all these have been put forward as contributory factors. But they do not entirely explain why people want fewer children.

There seems no reason why the population problem should not be dealt with by democratic methods. Financial inducements alone cannot remedy the situation. The public has first of all to be shown that the problem exists; the experts must study its scope and causes; politicians should consider what has been attempted in other nations. The problem in Great Britain is clearly one for its people and their representatives; but the imperial problem needs the attention of some authority capable of viewing it as a whole. Is it too much to ask that the coming Imperial Conference should give its attention to this vital matter? In the Dominions, as in England, the ordinary citizen is probably ignorant of the situation. The least that can be done is to ensure that it should have proper publicity.

RUSSIA'S DEFENSIVE STRENGTH

By a Correspondent

I. TWO FRONTS

MARSHAL TOUHACHEVSKY is one of the outstanding military minds in Russia. His address on January 15, 1936, at a session of the Seventh Congress of Soviets, aroused world-wide attention. After surveying German and Japanese military preparedness, he said: "We are facing a situation in which as a matter of absolute necessity we must be prepared for a simultaneous and utterly independent war of defence on two fronts (east and west), which are ten thousand kilometres apart".

In spite, then, of pacts with France and Czecho-Slovakia, and in spite of Litvinoff's efforts to round up other allies for Russia, the Soviet general staff is preparing for the worst possible emergency, a war simultaneously against Germany and Japan. The world remembers the defeat of the Russian armies in the Far East in 1904, and their even more violent defeat by Germany during the world war. Those episodes seemed to prove that Russia could not win a war against an enemy with a more modernised industrial machine than her own, except when he moved too far inland and had to scatter his forces. In past centuries, it was Russia's good fortune that she was surrounded by nations more backward than herself. The conquest of Siberia, Central Asia and the Caucasus would never have been possible had these lands been inhabited by an organised, nation-conscious people. Now, with only one more year to finish the second Five-Year Plan, Russia is openly proclaiming that she finds herself obliged to prepare for a

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war against two of the most thoroughly militarised nations in the world, both supported by highly developed industrial machines, and both of whom, in previous encounters, have inflicted on her decisive defeats.

Russia's position may become further complicated, because, while Japan through her control of Manchukuo has immediate contact with Russian territory, Germany can only reach her by "borrowing a border", as Stalin has put it recently. Such a contingency, apparently, Voroshilov, the Soviet Commissar of War, had in mind when, in a speech at Kiev on September 16, 1936, he said: "I have announced more than once, and in your presence I want to repeat . . . that if the enemy attacks Soviet Ukraine or White Russia or some other part of the Union it is our intention, and our firm will, not only to keep him from our fatherland, but to engage him on the territory from which he came". The implication of these words is clear. If any of Russia's immediate neighbours allow themselves to be used as "borders", the Red Army will move to occupy them, in which case the enemy may have one or more allies, even if small ones, in his campaign against Russia.

Yet no one who has watched Russia at close range during the past ten years will venture to predict that the German and Japanese armies, with or without allies, would be able to defeat her in the sense of overthrowing the communist régime. The Revolution has transformed Russia, giving her sources of courage and power that she never possessed in all her history.

II. THE COLLECTIVISATION OF LAND

THE collectivisation of the land comes first, not only because farming is the source of food and certain raw materials, but also because in Russia it involves a population of 100 million people, who furnish more than half the soldiers in the Red Army.

THE COLLECTIVISATION OF LAND

It is difficult to say what might have happened in the Ukraine and the Kuban if Russia had been attacked by an outside army in 1932. At that time the peasants were in a bitter mood. Collectivisation was so overwhelmingly different from anything they had ever known or thought of that they fiercely resisted its advance. The present writer visited the village of Reshitilovka in the Ukraine in the autumn of 1932. A large village, of about 700 families, with neat, whitewashed cottages and stately trees, it was steeped in hopelessness. Everywhere peasants were bursting with eagerness to unload themselves of their woes. They rushed out from every yard, and pleaded to be allowed to tell their story. The Government had taken so much grain from them the year before that when winter came they were without bread, and had to go off to other parts of the country and exchange boots and sheepskin coats for rye and maize flour. Now the Government was again taking from them an inordinate share of their crop, and what would they do when the cold months came and there was no grain in their bins? Their cows and pigs, those that had survived the famine and the slaughter of the previous year, would die, and they, too, would die. Save for some of the revolutionary young people in the village, there was not one who saw hope ahead.*

The change in four years is almost unbelievable. Writers who are tempted to make comparisons between the French and the Russian Revolutions must remember that the one occurred at the beginning of the machine age, the other at its height. Again and again the machine has come to the rescue of the Russian Revolution, and has quickly healed up wounds that an unexpected catastrophe had inflicted on the country. Certainly the village of Reshitilovka, this last summer, was a living example of such a recuperation.

* During the earlier period of collectivisation, more than half the livestock of the country was lost, the number of horses, cattle, pigs, sheep and goats falling from 276 million head in 1928 to 127 million head in 1934. A great deal of the loss has still to be recovered, and the position is regarded by experts as still precarious.—*Editor*.

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Hardly a peasant family but had a cow, and some boasted more than one cow and one pig. The three collective farms into which the village was divided had imported beehives in the spring, some of which they had distributed among members for their individual use. In 1932, people wandered about the market place sadly and sullenly in vain quest of eggs and butter. The sale of meat was completely forbidden. Now the tables groaned under the weight of cheese, butter, eggs, meat and other foodstuffs. On the fringe of the bazaar, peasants were selling for meat live cows, sheep, calves, pigs and fowls. The shops which four years ago boasted mainly cosmetics and cobwebs, which had not an ounce of sugar or cereals or herring, were now crammed with sugar, white flour, cereals, herring, vegetable oils, sweets, cigarettes and tinned fish and meat. The number of shops had multiplied at least three times. Everywhere in the Ukraine this summer it was the same story of abundant crops, fewer and fewer families without their own cow, pig, chickens. Everywhere collective farms were setting out huge orchards, developing large apiaries, digging ponds in which to catch the spring waters and use them for pleasure, for the cultivation of fish and for irrigation.

The Kuban, the land of the doughty Kuban Cossacks, was even more of a revelation. There, four years ago, people were in open rebellion. Women and children, and sometimes men disguised as women so as to avoid possible physical retaliation, marched up and down the streets heaping oaths and curses on Soviet officials. In the settlement of Mayevskaya the condition was so critical that Molotov, the Prime Minister, came down for a conference with the population. Sullen and revengeful, the Cossacks at first refused to talk to him, and some wanted to beat him up. Yet now Mayevskaya, re-christened Krasny Tamanetz, is one of the most prosperous collective farms in the Kuban. Its people received, in 1936, for each labour-day $4\frac{1}{2}$ kilogrammes of grain and 6 roubles in cash,

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in addition to other forms of produce. The collective farm has its own electric plant, which furnishes light for every home and every barn, and seventy new houses were being built for members. In another Cossack settlement, Slavenskaya, with a population of 24,000, there was only one militiaman, and he a Jew from another part of the country. The mere presence of a Jew as guardian of the peace in a village in the Kuban, where Jews in the old days were not allowed to live, speaks much for the changed condition and the changed temper of the population.

Because of the altered attitude of the Cossacks, they now again have their own divisions in the Russian army, and are once more admitted to all military academies. Moreover, they are again allowed to wear their ornate uniforms and to carry their old weapons—the sword and the dagger. The Soviets, who fought the Cossacks more desperately than any other group of the population, would be unlikely to grant them these privileges if there were any danger of disaffection.

Collectivisation of the land is the only apparent reason for the amazing change in the condition of the Russian countryside and in the attitude of the people, Cossacks and peasants. Dire as has been its cost in human life and in sorrow, few peasants, even among those who loathe the new discipline, still doubt its superiority over the old way of farming. Of course, there are regions where, because of bad weather or poor organisation or incompetent leadership, the collective farms are in difficulties. The drought of 1936 in the Volga districts and in the southern provinces, which had had no drought for nearly a century, brought much hardship to the population. The Government had to rush grain to certain Volga territories to save them from starvation. Besides, with nearly a quarter of a million collective farms, it is only natural that a certain number of them should still be in a disorganised state. But, in the country at large, collectivisation has become

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is rapidly becoming. At present, the slogan in Russia is: "60,000 tons of steel a day and 50,000 tons of rolled metal". If this ambition becomes a reality, Russia will be the second only to the United States as a manufacturer of steel.

Commodity.	Production 1935.	Imports 1935.	Imports 1936 (9 months).
(Million metric tons.)			
Coal	108.5		
Petroleum	26.8		
Pig iron	12.5		
Steel	12.51	0.38	
Rollled steel	9.41		
(Thousand metric tons.)			
Ferro-alloys.		6.36	
Copper	66.0	30.0	34.0
Zinc	46.0	1.5	0.08
Lead	45.0	31.0	24.6
Aluminium	25.0	0.5	0.01
Tin	0.0	7.5	7.0
Nickel	0.9	5.6	5.9
Antimony	0.0	2.9	1.7
Rubber		38.0	23.5
Cotton		44.0	12.7
Wool		31.0	16.4
Cellulose		4.9	2.7
Hides		20.0	16.0
Jute and sisal		53.0	21.0

Russia's chief difficulty now is the quality of much of her manufactured output. Hardly a day passes but the Soviet press screams with indignation at this or that trust or factory for turning out an inferior product. Certain kinds of steel Russia has not yet learned to make, though her managers and workers are learning rapidly. Her first tractors, for example, broke easily, but now, while still inferior to American tractors, they hold up well under the strain to which they are subjected. At present the whole emphasis is on mastery of industrial technique with a view to lifting the quality of manufacturing all along the line. Yet

ECONOMIC STRENGTH AND WEAKNESS

Russia has much to learn before she attains the high quality of German manufacturing. The percentage of *brak*, or spoiled output, is still inordinately high. Another decided advantage that Germany has over her—and so has Japan, though to nothing like the same degree—is in the manufacture of chemicals. Feverish Soviet efforts to expand the chemical industry have removed the prospect of complete helplessness in time of war, but have not prepared Russia for competition with Germany either in war or in peace.

Two other weaknesses need to be emphasised: faulty organisation and bad transport—both major limiting factors in any war of national effort. Whether one has to mail a registered letter or send a telegram, or buy any of the manufactured goods that are scarce—like shoes and textiles—the queues and the endless time people waste in them testify to a crucial inability to organise service on a basis of efficiency such as prevails universally in Germany. Russian officials seem to be brutally indifferent to the inconveniences to which they subject the population, usually quite needlessly. There is nothing that Russia needs more desperately than competent salesmen and clerks in her shops and offices, and good foremen in her factories. Russian leaders are well aware of these shortcomings, and are continually waging campaigns to overcome them, but rarely with much success.

Transport is the weakest link in Russia's economic chain. The frequency of accidents, the slowness of trains, the inability of engineers to run them on time, became so chronic that the Bolsheviks had to put Lazar Kaganovitch, perhaps their most brilliant organiser, in charge of the railroads. The improvements Kaganovitch has achieved have won him high praise, even from foreign observers. Yet even now by comparison with other countries accidents are still too frequent; trains are still too slow, and too many still run behind schedule, sometimes hours behind. Such a miracle of transportation as Germany achieved during the Nuremberg Congresses of

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1935 and 1936, gathering in one day and in one place nearly a million people from all over the country, is still a far-away dream in Russia. It is open to grave doubt whether the Russian railways would be able to stand up for any length of time under the strain of war.

In finance Russia has great advantages over Germany and Japan. Her actual foreign debt, exclusive of the pre-revolution obligations, which she has repudiated, is only about £15 million. Her balance of trade in 1933-35 has given her a surplus of over £90 million. Her gold industry is booming. In 1933, the output fetched £20 million; and while since then no official figures have been given it is reliably estimated that in 1936 the output reached the sum of £60 million, or perhaps £80 million. Nor has Russia to worry about the maintenance of foreign markets, as have both Germany and Japan, especially Japan; for she is very little dependent on them for raw materials, and not at all for the disposal of her industrial output.

Russia has still another advantage over both Germany and Japan—geography, which in war has always been one of her staunchest allies. It destroyed the Tartars and broke the back of Charles XII of Sweden and of Napoleon. In this day of the machine, geography is not as powerful an ally as in former times, but it still is important. If pressed hard, the Russian armies could draw back, east and west, farther and farther, and yet be assured of ammunition with which to carry on the struggle. If the air is to play in the next war the decisive part that some writers prophesy, it will be difficult for the enemy to strike at many of Russia's large centres of population, not only because they are mostly far inland, but also because they are far away from one another. Consider, on the other hand, the proximity to one another of the large cities and industrial centres in Germany and Japan, especially Japan, which by air is only a few hours away from Vladivostok. And Russians make excellent aviators. They seem to have

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a natural talent for flying. The war in Spain has demonstrated the efficiency of both the personnel and the material of the Russian air arm.

IV. THE RED ARMY

IMPORTANT as are industry and agriculture in a war, human beings, soldiers and civilians, are even more important. Here, too, comparison with Old Russia is revealing. Under the Czar, military service was to the masses of the population a bitter burden. Georgians, Armenians, Poles, Jews and members of the other national minorities were especially loth to do military service, and often fled abroad to escape it. The discriminations against the common soldier were everywhere apparent. A soldier could not sit inside a tram if an officer was there, and could not occupy a seat on the floor of a theatre because there, too, an officer might be present. Now the soldier is the real hero of the nation. In the days of the First Plan, when the civilian population was living on rations and had little meat and sugar, the soldiers ate meat daily and were never without sugar. With a population of 170 million people, Russia this year is manufacturing only 80 million pairs of boots, not enough to go round. Ordinarily, Russians wear their shoes as long as a cobbler can contrive to hold them together; but wherever one travels one never sees a soldier in dilapidated boots. The soldiers are the best shod, best fed, and best dressed people in the country, also the most polite. Seldom does one meet a drunken or brawling soldier in the Russian streets or on Russian trains.

During active duty the discipline in the army is most rigid; but when off duty the soldier is a free person. He goes to lectures, the cinema, the library, the theatre. He may sit in the same box with his captain or colonel. Swearing at a soldier, shaking or striking him is sternly forbidden. Theatrical companies from the best theatres

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perform at army camps. Orchestras, operatic stars give concerts. The soldiers' own choirs and dramatic circles are an integral part of their social life. The Moscow Red Army Choir is the best in the country and is, no doubt, one of the greatest choirs in the world. Schools in the army prepare the soldier for a higher position in the civilian world. Numberless are the advantages that he derives from his service.

Nor is the recruit as poorly prepared for service on admission as he was in the old days. Seldom is he illiterate or with no technical experience. According to a Moscow daily newspaper, of this year's recruits in the Leningrad district 1,000 were engineers, 10,500 skilled mechanics, 900 tractor operators, 450 railroad machinists, over 1,000 chauffeurs, 25,000 trained marksmen; and hundreds were fliers, parachute jumpers and pilots of glider planes. Not one was illiterate. In education, in patriotism, in military training there is no comparison between the soldier in the Czar's and in the Soviet armies. One can safely say that in morale the Russian armies of to-day are second to none in the world. But then revolutionary armies have always been noted for their high morale.

The size of the Russian army has recently been raised to 1,300,000. The reserves make up another 10,000,000 men, of whom 6,000,000 are said to be mobilisable for war, though the limiting factors of transport, organisation, and maintenance of industry and agriculture make it doubtful whether much greater numbers than the 1,300,000 of the regular army could be actually kept in the field. The most striking feature of the Russian army is its division into two armies, one in the Far East and one in the West. Each army is independent of the other and has its own system of supplies, reserves, and transportation.

Nor is the civilian population without a part in the campaign of military preparedness. The *Osoviakhim*, or Civilian Defence Society, is engaged in a many-sided effort to train the country for war. There is hardly a

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factory, a collective farm or school without a branch of the *Osoviakhim*. It is the work of this society that makes the outsider so keenly aware of the earnestness with which Russians regard the danger of war with Germany or Japan. In 1935 the *Osoviakhim* trained as air pilots 3,500 youths who learned flying in the hours they could spare from their work or their studies. In 1936 it trained 8,000 pilots. During 1934 and 1935 it trained 990,000 civilians in marksmanship, one million in anti-gas and chemical warfare, one million in map-reading, 1½ million in the care of horses, 2,000 as mechanics of aeroplane engines. The slogan now is: "Our youth must become a generation of winged people", and it is doubtful if there is a country in the world in which youth is so absorbed in aviation as in Russia. In parks, at railroad stations, in collective farms, there are exhibitions of aero-engines with books and drawings describing in detail the various parts and the construction of the whole.

It is the *Osoviakhim* that has also made parachute jumping a national and popular sport. In the first half of 1936 no less than 10,500 civilians jumped from planes in parachutes. The eagerness with which young people all over the country have taken to this sport testifies to their spirit of daring and adventurousness. At present the *Osoviakhim* has 1,000 parachute towers on which to train jumpers, and twice that number of instructors to supervise the training. In the army, parachute jumping is receiving special emphasis. During the military manœuvres in 1935, according to Voroshilov, 1,800 persons made simultaneous jumps out of planes and 5,800 were landed by planes behind the "enemy lines". In 1936 the record was even more impressive. At one place, a hundred miles behind the lines of the opposing army, 1,200 men came down with 150 machine guns and eighteen pieces of light field artillery. Whether or not this new method of attack is more than an impressive stunt is a matter for controversy. At any rate, the Russians are cultivating it with ever-increasing assiduity,

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and of late the Germans and the French have begun to do likewise.

In mechanisation the Red Army has made very rapid advances. In 1929, according to Voroshilov, it averaged 2.6 mechanised horse-power per man; in 1930 the figure rose to 3.07 and in 1933 to 7.74, which was higher than the average in the American, French and British armies.* The diversion of industrial energy to militarisation has seriously interfered with the rise in the standard of living. In the autumn of 1936, prices of manufactured goods, instead of falling, as Molotov in his interview with a French editor had led the population to believe, rose by 20 to 40 per cent. The reason was obvious: fresh outlay of funds for military purposes. The task of fortifying 32,000 kilometres of border and building the necessary strategic railways—a task still seriously in arrears—has absorbed huge funds and vast amounts of steel and other building materials. All along the troublous Manchurian border, and in Europe all the way from Lake Ladoga in the north to the Black Sea in the south, fortifications, according to the semi-official publication *Na Strazhe* (On Guard), are being hastily erected.

The most uncertain element in the Red Army is the military talent of its officers. Few of the pre-war officers have remained, and age alone will soon completely eliminate them from the service. The new officers are almost entirely recruited from the village and the factory. They are loyal and tested revolutionaries, and are not given to the dissipation that was so marked a feature of the social life of the Czar's army. They cannot be bribed. Their political consciousness is as sturdy as their physical condition. And they are indefatigable students. They read not only their own military publications but also those of other lands. Yet how ingenious and able they will be

* In the absence of data as to how they were arrived at, these figures are regarded by expert opinion as of doubtful significance.—*Editor.*

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under fire no one can foretell. The fact that they are without an old solid military tradition may or may not prove a disadvantage in this day of mechanised warfare.

V. COMMUNISM AGAINST FASCISM

ONE other feature needs to be emphasised in any discussion of a war in which Russia may be involved, particularly a war between Russia and Germany—the clash of ideologies. Such a clash must make war between the two countries infinitely fiercer than it might otherwise have been. Germany, it is obvious, would fight Russia not only as a hostile or envied nation but also as the standard-bearer of communism and therefore the foe of mankind. Russia most manifestly would not fight Germany merely as Germany, but also as the standard-bearer of fascism and therefore the slaughterer of civilisation. In speeches and in the press the Russians never speak of Germany as the potential enemy but of fascists or Hitler fascists. Passions would run high, higher perhaps than they have ever run in international war. Both countries would wield the weapon of propaganda to the full.

Yet Brest-Litovsk and the Saar are too recent to convince anyone save the most stubborn communist that revolutionary propaganda can upset the patriotism of Germans. There was no sign of protest from proletarians and socialists when General Hoffman ordered the armies to resume the march on Russia, even though it became evident in the negotiations between Trotsky and Von Kuhlman at Brest-Litovsk that Germany was definitely committed to a policy of annexations. In the Saar, proletarians in overwhelming numbers voted for the return of their territory to the homeland. If the German armies should suffer serious setbacks, or if Germany should find it difficult or impossible to obtain from abroad raw materials or food, or if the Nazi forces, like those of Napoleon, should move too far from their home bases and find themselves cut off from

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supplies and subject to continual harassment by the native population, their morale might weaken and Russian propaganda might stir a response, at least among those groups which, until the triumph of Hitler, were nurtured in a socialist tradition. After all, the Communist party and the Socialists in Germany polled over 12 million votes in the last pre-Hitler election.

The Nazis, on the other hand, could not hope for such results. If in Germany there are millions who have had a basis of experience in socialist doctrine, there is not a single group in the Russian population that has had any basis of experience in Nazi doctrine—small as the gap is between Nazism and communism as at present practised. It might have been different if Russia had had a large and numerous middle class. But Russia never had a middle class comparable to that in Germany, in France, or in England.

Four years ago, when the peasantry were in the throes of privation and despair, they might have countenanced the support of a foreign army, at least temporarily. But now they can be expected to offer the stiffest opposition to invading troops. Most significant were the words of the spokesman of the Don Cossacks at the recent Congress of Soviets :

We got 100,000,000 poods more grain this year than last. Our combine operators hold the all-Union record. We have brought the record holders to the Kremlin to greet you. We have come here with our best tractor drivers. Everyone of them has ploughed this year over 2,000 hectares with a Stalingrad tractor. Next year we'll plough 2,700 hectares with the Stalingrad and 6,000 with the Cheliabinsk tractors. All our land for next spring's sowing, nearly 5,000,000 hectares, has already been ploughed.

A simple speech but loaded with importance. One cannot emphasise too vigorously the stupendous changes that the tractor and the combine and all the other modern agricultural implements have wrought in the Russian village. Except for certain districts on the Volga, where in the summer of 1936 drought necessitated the slaughter of livestock,

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there will hardly be a peasant family in Russia by the end of 1937 without a cow and pig and a flock of fowls. Only those who have studied intimately the history of the Russian peasantry for the last three hundred years can appreciate the importance of the universal possession of a cow and a pig.

It would, of course, be futile to prophesy the outcome of a possible war between Russia and Germany, perhaps allied with Japan. Under the impact of defeat Germany might go communist; that is Hitler's supreme risk. Russia's risk is different, for she cannot be nazified; but she can be thrown back to the economic chaos and penury from which she has rescued herself since the Revolution, and to unimaginable anarchy. The magnitude of the risks is the first of the reasons why the war between Russia and Germany may never take place.

THE RAND IN THE ECONOMY OF SOUTH AFRICA

I. MINING AND INDUSTRY

THERE is a traditional classification of the inhabitants of Cambridge—not as true to-day as once it was—into three groups. First of all were “the gents”, then “them as lives off the gents”, and finally “them as lives off them as lives off the gents”. If any such grouping were attempted for South Africa, the Rand would naturally take the place of the University. Gold-mining is obviously not only the most important single industry in the Union, but also the mainstay of others and, through its payments of wages, salaries and so on, one of the mainsprings of the circulation of goods and services throughout the country. But there is great difficulty in knowing where to draw the line in any assessment of the indirect ways in which the general economy of the Union depends upon the Rand. In 1931 the Low Grade Ore Commission, in its interim report, said:

No thorough investigation into the part played by the gold mining industry of the Witwatersrand in the economic structure of the Union and the extent to which the population of South Africa is supported by the mines has yet been made. Such an investigation is, in our opinion, long overdue, and should be taken in hand immediately.

The Gold Producers' Committee of the Chamber of Mines undertook to perform this task, and presented the Commission with elaborate calculations which went to show that half the population drew their livelihood directly or indirectly from the Rand gold mines and that half of the state's revenues was derived from the same source.

These calculations either went too far or did not go far enough. In one sense everyone in the Union is dependent on the gold-mining of the Rand for his livelihood, since he derives his income from the part he plays in an economy dominated by it, and since, if gold-mining should fail, his income, from whatever source, would be jeopardised. But a chain is equally dependent on all its links, and if it must be admitted that in one respect South Africa is one hundred per cent. dependent on her gold mines, the same might be said of her wool or maize, her railways or post office, or her banks. But in another sense the Gold Producers' Committee overstated their case. It does not do to assume that the farmer who sells maize to the mines is a mere client dependent on them for his market. Conversely, the mine compound depends on him for maize. If there are hundreds of thousands, natives and Europeans, who depend for their subsistence on wages earned at the mines, the gold mines are equally dependent on these workers for their labour, without which they would have to close down. If the Chamber of Mines, adopting the eighteenth-century habit of assuming that to pay for services rendered is to grant a benefit, cares to boast of “supporting” half the Union, it might be hard to resist the corollary that the support of profitable mining was part of the Black Man's Burden. If any arithmetical precision is to be given to the part played by gold-mining in the Union's economy, only the part it plays directly can be reckoned in.

Even this affords some impressive figures. In 1935 the exports of gold bullion amounted to more than £71 million in value out of total exports of just over £100 million. In production the Rand has already lost its position of undisputed pre-eminence. The last industrial census gave the value of the production of private industrial establishments, excluding mining and quarrying, as about £116 million. But the gold mines still employ more workers than secondary industry. The average number employed in 1935 was 333,650 (it is now about 350,000), of whom 34,475 were

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Europeans. According to the census of 1934-35, manufacturing industry employed an average of 329,887. The proportion of Europeans, however, was much higher (95,592) and the wage bill amounted to some £26 million as against £23 million in gold-mining. Fixed capital invested in manufacturing industry about equals that in gold-mining at £61 million; while the stores consumed by the Rand mines were valued at about £25 million, the value of materials used by manufacturing industry being no less than £60 million. To the Treasury, however, the gold mines are much more important. For the year 1934-35 they paid income tax of £4,371,225, or over half the total paid in normal income tax. In addition they paid £3,865,451 in excess profits duty and £4,968,223 as the state's revenue from mining leases and its share of payments for *bewaarplaatsen*.* Altogether one-quarter of the ordinary revenue and one-third of the receipts on loan account came from the gold mines directly.

Though the Union would be crippled economically were some disaster to overtake the gold mines, that does not mean it would necessarily have been in the same impoverished condition if the mines had never existed. The country would then have had a completely different economic structure; and, though poorer and less advanced, would no doubt have progressed farther in some directions had not the greater prospects seen in gold-mining arrested such developments. It was the special advantages of the Union in gold-mining rather than its special disadvantages in other directions that led to its lack of diversification. The rise of gold-mining almost certainly, for instance, delayed the time when South Africa came to compete on equal terms with Australia in the production and marketing of wool. This delay was caused not only by the greater opportunities offered by gold-mining itself, but also by the diversion of the farmers' attention to the temporary profits of such occupations as transport-riding, by the rise

in the South African price-level several years before the gold of the Transvaal had had any appreciable effect on the level of prices in the rest of the world, and by other related phenomena. If gold-mining has enabled a larger white population to live in South Africa in comparative comfort, it has also created a rigid wage-structure which has been a grave obstacle to the rise of alternative occupations and a reason for the intractability of our social problems, such as problems of poverty both among natives and among the less fortunate whites.

Not very long ago Professor Frankel, after an exhaustive enquiry, discovered that the average rate of return on all capital that had been invested in Witwatersrand gold-mining during the years 1887-1932 was a little over 4 per cent. That is not very high in the case of a young and developing country, and this fact might appear to cast doubts upon the statements made in the last paragraph. But even if gold-mining did not yield a higher average return than alternative investments its spectacular successes—such as the Wemmer mine paying a 40 per cent. dividend within a few months—were sufficient to encourage the expenditure of much time and money in prosecuting it with little result. We know that the average return to investors in sweepstakes and football pools must be a loss—but does that prevent the investment of millions of pounds in these unsatisfactory ways? There is a story of one South African gold millionaire who was being chided for having done so little for South Africa, when he had made all his money out of it. He replied: "Make all my money out of South Africa? I haven't made a penny out of South Africa. I made it all out of the English investor." There can be little doubt that the truth underlying this exaggeration explains the comparatively low average yield.

Be that as it may, it was the Rand that first allowed South Africa to draw capital from overseas on a large scale—and domestic capital is always scarce in undeveloped countries. It was the Rand that provided South Africa

* Areas reserved from prospecting and digging:

with a regular supply of labourers, both white and black, and that set the customary wage rates. It was the Rand that dictated the form that Union should take; the Rand that, by requiring agreement on railway matters with Mozambique as the price of securing labour, and by providing an ideal target for discrimination, stereotyped the railway policy of the Union; that created the native problem in one form, but, by providing a market for labour through which wages could be earned to supplement the inadequate production of the reserves, prevented it becoming so acute in another form. The gold mines play their part in every typical aspect of South African social and economic life.

II. THE HIGH PRICE OF GOLD

PERHAPS the most remarkable feature of mining on the Witwatersrand before 1932—unlike mining elsewhere, even elsewhere in the Transvaal or on the yet unproved edges of the Reef—was that it had virtually ceased to be speculative. The price obtainable for gold was fixed in terms of standard money. The evenness of the deposits made the ore reserves an almost certain quantity, unless the cost of recovery played tricks. But this was unlikely to happen. The perfection of the mechanical processes left few grounds for miscalculation on technical matters. Native labour was centrally procured through the Witwatersrand Native Labour Association, and native wages have hardly varied in this century, though the efficiency of the labour has increased. The cost of providing compensation for miners' phthisis had become more and more accurately known. Ordinary fluctuations would practically be confined to European wages and the cost of stores, and in each case the mines could reckon with a greater degree of certainty and make readjustments with greater ease than manufacturing industry. The government controlled the other possible sources of fluctuations in costs. But the

likelihood of any actual stiffening of the colour bar was remote, and if mining regulations were amended to take fuller account of the growing experience and adaptability of the native worker it would provide a bonus to the mines. Direct taxation, after all, was levied on profits, and mine stores were singularly unaffected by changes in the customs tariff. Variations in railway rates did not provide a major problem in costing for the mines' administrations.

After the end of 1932 all this changed. The price of gold depended on the fluctuations of the pound—which depended on the British pound sterling. Formally, also, a fresh uncertainty has been created by the repeal of central bank obligations to buy all the gold offered at the standard price; but so far there are no grounds for fear on that score. The market for gold seems likely to remain firm. The renewed speculative nature of Rand gold-mining was increased by the introduction of taxation—admittedly tentative—designed to secure to the state a share of the excess profits due to the premium on gold; and this uncertainty was increased by the subsequent limitation of the government's share to £7,400,000, since this introduced the necessity of rebates. The revaluation of ore deposits in the light of an enhanced price of gold brought in fresh reserves, inadequately proved, and resulted in the extension of the Rand far beyond where its limits were known. As a result, the Reef was inundated by a wave of speculation, fed by the handsome profits of the first revaluation of shares. One indication—though, as the Census Office warns us, a rather tenuous one—is provided by the jump in the Johannesburg clearing-house returns from £201 million in 1932 to £475 million in 1934.

It may be that speculation in mining shares has been increased by the reluctance of the government and the banks to concede the normal result of the depreciation of the pound—cheap money. The Reserve Bank discount rate has been reduced no lower than $3\frac{1}{2}$ per cent. It is not

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easy to obtain an overdraft at less than 6 per cent. The government's action in subsidising interest on farm mortgages and the operations of the Farmers' Assistance Act have helped to keep up the rate of interest on rural mortgages. According to a special report of the Census Office, the average rate on all first mortgage bonds capable of exact classification passed in 1935 was 5.926 per cent. The interest earned by insurance companies and such bodies in South Africa has fallen remarkably little. Yet though rates to borrowers are firm it is not easy to find a remunerative use for money unemployed. The banks will no longer accept short-term deposits. They will give only $\frac{1}{2}$ per cent. on fixed deposits for from 6 to 12 months. They will allow 2 per cent. on fixed deposits for over 12 months up to a maximum of £10,000: for larger sums they will allow only 1 per cent. There is a positive lack of gilt-edged investments; and those that are available have reached prices that frighten the investor with the prospect of capital depreciation. A premium has been placed on investment in equities—and the demand for almost any class of them is still well enough maintained for it to have been the most profitable course. Naturally this state of affairs has been exploited to the full; new issues have been floated at substantial premiums, and stock exchange values have mounted rapidly. One unfortunate effect, however, has been the disturbance of the financial structure of the Union and the lack of capital for development by other means than the issue of shares. Nevertheless it cannot be denied that the gold-mining boom has encouraged expansion in certain other directions. One effect is seen in the building boom on the Rand. The estimated value of plans passed in Johannesburg in 1932-33 was £1,577,677. In 1934-35 it was £5,604,813, while a peak figure of £945,000 in a single month was reached in July 1936. Over the whole of the Rand the increase was roughly proportional, save in Roodepoort-Maraisburg, where the value rose in two years from a mere £39,025 to £297,233.

THE SPECIAL TAXATION

III. THE SPECIAL TAXATION

THE output of gold has not increased proportionately to the increased activity of the mines—indeed, the production in fine ounces declined in 1933-35, and in 1936 it was still 214,153 ounces below the record of 11,557,858 ounces produced in 1932. This is due partly to the reduction in the grade worked, especially in the richer mines, and partly to the fact that much of the increased activity has been in development work which will lead only in course of time to an increased output of gold. The government's policy of taxing profits made out of the gold premium was intended to enforce a lowering of grade. This was partly due to a fear that the mining companies would take advantage of a temporary high price of gold by "picking the eyes out" of the mines, milling only the higher grade rock and abandoning a large part of the ore reserve for ever. The extent to which this fear was justified depended entirely on the mining companies' estimates of the length of time during which the disparity between working costs and the price of gold would last. If they thought that the higher price obtainable would not last, or that working costs would soon mount and cut off their excess profits, it might have been worth their while to adopt such a course. But they evidently took the view that the increased margin would last a long time; hence, even without a tax policy framed to encourage it, abandonment of the gold standard acted as an inducement to lower the grade.

The government seems also to have been anxious to secure a lower grade for its own sake, apparently in order to lengthen the life of the mines. A certain amount of confusion appears to have entered here. The argument seems to have been that the gold mines are so important to South Africa, especially as a relief to depression when times are bad (owing to the sure market for gold), that at all costs they should be kept running as long as possible. But

there is no point in subsidising the unprofitable production of gold from low-grade ores out of the profitable portion of the production. To do so is simply to raise the average cost, and to increase total costs by more than the additional value recovered. By spreading operations over a longer period, moreover, the return on the investment is delayed, resulting in a loss of interest. There was some toying with the idea of subsidising low-grade mining when the Low Grade Ore Commissioners were making their enquiry, but the Chamber of Mines was undoubtedly right in its preference for encouragement only in the form of making it possible to reduce working costs. The rise in the price of gold has been equivalent to a larger drop in working costs than had ever previously been considered possible, and in this way ample encouragement has been given to the milling of low-grade rock on a profitable basis, without forcing the grade still lower by allowing mines to offset against losses in recovery even greater gains in lower taxation.

The mining industry professed itself better satisfied with the new scheme of gold-mining taxation introduced by Act 34 of 1936, which reduced the normal tax to 3s. in the £ and substituted a new formula for working out the additional taxation. It seems to have been confidently expected that this would remove the chief inequalities as between mine and mine. But the position of the gold mines as the chief support of the fisc is sometimes called in question. The differential taxation of gold-mining profits is usually justified by the need to build up alternative means of earning a livelihood for South Africans when the mines are exhausted. It is criticised on the familiar grounds of its inequity towards the gold-mining industry. The criticisms, however, are not wholly valid. No investor before the end of 1932 had ever reckoned on selling gold at 140s. or more an ounce instead of 85s. Later investors were fully conversant with the government's intention of appropriating half the gold premium and so could not complain that they were unfairly treated. Shareholders'

dividends have increased some 80 per cent. Indeed if one compares Professor Frankel's long-term average return of 4.1 per cent. with the 24.5 per cent. return obtained in 1935 it is difficult to sustain a charge of unfair discrimination against the mines.

The high taxation of the gold mines is also criticised on the ground that it discourages investment in mining as opposed to other activities. To some extent this must be a result. Yet it is offset by a number of special inducements such as a particularly active market on the stock exchange. Moreover the South African capital market is not the most important in this connection. No less than 59.41 per cent. of dividend and interest payments for the half-year ending June 30, 1935, went outside the Union, and in the next half-year 60.08 per cent. This, indeed, probably underestimates the proportion going abroad. Amongst the payments in the Union are those made to finance-companies, many of whose shareholders reside overseas. Dividends are often paid into South African banks for overseas investors who have accounts there. It is not a question of one form of investment in South Africa as against another; and it is doubtful whether the South African income tax will divert much investment away from "Kaffirs" to competing issues in London.

Mining taxation is also criticised on the ground that increased dividends would be better spent by their recipients than tax revenues by government. Now the return from gold-mining must include amortisation, so that from the financial point of view the capital invested in a mine is not lost when the mine is exhausted, but is preserved intact. The gold, however, might have been removed from South Africa, and, although the investors' outlay was fully amortised, the country would be left with the reef worked out and no capital asset to replace it. After all, there is no *prima facie* reason why the capital should be re-invested in South Africa. To judge by the frequent utterances of politicians, the higher taxation of the mines is intended to

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provide a double amortisation—one for South Africa, whose natural resources are diminished, as well as one for the proprietors of the mines—and to use the fund to build up alternative sources of employment and income for the time when the gold mines can no longer be worked. The whole question is bound up, therefore, with the policy of encouraging secondary industries and the general customs policy of the Union.

If, however, the extra taxation derived from the gold mines is regarded in this light, its allocation between revenue and loan account is surely faulty, and all mining revenue in excess of the rate chargeable on other enterprises ought to be paid into loan account. Even that reform would, of course, be insufficient so long as the Auditor-General remained unable to persuade the government to draw a satisfactory distinction between what should be spent out of revenue and what is properly chargeable to loan funds. It is obvious, for instance, that much of the farm relief granted at present—being compensation for losses incurred—is not productive capital expenditure and is not building up alternative sources of national wealth, however desirable it may be socially. It has apparently not been possible for the Minister of Finance to employ the budget surpluses derived from the mines in reducing the public debt—a possible and easy way of making use of them as productive capital—since the Public Debt Commissioners need to take up £1 million a month of gilt-edged stock in which to invest pension and railway funds and the funds of the Post Office Savings Bank, and the Treasury has to oblige by making Union stock available to them, thus adding to debt instead of reducing it. There are doubts, then, if the state is putting its share of the gold premium to the best use. But so long as the mines of the Witwatersrand play the part they do in the economic life of South Africa, they will continue to be called upon to make the major contribution to the exchequer.

How long the present position of the Rand will be

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maintained is a matter on which it might be unwise to dogmatise. So far, costs have been kept remarkably low; and the policy of keeping money dear may have prevented competitors from bidding too eagerly against the mines for labour, materials and equipment. But it seems impossible that a rise in costs can be averted indefinitely; and when it comes the expectations that have led to the present capitalisation of mining shares will be disappointed. A decline in the prosperity of the Rand will be fraught with danger not only for the economic but also for the political and social structure of the Union. Booms and extravagance may spell prosperity at the time, but the far-sighted (or may we hope in this case it is only the timorous) cannot overcome their fear of “finance” when it bears such gifts.

South Africa,
January 1937.

THE IRISH REPUBLICAN KINGDOM

I. EXTERNAL ASSOCIATION

SURVEYING the Irish results of King Edward's Abdication, Mr. de Valera may well repeat the old adage: "It's an ill wind that blows nobody good". For the situation created by that event has enabled him at last to carry out the long-cherished plan for regulating the relations between the Irish Free State and Great Britain which he apparently regards as a solution, at least under present circumstances, of that complex and historic problem. This plan is by no means new. It was first publicly adumbrated seventeen years ago in the famous interview that he gave, as President of the Republican Dail, to the *Westminster Gazette* and the *New York Globe* in New York on February 6, 1920. In this interview he suggested that the British Government, following the example of the United States in regard to Cuba, should stipulate that the future Government of Ireland should never enter into any compact with any foreign Power that would impair the independence of Great Britain, or authorise or permit any foreign Power to obtain by colonisation, or for military or naval purposes or otherwise, lodgment in or control over any portion of Ireland. Ireland, he said, would willingly co-operate in such an arrangement, which would safeguard Great Britain against foreign attack. This statement led to a serious split amongst his Irish American supporters, many of whom regarded it as a derogation from the claim for an independent Irish republic.

The same idea, more fully developed, appeared again in the draft treaty taken to London by the Irish delegates to

the Treaty Conference in 1921.* The essential points of this draft were that Great Britain and the Dominions should recognise Ireland as a sovereign and independent State, and that Ireland should agree to become an "external associate" of the Commonwealth. Ireland, according to this plan, was to be associated with Great Britain for matters of common concern, which were to include defence, peace and war, and perhaps political as distinct from commercial treaties, and Irish and Commonwealth citizens were to enjoy reciprocal rights. The object of this scheme, as of the proposal in the Cuban interview, was to reassure the British Government, to save their face before the world, and at the same time to satisfy Irish national aspirations. It proposed in effect that Ireland should, definitely and voluntarily, limit her freedom in questions of foreign policy and defence, the only sphere in which Irish antagonism could damage Great Britain.

In its then shape the proposal was really the work of the late Erskine Childers, who strongly maintained that for reasons partly geographical and strategic, partly historical, Great Britain would never, if Ireland was a Dominion, permit her to act with the same freedom as the other Dominions, and that through the Crown or the Imperial Parliament there would be a constant and injurious interference by Great Britain in Irish affairs. He held that what was then, in respect of the other Dominions, a nominal subordination, would in respect of Ireland be real, and that Great Britain would exercise her strict legal rights in dealing with Ireland. Subsequent events, of course, have proved how mistaken was this view, for no interference has taken place. On the contrary, at successive Imperial Conferences it was the Irish members, representing Mr. Cosgrave's Government, who took the lead in developing and finally establishing the co-equal status of the Dominions and Great Britain, now definitely formulated in the Statute of Westminster.

* See *Peace by Ordeal*, by Frank Pakenham, p. 111.

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dangling before their noses without tangible result, to agree with this view. Mr. de Valera extricated himself from this dangerous situation with a sophistical dexterity worthy of a Chinese general. On December 10, the day of the King's abdication, the members of the Dail received a summons to meet on the following day. When they assembled they were presented with two Bills. The first of these removed from the constitution all the remaining references to the King and the Governor-General, and deleted the article providing for the appointment and remuneration of the latter functionary. It also provided that all Bills when enacted in future shall be signed by the Chairman of the Dail, who will also summon and dissolve Parliament on the advice of the Executive Council. These duties will presumably be taken over later on by the President of the State, who is to form part of the new constitution. Mr. de Valera had previously announced that the new constitution would make provision for a senate of the type suggested in the minority report of the recent commission.*

The second Bill, after providing that our diplomatic and consular representatives should be appointed, and every international agreement concluded, on the authority of the Executive Council, went on to provide also that so long as the Irish Free State was associated with the other nations of the Commonwealth, and so long as the King recognised by those nations as the symbol of their co-operation continued to act on behalf of each of them (on the advice of their several Governments), for the purposes of the appointment of diplomatic and consular representatives and the conclusion of international agreements, "the King so recognised may and is hereby authorised to act on behalf of the Irish Free State for the like purposes as and when advised by the Executive Council so to do". In a further section the Bill ratified the abdication of King Edward and defined the new King, for the purposes of external

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association, as henceforth the person who, if King Edward had died on the tenth day of December 1936 unmarried, would for the time being be his successor under the law of the Irish Free State.

It will be observed that these Bills do two things. The first virtually removes the King and the Governor-General from the internal constitution of the Free State. The second sets up the system of "external association", for which Mr. de Valera has so long contended, but at the same time voluntarily recognises the accession of King George VI. In the biting phrase of Professor J. M. O'Sullivan, T.D., one Bill took the King out of the constitution and the other put him back. It is common knowledge that Mr. de Valera had some difficulty in reconciling the more extreme members of his party to accepting the succession of the new King, and it is quite certain that he could not have done so by any other stratagem. He was faced, as often before, with his own past record, but the statutory execution of the Governor-General and the blessed words "external association" finally brought his followers to heel. It is impossible to understand his conduct unless one remembers his domestic difficulties and past policy.

At the opening of the debate in the Dail, answering three questions put to him by Mr. Cosgrave, he admitted that there was not in the Bills any proposition to sever our connection with the nations of the British Commonwealth. Article 1 of the Constitution, he said, remained untouched. The actual facts of the existing situation would, he added, be reflected in the constitution as amended. They had not, he said, consulted with the other members of the Commonwealth, because it was a matter that affected themselves alone, although they had intimated quite clearly to Great Britain what they intended to do. Article 1 of the Constitution declares that the Irish Free State "is a co-equal member of the Community of Nations forming the British Commonwealth of Nations". Speaking later

* See THE ROUND TABLE, No. 105, December 1936, p. 161.

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in the debate, Mr. de Valera said that quite clearly what they had to do now was to regularise the position or declare a republic. He was anxious to see a condition established here in which our people could be on friendly terms with the people across the water. But he knew it could not be done without satisfying the aspirations of our people, which was not done by the existing situation. What he was trying to do, and proposed to do in the coming constitution, was to get nearer to a position that would satisfy those aspirations. Friendly relations between the two countries could really be established only on the basis of a united Ireland. They were working towards a position where the majority of the people would say "We are prepared to sacrifice something in order to get a united Ireland".

The debate on the Bills was poor in quality and, apart from a disingenuous and transparent attempt by Mr. Norton, the Labour leader, to capitalise extreme republican support by a proposal to ignore the King's abdication and do nothing, it ran on the usual party lines. In one sense, of course, it is ridiculous for the Cosgrave party to complain of Mr. de Valera's action, for it is only a logical extension of their own. It cannot be forgotten that they themselves removed the King's head from our stamps and coinage, discouraged the playing of "God save the King", and removed practically all reference to the King from official documents. Mr. de Valera's performance naturally followed their overture. Both Bills were carried, under a closure motion, after two days' debate. The only opposition to the External Relations Bill consisted of the five members of the Labour party, who have now fallen so low that they can be derided with impunity in the Dail by Mr. Hugo Flinn, T.D., the Government's official vituperator.

What is the net constitutional effect of this new legislation? A cynic might perhaps describe it as creating a condition of internal obliteration and external obfuscation, for it may be doubted whether Mr. de Valera himself fully

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apprehends what he has done; certainly, as the debate proved, his legal advisers do not. External association as a phrase means very little, since under modern conditions every State is externally associated with every other by conventions, trade treaties, and the like. Without such external association, international life would be impossible. But our new relations with Great Britain imply far more than this. We are still a member of the British Commonwealth. King George VI is still King of Ireland—of all Ireland, it may be emphasised. Internally, no doubt, he has no functions in the Free State, but even before the recent Acts he had none that were not automatic, the mere endorsement of decisions arrived at by the Free State Government. Externally his functions now are to act on the advice of his Irish Free State Ministers, as he did before, but to do so under express statutory powers conferred by the Free State Parliament, rather than under his prerogative. We have in fact exchanged a spiritual for a statutory allegiance, a feudal for a democratic Crown.

The British Government and press may be congratulated on not having intervened. It was a case of "least said soonest mended" if ever there was one. Any interference by way of criticism, or worse still by way of action, could only have done mischief. The essential thing, our membership of the Commonwealth, remains of our own deliberate choice, and with it our recognition of the new King as the symbol of that membership. It is certainly not a case for logic-chopping, delectable as that pursuit may be to constitutional lawyers, but for a commonsense recognition of realities. It is true that power is not explicitly given to the Crown in respect of the declaration of war or neutrality, but such power can hardly be exercised by the Executive Council except through the Crown, because to do so would mean a formal breach in the unity of the Commonwealth, to which under Article 1 of the constitution we still adhere.

One of the amusing consequences of the new legislation

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is that, although the parliamentary duties of the Governor-General have ceased, he apparently still remains in suspense, a kind of forgotten wraith, to exercise certain functions under certain old statutes not yet repealed. How long this state of affairs will continue no one knows or indeed cares. Public opinion was perhaps best expressed by a somewhat irreverent cartoon on the cover of *Dublin Opinion* which depicts poor Mr. Buckley fleeing from his suburban villa, lamented only by the domestic cat, and muttering to himself: "Maybe I ought to have asked them for a farewell broadcast"!

Mr. de Valera has of course been once more denounced by Miss Mary MacSwiney and the other Republican die-hards for his treachery to the Republic. In his Christmas broadcast to America, however, he said it was now clear that the political institutions of the Free State were free from outside control. In the new year the people would be able to frame for themselves the constitution under which they wished to live. The partition of their country would then remain the one formidable barrier to that peace internally and that peace with their neighbours which they so much desired. They wished to be on terms of friendship with the people of Britain as with all other peoples. The obstacles to that friendship were being removed one by one. He looked forward, he said, to the day when they would have disappeared and when the people of these two islands could work as friends for the promotion of all common ideals, and he expressed the hope that this day might come during 1937. This message, which was also meant for domestic consumption, leaves little doubt to those acquainted with the working of Mr. de Valera's mind that he is still engaged upon the commendable but difficult operation of changing front. Responsibility and experience are completing their good work. The question posed in the title of a ROUND TABLE article last December—Free State or Republic?—may now be answered. We have become, and are likely to remain, a republican kingdom.

PARTITION

II. PARTITION

THE political position in the Free State would now therefore seem to be this. Mr. de Valera has accepted freely membership of the Commonwealth. He has no intention whatever of declaring a republic for the Free State, although no doubt the new constitution will provide us with a republican government in everything but name. This has indeed virtually been the situation since the Treaty of 1921. His ideal is a republic for all Ireland, associated with the British Commonwealth, but even this, he clearly hints, he would be prepared to abandon if he could get Northern Ireland by political action to recognise the juridical unity of the country and to look to Dublin rather than to London for final authority. The question of partition thus becomes crucial for the political future of the whole country. There can be hardly any doubt that those responsible for the government of Northern Ireland hold the key, not only to the unity of Ireland, but also, what is perhaps more important, to the unity of the British Isles and the British Commonwealth. There is so far little indication that they are aware of, or care about, this vital fact.

On November 18 Mr. Frank MacDermot, T.D., one of the most fearless, independent, and intelligent members of the Dail, who has become the principal Free State protagonist on this question, introduced a motion in the Dail deploring the failure of the Government to give adequate attention to the problem. He said that anyone was living in a fool's paradise who imagined that the people of this country would ever reconcile themselves to partition, or that good relations between the Free State and Great Britain would ever be possible on that basis. Some of Mr. de Valera's admirers across the water who were talking, he said, as if we could all kiss and be friends, provided a republic for the Free State were set up in external association with the British Empire, were simply ignorant of the fundamentals of the situation. Partition

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was vital to the whole question of our relations with Great Britain. It was an evil not only from our point of view but also from the point of view of Great Britain and Northern Ireland. In his view there was only one way of getting rid of partition, and that was for us to gain the good will of the Northern Unionists. It was a heresy, he said, to let matters drift and to hold it was impossible for anybody to do anything about it, and equally a heresy to suggest that it was a problem that could be solved only by Great Britain. But the British Government and people could exercise a great deal of moral compulsion on Northern Ireland. We had on our part to enlist the people of Northern Ireland, as Wolfe Tone did, in a fight against something that was worth fighting, in a fight against poverty, against class hatred, against racial hatred, war, and all the evil things that afflict humanity. We must also be prepared to reassure the North concerning the future of its industries, and to drop sham republicanism as well as the idea of a Gaelic Ireland. If we wanted a united Ireland it must be an Ireland that accepted the Northern Unionists on equal terms and had as much room for their ideas as for our own. We could not overcome the barrier of partition if we allowed ourselves to become pessimistic about it. We should on the contrary have an abundance of faith, hope, and charity.

Mr. de Valera, replying at the close of the debate, said that surely it was absurd to take up the position that the majority of the people of this country should surrender everything they thought right and proper in order to bring the minority into what should be, for them as for us, a common nation. He agreed with Mr. MacDermot that good relations with Great Britain would never be possible on the basis of partition, but not with his suggested cure that they in the Free State should surrender everything. Whilst agreeing that force was no solution, he asked if the majority had any rights whatever in Ireland? Was there to be no limit to what they must do? The minority,

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he said, were entitled to equality, to which they had always been admitted, but not to privilege. He thought the proper thing for the Free State to do was to go ahead and do the things they wanted to do because they thought they were right, and to trust very largely to the influence they would have on the minority.

Speaking at a meeting of the Belfast University Literary Society on December 16, Mr. MacDermot carried his campaign into Ulster. He said he could not suppose that any thinking person could be satisfied with the present state of affairs in Northern Ireland. It had an apparatus of government grotesquely out of proportion to the area administered. A third of the population were violently hostile to the régime, and, so far from showing any tendency towards becoming reconciled to it, were only waiting for an opportunity to smash it if they could. They saw the remaining two-thirds of the population disliking and despising the minority, openly boasting that the institutions of the state had a sectarian complexion, and frequently carrying out official or semi-official celebrations of a nature insulting to the minority. If that were all, said Mr. MacDermot, it would be enough to justify him in saying that the state of Northern Ireland was unhealthy. It involved the moral degradation of majority and minority alike. After stating that economic self-sufficiency had proved an idle dream, and that the Free State had been going downhill at catastrophic speed until it was saved by the coal-cattle pact, he said that he felt the fullest and freest national life for the country, materially and theoretically, could be achieved only within the Commonwealth on a basis of loyalty to the Throne. He recognised their right to resent separation from the Empire, their right to resist religious persecution if that were threatened. He admired their grit, courage, and enterprise, but he was far from admiring their attitude of superiority. Every sign of irrationality and of barbarism to which they could point in the "mere Irish" was to a large extent the fault of the ascendancy.

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Ten years ago no Free State politician could with safety have made such a speech in Belfast. Mr. MacDermot deserves the greatest credit for the courageous and statesmanlike manner in which he has dealt with this question in season and out of season, and there are signs on this side of the border that his campaign is bearing fruit. Those who desire to study this question in more detail should read a remarkable little book * by Professor George O'Brien of the National University of Ireland, which has just been published. Professor O'Brien has the quality of critical detachment, so rare in Ireland, coupled with a wide knowledge of Irish history and economics. He points out that on the major constitutional question, that of the status of the Free State, everything is to be gained by delay and much might be lost by precipitancy, and that if the economic dispute were finally settled the political issues would eventually adjust themselves. Partition, which in his view is inevitable for the immediate future, should not be allowed to poison Anglo-Irish relations or to drive Great Britain and the Free State further apart. Both countries should agree to treat their existing relationship as a compromise, to be replaced by a more satisfactory arrangement as soon as circumstances permit. Any change that takes place is, in Professor O'Brien's view, almost certain to be to the disadvantage of the Ulster ascendancy, whose extraordinarily impregnable position can scarcely prove permanent. He makes it clear that, in his opinion, corporate union between Northern Ireland and the Free State is for many reasons undesirable and that juridical unity should satisfy Irish national aspirations.

If, he concludes, British statesmen are anxious that Ireland should remain part of the Commonwealth, they must be prepared to treat Ireland, not as a Dominion that evolved from something inferior like a crown colony, but as an ancient nation that existed as a national unit long

* *The Four Green Fields*, by George O'Brien. Talbot Press, Dublin. 3s. 6d.

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before Great Britain or even England. They must further be prepared to admit that the area of that nation is the whole island, and that the exclusion of any portion as the result of *force majeure* is a regrettable and unjustifiable wrong, originating in the deliberate policy of plantation in the seventeenth century and continued in modern times by religious prejudice and military mutiny. In other words, the principle of Irish juridical unity must be unreservedly recognised. That the Ulster leaders could settle the Irish question is the moral of Professor O'Brien's book, but that they will do so is a far more doubtful matter. If not, like most thoughtful Irishmen, he believes that patience, the growth of mutual understanding, and the solvent of time are the only hope. In such matters the long view is generally right. A problem that is the growth of centuries cannot be settled in a decade.

III. PUBLIC AND PRIVATE WARS

MEANWHILE our public dispute with Great Britain over the land annuities and our private intervention in the Spanish civil war both continue unabated. It is of course fantastic to talk about an "economic war" when in fact, subject to the collection of the land annuities by Great Britain in the form of tariffs, both countries are doing everything they can to expand their trade and improve their economic relations with each other. Nevertheless there is an exceedingly damaging financial dispute which dislocates trade between the two countries and ought to be terminated. As is usual on such occasions, neither side is prepared to suffer the loss of "face" required to adjust the quarrel. If Mr. de Valera could bring himself to confess, like the "young Marshal," that he is "rustic and uncouth" and that he only withheld the land annuities for the purpose of drawing attention to the Irish farmers' plight, and if Mr. MacDonald on his part could reply that, although it was all the fault of the uncultured Mr. Thomas, who did not comprehend the high motives of Mr. de Valera,

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yet he wished to resign his position, and if thereupon, being duly re-appointed, he agreed to accept an *ex gratia* payment to close a dispute which should never have taken place, then all might be happily ended. But unfortunately we have still a lot to learn from the East.

That we may still be able to learn something is proved by the fact that on January 14, when Mr. de Valera was on his way back from seeing his doctor in Zurich, he was able to meet Mr. MacDonald informally in London, and discuss amicably a number of matters affecting the relations between the two countries. So far the only outward and practical result has been the renewal of the coal-cattle pact * for another year, subject to possible modifications of detail. After noting that certain matters arising out of the conversations were under examination, Mr. MacDonald told the House of Commons that the United Kingdom Government were ready to take any opportunity of reaching a satisfactory settlement on outstanding questions between the two countries. Mr. de Valera, he disclosed later, had urged strongly that steps should be taken towards the establishment of a united Ireland. No scheme, however, had been put forward, and the matter was not discussed further. The position of the United Kingdom Government was that any change in the relations between the two Governments in Ireland would require the consent of both those Governments.

The renewal of the trade pact is highly welcome; the trade figures for 1936 reveal that during the year our exports have increased by two million pounds, a result almost entirely attributable to this arrangement. Great Britain and Northern Ireland still absorb some 90 per cent. of our exports, although we take from them only 56 per cent. of our imports. We have, however, just renewed our trade treaty with Germany,† on the improved ratio of three to

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two. As regards our general agricultural policy, recent figures show that for every extra pound put into the farmer's pocket in respect of wheat and beet the Government is taking £2 10s. out of the consumer's pocket. And in spite of the new industries and endless tariffs it is estimated that last year the number of emigrants to Great Britain was 36,000, that is to say 10,000 more than the average annual emigration, principally to America, in the twenty-five years before 1926.

In the five years since Mr. de Valera took office, expenditure has increased by five millions a year, and Mr. Lemass, the Minister for Industry and Commerce, has recently informed us that we may soon expect further taxation. Five millions have also been added to our total indebtedness, and the five millions withheld annually from Great Britain, in respect of land annuities, have been paid by the farmers in penal tariffs on their exports. It is therefore no wonder that Mr. O'Kelly, the Minister for Local Government, has recently reminded local authorities that they cannot continue spending at the present rate indefinitely. Agricultural conditions are revealed by the fact that the average wages of an adult male agricultural worker, without a free house or allowance of any kind, amount to only 21s. a week. Legislation has, quite properly, been recently introduced to deal with the situation, but this cannot provide an effective remedy unless the general conditions of agriculture improve. If wages are raised beyond the capacity of the farmers to pay, the result will be greatly decreased rural employment and a further shift of population to the towns.

An interesting sidelight has been recently thrown on the Government's relations with the Irish Republican Army through the innocent intervention of Mr. John O'Hara Harte, a Quaker from Philadelphia. This gentleman, who is perhaps accurately, but somewhat unkindly, described by the Government Information Bureau as a "well-intentioned busybody", succeeded in securing an

* See THE ROUND TABLE, No. 98, March 1935, p. 369, and No. 103, June 1936, p. 572.

† See THE ROUND TABLE, No. 98, March 1935, p. 370.

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interview with Mr. Sean Russell, who is apparently the acting head of the I.R.A., and afterwards with Mr. de Valera, for the purpose of acting as mediator between them. Mr. Russell stated he was ready to enter into negotiations. Mr. de Valera, however, promptly informed Mr. Harte that the Government could not enter into any private bargains or arrangements with any section of the community, and that there was full freedom to organise in favour of any political programme so long as force was not used. Mr. Russell retorted by publishing the details of an interview he had with Mr. de Valera at the latter's request two years ago, at which, in reply to a suggestion by Mr. de Valera that the I.R.A. should disarm, he had said the I.R.A. would co-operate with the Government if the latter agreed to declare a republic within a reasonable time, say five years, a proposal Mr. de Valera refused to consider. Mr. Russell went on to point out that had such an understanding been then arrived at the "shootings of Egan and Somerville" * need not have taken place. Comment on this admission is unnecessary. The whole incident illustrates Mr. de Valera's change of attitude towards the I.R.A., which he now apparently realises at last to be a discredited terrorist organisation.

The Government, meanwhile, have taken no overt steps to stop General O'Duffy's intervention in the Spanish civil war.† On December 13 there took place at Galway a secret mobilisation of about a thousand members of his organisation who had volunteered to fight for General Franco. They were promptly embarked on a German cargo ship outside the three-mile limit and departed for an unknown destination. About thirty, after seeing the ship, had sufficient sense to return home. Another mobilisation of several hundred volunteers, at Passage East, County Waterford, early in January, proved a fiasco, as the ship on which the volunteers were about to embark did not

materialise—for reasons possibly best known to the Government. It is said that General O'Duffy has been given the rank of Major General in General Franco's army. His one-time rival, Commandant Cronin, ex-generalissimo of the Cosgrave Blueshirt organisation, who tried to join the fray on his own account, was refused admittance into General Franco's territory. There must be approximately two thousand Irish volunteers with Franco's forces. Certain members of the I.R.A. are fighting on the Government side, and it is a pity that more cannot be induced to follow their example. The Spanish civil war would at least have served some useful purpose if it enabled us to get rid of some of our wild men of both varieties. It is to be expected that those who return will be sadder but wiser men; whether they will be more valuable members of society is doubtful.

When the Dail adjourned on November 27 Mr. Cosgrave, who seems to be obsessed with the fatuous notion that the only duty of an Opposition is to oppose, moved that the Government should recognise the Government of General Franco, on the ground that the Caballero Government was communist and stood for everything we abhorred. Mr. de Valera replied that they could not recognise the Franco Government until there was some clear indication of its stability, and they did not see why they should do more in the matter than the Vatican had done. The policy of the Government, he concluded, was in accordance with the usual practice; it was also the right and prudent policy, best in the interests of this country, best in the interests of Spain, and best in the general interests of world peace. With these conclusions most sensible people will agree. It is worth noting that the Catholic Hierarchy have been wise enough not to identify themselves publicly with Mr. Cosgrave's motion or General O'Duffy's mischievous antics.

The Irish Free State,
February 1937.

* See THE ROUND TABLE, No. 103, June 1936, pp. 582-583.

† See THE ROUND TABLE, No. 105, December 1936, p. 163.

THE EMPIRE AND THE CRISIS

Editor's Note

AN earlier article has told the story of the abdication crisis and dealt with its implications for the Commonwealth constitution. In the following pages we have brought together the accounts that we specially requested our correspondents in the Dominions and India to send of the reaction of public opinion in those countries to the events of last December. They may be allowed to speak for themselves without editorial comment.

I. CANADA

IT goes without saying that the abdication of King Edward and the events that led up to it profoundly stirred the Canadian people. The shock was doubtless less than that sustained by any other nation of the Commonwealth, for the reason that, while the Canadian press maintained throughout last year almost as complete a silence as did that of the United Kingdom, Canadians could not remain unaware of what was appearing in the American press. As, throughout the summer and autumn, the flood of comment, speculation and prediction gathered way, uneasiness and even alarm as to what it all portended grew apace. When the true facts were at last made known, and the difficulty and danger of the situation were realised, the feeling uppermost throughout the country, next to that of infinite regret, was one of hope that somehow a solution would be found that would not necessitate abdication. Based primarily on a very real and deep regard for, and loyalty to, King Edward, this feeling had in it an element

of fear lest such a happening might do harm to the institution of the Throne. When, however, the only alternatives to abdication became clear, the country, practically without a dissenting voice, accepted abdication as the only possible solution. It only remains to add, so far as the public are concerned, that with the feeling of regret that it had to be, and of relief that a minimum of harm had been done, went admiration for what the Prime Minister described as "the sympathetic and sagacious manner in which Mr. Baldwin dealt throughout with one of the most difficult situations with which any Prime Minister could possibly be faced", and thankfulness that in the new King the Empire has a Sovereign on whom it may depend to carry on the fine tradition of his revered father.

The unanimity of the country as to what had to be done is confirmed by the fact that in the lengthy parliamentary discussion of the whole situation there was no word of criticism on that score. It is thrown into all the greater relief by the marked disagreement as to the way in which it was done, as far as Canada was concerned. The controversy in Parliament over the propriety or otherwise of the methods adopted by the Government to fulfil the Statute of Westminster evoked, however, little response in public sentiment. On the contrary, instead of the crisis being regarded as an occasion for asserting rights of equal status and the like, its effect was rather to emphasise not our autonomy but our unity. This was well expressed by Mr. Lapointe, the leading French-Canadian member of the Government, when he said in Parliament :

I desire to say to-day that the British Throne is the cement, the bond that unites all of us, and if it should disappear and be replaced by some other form I am afraid that the end of the British Empire would be in sight, and that Canada would soon not be part of the British Commonwealth of Nations. That is the great and the consoling lesson which comes to us as an outcome of all these troubles, which caused concern to many people throughout the Commonwealth and even throughout the world. But we are proud to say at the end that the action which has been taken, the

sentiments which have been expressed, the feeling of all British citizens throughout the world, have been such that we have demonstrated not only to everyone in our own dominions but to all the world the granite strength of the British constitution, enshrined as it is in the British Throne.

II. AUSTRALIA

THE events that culminated in the abdication of Edward VIII profoundly moved the Australian people. In an atmosphere of rumour and uncertainty, it was hard to gauge public opinion exactly. Mrs. Simpson's name was not unknown in Australia before December. Her photograph had appeared in many newspapers. But in the Australian press as a whole there had been very little sensationalism and gossip. The news of the impending crisis came suddenly, and people were, to some extent, bewildered and undecided.

The first expressions of opinion by the newspapers were stern disapproval of the suggested marriage, and this remained the attitude of all responsible-minded Australians, particularly of those who most cherished the loyalty of their country to the Throne. But the Australian people had an affectionate regard for King Edward, an appreciation of his public service in the war and since, and a strong admiration of his sympathy for the poor and of his outspoken condemnation of social injustices. There was much genuine sympathy for him in his stress. There was some sentimentalism, the inevitable outcome of the romantic aspects of the circumstances. But there were also very many people who in private conversation gravely censured the King (sometimes with a bitterness which they may have since regretted) for forgetting his duty to the Imperial Throne, for allowing the situation to arise and for delaying in ending it. The press, however, refrained from passing judgment on an issue that everyone agreed was a matter for the King himself to decide.

The emergency did not cause any serious political

partisanship. The New South Wales faction of the Labour party, which follows Mr. Lang and is ever ready to find a sinister capitalist conspiracy, asserted that there was a plot by reactionary conservatives to depose a King whose democratic sympathies were unwelcome. The members of that group in the Federal Parliament were suddenly zealous in their protestations of loyalty, and characteristically refused to believe the statements of Mr. Baldwin and Mr. Lyons that the King's decision was his own; when the climax had come, however, they found it difficult to repudiate the assurances of King Edward himself. The Leader of the Opposition, on the other hand, agreed firmly with Mr. Lyons that the abdication had been unforced and inevitable, and he insisted that the Australian Labour movement would never have agreed to the alternative of a morganatic marriage.

The King's decision was heard with a sense of relief that the uncertainty was at an end, but with widespread regret. Many people had hoped until the last that he might choose differently. But when Mr. Baldwin's speech was read and heard here, public opinion steadied itself and quietly accepted the inevitable. There has since been little disposition to judge King Edward's action, beyond, in the circumstances, approving it. It is needless to say that his farewell message profoundly touched the Australian people, and, upon reflection, perhaps most of us felt that his decision would indeed "in the end be best for all."

King George VI won the esteem of the Australian people, and Queen Elizabeth an enthusiastic affection, when they visited us in 1927. To them Australians yield unquestionable loyalty, and the Commonwealth of Australia remains unshaken in its allegiance to the Crown. It is noteworthy that in no quarter did anyone seek in any way to take advantage of the situation to loosen imperial ties.

During the early period of confused emotions and

diverse opinions, and later after the news of the abdication was received, the people acted with calmness and dignity. There was no public clamour, no demonstration of any consequence. The Australian public seems quite ready to regard the whole incident as closed and a matter of history. The steadiness of the public was perhaps the most impressive feature of events that for that reason can scarcely be called a crisis. What to us seemed little less significant was the demonstration of the strength of parliamentary institutions throughout the Empire. The Statute of Westminster successfully stood its first trial. The British nations were capable in an emergency of achieving united action by co-operation, made possible by modern means of rapid communication. The Statute of Westminster was worked by wireless.

III. SOUTH AFRICA

TO the great mass of South Africans the crisis came as a shock for which they were entirely unprepared. The whole of their press had observed an appropriate reticence in regard to the events that led up to it. Moreover, during his visits to South Africa as Prince of Wales, King Edward VIII had laid up for himself a store of affection in the hearts of the people, and left on the minds of those who came into closer contact with him the impression that he was possessed of an ultimate sense of duty strong enough to triumph over any personal inclination.

On the immediate issue of the proposed marriage between the King and Mrs. Simpson all sections of the South African public were strikingly unanimous. Had it merely been a question of the King's desiring to marry a commoner, there would probably have been no such unanimity. The attendant circumstances were such, however, that it was felt that the proposed marriage, whatever form it took, would be entirely inappropriate. The strong vein of Puritanism that still characterises the older

section of the South African people, and is not absent from the outlook of the British section, was of course an important factor in determining public opinion.

South Africa appears to have grasped, at a very early stage of the crisis, the fact that there is something more important than the person of the Monarch, and that is the institution of the Monarchy. That fact makes it easier than it otherwise might have been to assess the reactions of its people on the wider issues raised by the crisis. Here, however, one must distinguish between different sections of the people. For those citizens of the Union who are of British birth or descent the sentimental aspect was especially important—perhaps even more important than for men of the same stock in other parts of the Commonwealth, if only because they live alongside a majority element in the Union's population which does not share their sentiments. From their point of view the constitutional crisis has not merely delivered a blow to the prestige of the British Monarchy; they have felt it also as something in the nature of a stigma on themselves as Britishers.

On the other side of the South African nation the approach to the question has been determined largely by political affiliations. The Afrikaans-speaking South African who values the association of South Africa with its colleague-states in the British Commonwealth—its best friends, as General Hertzog has described them—and who appreciates the significance of the Crown as the linchpin of the partnership, viewed the potential threat to the institution of the Monarchy with genuine regret and apprehension. His kinsman of the Nationalist Opposition, who desires or professes to desire a termination of that association, and who in any case rejoices in anything that embarrasses the Government, derived from it a certain amount of satisfaction. Yet, apart from a speech by Dr. Malan, in which he took the crisis as the text for a homily on the greater suitability of a republic than a monarchy to South African conditions, the satisfaction was, in public, decently veiled.

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On the whole, the Opposition press has refrained from any unduly blatant exploitation of recent events for party ends.

Of greater interest, however, has been the attitude of that section of the Afrikaans-speaking people of South Africa represented by General Hertzog and most of his colleagues in the Cabinet. It is clear that throughout the crisis the South African Cabinet worked in the closest co-operation with the British Cabinet; it is clear also that it was dominated by the desire to maintain the prestige and dignity of the Monarchy. And therein it seems that it was reflecting the spirit and attitude of mind of large numbers of the South African people not of British descent, many of them born under republican rule. Indeed, the crisis has apparently served to bring home to many in South Africa, who had not previously realised it, the significance and value of the kingship in relation to their own country.

Only two members of the Cabinet, Mr. Hofmeyr and Mr. Sturrock, the new Minister without portfolio, had occasion to speak in public round about the time of the King's abdication. Both of them commented on the tremendous value of the partnership of the British Commonwealth for South Africa and for the world, and both emphasised the importance of the Crown in relation to it. And Mr. Hofmeyr went on to say :

Though it may seem to some that a severe shock has been administered to the Monarchy by recent events, I for one believe that, when they come to be viewed in their right perspective, the institution will be seen to have emerged not weaker but stronger than before.

One special aspect of the matter has not passed unnoticed in South Africa, and that is the effectiveness of Commonwealth co-operation, and the smooth working of the machinery for securing such co-operation, in a matter of the very gravest difficulty. There can be little doubt that, as far as South Africa is concerned, the crisis, so far from proving to be disruptive in its effects, has tended to

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draw the Commonwealth closer together. And for that it is recognised that a large part of the credit must go to the statesmanship, the insight, and the humanity of Mr. Baldwin.

IV. NEW ZEALAND

THE first impulse among the people of New Zealand, when the crisis broke upon them, was to find some compromise that would allow a beloved Monarch to remain on the Throne and to marry the woman of his choice. But as the story was unfolded with painful logic by Mr. Baldwin the public saw clearly that abdication was the only possible outcome. There was no disposition at all to blame or to criticise. The only criticism was that things had gone so far before our people knew anything. Puzzled exasperation was caused by a succession of press speculations, each of which originated with some reputable London newspaper and eventually proved quite unfounded. For example, the public was informed that Mr. Baldwin had assured the King that neither his own party nor the Labour party would carry on the government if His Majesty continued with his intentions. Then it was stated that if the King abdicated he would have to live outside the British dominions for the rest of his life, and that he would lose all rank and title and be merely "Mr. Windsor". This is not a case of too little freedom of the press but of too much. That the Dominions should receive such inaccurate information at a time of grave imperial crisis is a matter of serious concern.

Another danger, we now see, might well arise from the convention of silence that surrounds the Throne and that caused the Empire press to refrain for months from commenting on alarming statements that were freely current in the press of the United States and other countries. The British public no doubt had some inkling of what was happening, but people in this Dominion, who are equal partners in their allegiance to the Throne, knew very

little. Until the Bishop of Bradford uttered his measured reproof of King Edward's indifference to religion, the people of New Zealand were quite unaware that there were any grounds for uneasiness. Then quite suddenly it appeared that the Monarchy, which was enshrined in popularity and reverence, was in fact slipping towards the edge of a chasm. It took several days for the public to recover from its amazement, but from that point public opinion moved smoothly and unerringly along the same lines as in Great Britain.

The only temper shown was one of impatience that the crisis should be got over as soon as possible. The Monarchy had suffered great loss of prestige; the faith of the oversea democracy was shaken and disillusioned; but there was no need to prolong the uncertainty. As early as December 4 the *Evening Post* said :

Nothing that has happened in the long chain of events in dictatorship politics exceeds in seriousness, from democracy's standpoint, the cloud that threatens to come between the British people and their King and between the Empire and its remaining symbol, the British Crown. . . . Its wearer cannot live in defiance of constitutionalism, and ought not to live in defiance of propriety. . . . The abdication of King Edward . . . will be a great blow to modern British monarchical tradition, yet preferable to the cloud over the Crown becoming permanent and weakening the will of Britain and the co-operation of the British Commonwealth of Nations in the great crisis that is evidently at hand in world affairs.

The *Dominion* noted on December 10 the remarkable fact that

a preponderantly Conservative Government at home, a Liberal Government in Canada, coalition Governments in South Africa and Australia, and a Labour Government in New Zealand are in agreement, more especially when they alone among the peoples of the Empire are in possession of all the facts.

There was not evident anywhere in our press the slightest desire to decide the matter apart from the other Dominions, or to insist on special or separate consideration. The

machinery of consultation among Empire Prime Ministers seems to have functioned quite satisfactorily. The New Zealand people, as represented by a Labour Government, has never asked for a review of its constitutional position as accepted by Tory predecessors. The Dominion remains, as it was, within the Commonwealth, glad to see the Irish Free State make a similar choice, and confident that our constitutional system will emerge strengthened rather than weakened by what was in effect a demonstration of the control of Parliaments over the Crown.

For the rest, the press comments were a unison of sympathy with the ex-King and Queen Mary; of admiration for the conduct of Mr. Baldwin, and determination, now that it is all over, that the Crown shall regain its high prestige, as far as the unfaltering loyalty of its people in this Dominion can contribute to that end.

V. INDIA

INDIAN reactions to the crisis were marked with a bewilderment which, in responsible quarters, gradually resolved itself into a recognition of the inevitability of King Edward's decision to abdicate. Before the issue had become a public controversy, the Indian press, like the British press, had refrained from discussing the private affairs of the King; and when the question did become one of public moment Indian newspapers showed great restraint and dignity in dealing with it. Generally speaking, the more important of the English-written Nationalist newspapers independently reached the same conclusions as were reached by the responsible press in Great Britain. It was quickly realised that the issue narrowed itself to renunciation of the proposed marriage or abdication. While the deepest sympathy was felt for the King in his dilemma, it was felt that delay in making a decision might bring serious constitutional complications; it was even thought that there were dangers to the status of the Crown, although

loyalty to the Throne and the reigning House was a characteristic feature of all discussion.

Underlying much of Indian comment, however, was a feeling of surprise that the King could not marry where he chose. The fact that Mrs. Simpson had divorced two husbands, both of whom were alive, was realised to present grave difficulties, at least for the Coronation ceremony. But the Indian attitude towards kingship, deriving from ancient traditions, inclines to allow a wide latitude of matrimonial choice to rulers and princes. From this angle the more extreme press showed resentment that the King should even have to consider abdication as a solution. Such comment, however, was frequently warped by that political bias which some sections of the Indian press invariably adopt towards British political affairs.

The actual act of abdication was genuinely and generally deplored, even though its inevitability had been anticipated. There was immediately a widespread reaction in favour of King Edward, based on his renunciation of the Crown of the greatest Empire known to history. The idea of renunciation as an attribute of greatness is so ingrained in the Indian mind that the King's decision, on its human side, was interpreted as a noble and altruistic act, even in some newspapers which previously had contended that abdication was the only constitutional solution. By some the abdication was portrayed as a triumph of political forces and clerical reaction over the conscience of a popular Monarch, largely because the dramatic act of abdication was, to the Indian mind, invested with religious significance. But the opinion of those who, until the end, viewed the crisis purely in its constitutional aspects retained a close similarity with that which in Great Britain unfalteringly brought the issue to its climax.

In the face of a crisis that vitally affected every part of the British Commonwealth, Indian opinion coincided with British opinion on the issue of upholding the dignity of the Throne. Even among those whose political history

might have inclined them to follow a different line, there was a very real appreciation of the function of the Crown and its value in binding the sister peoples of the Commonwealth. The political animosity that is so regular a feature of Indian comment on British affairs was curiously absent throughout the period of crisis, and, after the abdication, Indians promptly and gladly acknowledged their allegiance to the new King and his Consort. The *Nationalist Call*, an extremist newspaper in Delhi, declared that the abdication had "in no way lowered the estimation in which the Throne is held in India", while Sir Tej Bahadur Sapru, who is generally regarded in this country as an authority on constitutional matters, indicated in a widely reproduced statement that he was confident the Monarchy would survive the shaking it had received and would recover its prestige. In India, as abroad, the stability and continuity of British institutions were praised in tributes both to the King and to Parliament; and the power of a genuine democracy to surmount so unusual a constitutional test found recognition mainly in tributes to the tact and genius of Mr. Baldwin in peculiarly difficult circumstances.

PARTIES AND POLITICS IN INDIA

I. THE PROVINCIAL ELECTIONS

DURING the past three months, political interest in British India has been concentrated almost entirely on the elections for the new provincial legislatures. The volume of interest shown in the campaign has been somewhat surprising, in view of the contention, so often repeated by Indians of various political persuasions, that the reforms in their present shape are unwanted. It is true that the Indian National Congress is contesting the elections with hostile intent towards the reforms as a whole, particularly towards the proposed federation with the Indian states. The Congress is endeavouring to maintain its position as the central agency for nationalism, and some of its leaders are genuinely concerned about the deep and growing interest that is being shown in provincial affairs, even by its own members. The party has been virtually forced by events to contest the elections. It aims at winning as many seats as possible, in order that its non-constructive policy may have some chance of success under the new conditions. Many Congress candidates are therefore standing. They hope to have a substantial share of the 1,585 seats in the Legislative Assemblies of the eleven provinces and some representation in the Legislative Councils—the upper houses of six provinces: Madras, Bombay, Bengal, the United Provinces, Bihar, and Assam. It is estimated that the electoral rolls contain approximately 30,000,000 names, which falls short of the anticipated electorate by about 5,000,000. Something like one-sixth

of the voters will be women, who will thus be given an influence in Indian affairs reasonably in proportion to their ability to exert it.

The campaign is, of course, without precedent in recent political history in India. No one knows how the expanded electorate will use its opportunities. There is a bewildering variety of parties and policies, indeed in some parts of the country much confusion. The Congress is the only organised body that is contesting seats in every province. The All-India Liberal Federation has many individual candidates throughout the country, but the Liberals are only loosely organised, finding it difficult to get men to oppose the Nationalists, who claim a monopoly in those political and constitutional ideals to which Liberals subscribe. The All-India Moslem League fosters the interests of Moslems everywhere, but is naturally principally concerned in protecting their status in those provinces where they are in the majority—the Punjab, the North-West Frontier Province, Bengal, and Sind. In the Punjab, however, a provincial organisation, the Unionist party, appeals to the majority of the Moslems. The party was founded by the late Sir Fazli Husain and is now led by Sir Sikander Hyat Khan, who is sponsoring a realistic social and economic programme. In addition there are several sectional groups among the Punjab Moslems, some of which have genuine political platforms, while others derive almost entirely from communalism. The Congress is somewhat weak in the province, and finds its difficulties increased by opposition from candidates representing the Hindu Mahasabha, which disagrees with several aspects of Congress policy, and the Congress Nationalists, who are opposed to the main party's attitude towards the Communal Award.

Party organisations have been slow in shaping, except in Madras, where the sincere efforts to work the earlier reforms have given reality to political alignments. The contest in Madras is between the Congress, the Justice

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party, and a newly formed People's party. Should the Congress win, it is fairly safe to predict that its provincial members will be willing to accept office. Their leader, Mr. S. Satyamurthi, has long indicated his desire to do so. But it is possible that the higher party leaders may decide against the acceptance of office; and their attitude is likely to be determined largely by the success they achieve at the polls. Elsewhere in the country the elections are being fought by minor provincial parties, and by individuals who hope to obtain election by personal influence and local popularity. The existence of communal constituencies and of representation for special interests makes it fairly clear that some of the future Governments must take the form of coalitions. This has already been foreshadowed in Bengal, where Hindu and Moslem leaders have arranged to share Ministerial offices. This agreement is essentially a political one, and does not imply the solution of the communal problem in that province. But as a working arrangement, designed to facilitate the handling of the reforms, it should tend to minimise communal tension, which has long existed in Bengal over the Communal Award, and particularly over the so-called Poona Pact.

By the time this appears in print the elections will be over and the provincial Governors will be forming their Ministries. In making his appointments each Governor has been instructed to select his Ministers in consultation, first, with the elected member who is most likely to command a stable majority in the Legislature, and, secondly, with those persons (including members of minority communities) who will be in the best position collectively to command the confidence of the Legislature. The Governor has also to bear in mind the need for fostering the idea of joint responsibility among his Ministers. These instructions predicate party or coalition Governments, and as parties as such are scarce the tendency will be towards coalitions. In future the Governor will have to be guided by the advice of his Ministers, unless such advice is

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inconsistent with the fulfilment of his special responsibilities. Meanwhile, appropriate financial arrangements have been made to enable the various administrations to be conducted pending the preparation of budgets by the new Ministries.

II. CONGRESS DISSENSIONS

THE annual conferences of the Indian National Congress and the National Liberal Federation were held towards the end of December. The Liberals met at Lucknow, but on this occasion the Congress held its session in a Maharashtra village, Faizpur in the Bombay Presidency. This innovation was approached with misgiving by many, as it was a new experience to stage a political *tamasha* in a rural area. But it appears to have been successful enough, as the Congress leaders have decided to hold their next session in a similar environment in Gujerat. The object in selecting rural sites is to enable the Congress to strengthen its hold upon the agricultural population, and to enhance its claim to speak for the masses. The idea originated with Mr. Gandhi, whose last act in withdrawing from formal association with the party in 1934 was to see that efforts were made to increase the rural influence of the Congress. This has been achieved to a large extent. The number of primary members of the Congress is officially given as 636,131, of whom 433,176 are described as rural members. These primary members are the source from which accredited delegates to the annual sessions are drawn. The delegates at Faizpur numbered 2,222, of whom 1,528 represented rural constituencies.

The need for a stronger mass basis for the Congress was emphasised by its President, Pandit Jawaharlal Nehru, but little that was new was promulgated from the convention platform, and nothing was disclosed to indicate how the organisation was solving the main problems that faced it. The chief controversies within the Congress in recent months have been over socialism, the Communal Award,

and the question of accepting office under the new reforms. Pandit Nehru is an avowed socialist, and he hopes that the "logic of events" will lead to the establishment of a socialist state in India. But for the moment he has decided to relegate socialism to the background of his political philosophy, giving prominence instead to the campaign for independence. For this purpose he urges the formation of an "anti-imperialist front", which he believes will emerge in its fullest form when the Congress brings within its fold all existing peasant and workers' organisations, and all other political units that are prepared to give the demand for independence first place in their policies.

This side-tracking of socialism has not passed without criticism, either from socialists or from non-socialists. The socialists condemn it as temporising with a creed in which they have the fullest faith; the non-socialists criticise it on the ground that the socialist theory has not been discarded by the leader of a popular movement, many of whose members are strongly opposed to it. While the influential Madras newspaper, the *Hindu*, described Pandit Nehru's ambiguous attitude towards socialism as "all very confusing", there is no doubt that the orthodox members of the Congress were appeased by the elimination of socialism from the President's immediate goal. The unity which the Congress ever seeks to maintain has been preserved, at least for the moment, by Pandit Nehru's new policy.

The resolutions passed at Faizpur ranged over a wide field, touching Burma and Spain, outlining an Indian policy in the event of a European war, and reiterating the party's well known views on the constitution, the "suppression of civil liberties", and other political subjects. Some prominence was given to the idea of a Constituent Assembly, an old proposal which was presented in new form in connection with the elections to the legislatures. Some indication of the party's intentions was given in the resolution that was adopted.

. . . The Congress repeats its resolve not to submit to this Constitution or to co-operate with it, but to combat it. The Congress does not and will not recognise the right of any external power or authority to dictate the political and economic structure of India, and every such attempt will be met by organised and uncompromising opposition of the Indian people. The Indian people can only recognise a constitutional structure which has been framed by them and which is based on the independence of India as a nation, and which allows them full scope for development according to their needs and desires. . . .

The party claims that a genuine democratic state in India can come into being only when power has been transferred completely to Indian hands, at which time a Constituent Assembly, elected on the basis of adult suffrage, will devise the future constitution. In the meantime the intention is to keep the idea of a Constituent Assembly well to the fore, and a convention will be held in March to develop the scheme. The convention will be confined to those Congress members who are elected to the new legislatures, the All-India Congress Committee, and such others as the party may decide to include. In effect the convention will remain a party caucus, concerned to design measures for "ending" the constitution in the provinces and opposing the introduction of federation.

As a result of criticisms in the nationalist press, Pandit Nehru has been forced to elaborate his intentions in the matter. He has indicated that the actual Constituent Assembly cannot be convened until the substance of power has passed to Indian hands. He presupposes that all Indian political thought will then find its sole expression through the Congress party, an ideal that shows no sign of early realisation. Liberals and moderates find fault with much of the Congress creed, and the great Moslem minority refuses to recognise the Congress as the one political organisation capable of speaking for the whole country.

The Faizpur delegates agreed to leave a decision on acceptance or non-acceptance of office until the elections were over. The Congress speaks with two voices on this subject. Pandit Nehru is entirely opposed to the acceptance

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of office, a logical enough line for one who maintains that the constitution cannot be wrecked by co-operating with working it. On the other hand, many Congressmen are quite willing to assume office. The general attitude of the party to the reforms, however, finds reflection in the decision to observe a *hartal* on April 1, the day provincial autonomy is to be introduced. The delegates also favoured non-participation in the Coronation *darbar*, although they endeavoured to make it clear that this implied no discourtesy to the King. It is recalled that during the Jubilee celebrations of 1935 a similar call for non-participation went unheeded by the people, who showed the deepest interest in the observance. The party's proposal is therefore not so serious as outside observers might think, and it differs to some extent from former policies adopted by Congress members in regard to official ceremonies. The difference lies, as a Delhi nationalist newspaper pointed out, between "abstention and boycott". Boycott has not been suggested, and it is fairly certain that a visit from King George and Queen Elizabeth will be popular with the vast majority of the Indian populace.

III. LIBERALS AND REALITIES

WHILE the Indian National Congress was losing itself in a labyrinth of false premisses at Faizpur, the National Liberal Federation at Lucknow was analysing political conditions in the country with a much deeper appreciation of realities. The Liberals may be as vehement as the Congress in their denunciation of the reforms, but they recognise that the new constitutions in the provinces are far in advance of those they will displace. While the Congress aims at wrecking the reforms, the Liberals advocate the acceptance of office, with a view to working the constitution for the benefit of the people.

Sir Cowasjee Jehangir, President of the Liberal Federation, was outspoken in his criticism of the Congress policy,

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particularly regarding the party's indecision on the matter of accepting office. In his presidential address Sir Cowasjee pointed out that there was something unfair to the voters in the Congress decision to contest the elections without committing themselves to the assumption of office. In his opinion a policy of this kind would not be tolerated in any country where the electors were trained to a sense of political responsibility, and he contended that the Congress leaders were treating the voters with contempt. Although the Liberal party was far from being satisfied with the reforms, their leaders were prepared to accept office. The Government of India Act was an accomplished fact, and marked a definite advance on the existing constitution. Sir Cowasjee Jehangir reiterated the widely held belief that in the future much will depend on the Governor General and the Provincial Governors. He believed that

given men with wide sympathies and common sense, with which the British nation has been amply endowed, and given Ministers who will not seek deadlocks, the constitution should be given a fair trial. Its success must ultimately lead to a vast expansion of powers, equal to those enjoyed by the Dominions.

This attitude towards the Act finds a response in various political quarters, although the Congress, with its elaborate organisation and a supporting press, gives contrary opinions a wide circulation.

Views of the kind held by Liberals will no doubt find greater endorsement when provincial powers have passed to Indian hands. Hitherto the Congress has never permitted itself to be placed in a position that would require its leaders to render an account of their stewardship to those whom they claim to represent; but in future, and particularly in those provinces where they may elect to take office, the party will be subjected to the normal pressure of public opinion. Doubtless this colours the outlook of those who are opposed to accepting office, for already the Indian press has shifted its attitude towards the reforms and has expressed decided opinions on a variety

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of political issues in such a manner as to make it clear, even to Congressmen, that theorising is not enough. So long as Congressmen are in the wilderness, declaiming popular shibboleths, realistic criticism has been silenced; but Congressmen as Ministers will be forced to recognise, and even accept, the new opinions, although the party will never wholly be deprived of its power to create deadlocks in the legislatures.

IV. POPULATION AND FOOD SUPPLIES

THE latest annual report of the Public Health Commissioner with the Government of India throws into new perspective the old problem of population in relation to food supplies in this country. The last census disclosed that the population of India bordered on 353,000,000, a figure that placed India above China as having the largest population of any country in the world. The population increase in the decade between the censuses of 1921 and 1931 was approximately 34,000,000, which in itself almost equals the population of France. It is estimated that by 1941 the population will approach 400,000,000, and whether this enlarged population can be balanced by an increased food production is a problem of some gravity.

It is clear that this country needs a higher standard of living and improved health conditions, and it is generally assumed that these may be obtained either through increased food production or through a drop in population. A decline in population is not a likely prospect in the immediate future; the customs, living conditions, and illiteracy of the people suggest that the population increase predicted for 1941 is likely to be fulfilled. It would be unwise, however, to conclude definitely that food production will be unable to keep pace with the increase. Agricultural research is constantly yielding methods for increasing productivity, and under Lord Linlithgow the agricultural activities of the Government have been given

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a distinct impetus in recent months. The Viceroy has repeatedly emphasised the need for using the achievements of scientific research for the practical benefit of the people. The Imperial Council of Agricultural Research, since its establishment in 1929, has immensely improved agricultural methods and practices in this country, and has proved its efficacy in improving crops and yields wherever better varieties of crops have been planted. Such work is constantly expanding and developing.

Although there is evidence of widespread under-nutrition in India, there is nothing to show that the *ryots* are worse fed now than in earlier days. This may not be a satisfactory comparison, as standards have been notoriously low for generations. But it is quite probable that the absorption of foodstuffs over a period of years has risen in proportion to the population. For those who believe that improved economic conditions, or a rise in the standard of living, will be followed by a drop in the birth rate, there is some evidence in the Health Commissioner's report that economic conditions are improving; while for those who hold that sooner or later increasing density will tend to lower fertility there may be some consolation in the fact that population density is increasing throughout India. The report also stresses one important factor in regard to the birth rate. There is a considerable volume of opinion among those qualified to judge that the age of females at marriage is rising; this rise will tend to reduce fertility and to lower the birth rate. But in whatever direction the solution of the population problem in India may lie, it is now accepted that there is an urgent need for an investigation into the state of nutrition and dietary habits of the people.

India,

January 21, 1937.

PRESIDENT ROOSEVELT'S TIGHT-ROPE

I. NEUTRALITY PROJECTS

THE basic fact about the United States of America to-day which ought to interest readers abroad is that President Roosevelt has definitely made up his mind to do something of assistance in the troubled world situation. Neither the President nor his advisers, however, know exactly what to do. For two months now they have been exploring all possible suggestions. They have not yet found a program that would meet the two requirements: support of the American people, and genuine helpfulness to the other nations. If or when they do find such a program, President Roosevelt will probably spring to action with all the dramatic eagerness of his character. There is, of course, no assurance that any such course of action will be discovered. The limitations are severe. Public opinion would not support the President in any overseas program that seemed to "involve" the nation. Only some "moral" gesture, some action in the field of disarmament, or perhaps some economic or financial plan, would meet with approval among the vast American majority.

But it is not easy to suggest any "moral" gesture, any disarmament scheme, which would be of genuine value to the nations striving to keep the peace. Already, in 1933, President Roosevelt suggested in a communication to the heads of States that they enter into a non-aggression agreement, pledging themselves not to send their troops across their own national frontiers. Revival of this plan is being suggested here. But its emptiness is pretty well realized. President Roosevelt is well informed on world affairs;

he is a political realist served on the whole by realists, and so he, too, must have discounted the advantages of any such pledge by the nations.

Another suggestion, which is apparently being canvassed at the White House and State Department, is an armaments holiday, or standstill agreement. It is recognized that the armaments race is perhaps the most vicious arc in the whole vicious circle in which the nations are now entangled. But 1937 is hardly the time to suggest freezing present strengths, as people here fully realize, unless some device permitting the completion of present rearmament programs were included. To that idea, also, there are obvious objections. So the State Department brain-trusters, racking their over-worked heads, are driven out of first one and then another suggestion. Even the fertility of peace-planners runs thin.

Yet the contribution that the United States has already made, and is perfecting still further, in the evolution of its "neutrality" laws should be recognized and analyzed. Seeing that these laws require impartiality of treatment towards possible aggressor and aggressed alike, the collective-actionists have been prone to criticize and ridicule them. But a little more realism in considering these laws in relation to practical war-time conditions brings a different view.

First of all, no matter what the form of the final neutrality law that is passed at this session of Congress (and the Bills are as yet in an early legislative stage, with President Roosevelt's hand not yet disclosed) it is already clear that we have renounced the doctrine of "the freedom of the seas" as it has waved irascibly over American foreign policy down through the years. Of course, whether we "wage" neutrality or "suffer" neutrality depends on public opinion as reflected in the policy of the President. It is really not a matter for Congress at all. From 1914 to 1917, we were waging neutrality. The flag followed the war-time trade, from our shores to those of our customers. Germany's submarine warfare assaulted our ships, Great Britain's

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seizure policies also violated our neutral claims. As has been so often pointed out, if Germany had played a more clever game with the United States, we might have been deeply embroiled with Great Britain. That danger has been removed for the time being by American public opinion, expressed in the neutrality statutes. But the most important factor is that opinion itself. If any American goods were seized, or American citizens got into trouble in new war areas, it seems clear that opinion would to-day declare: "They should have kept out of harm's way". The fact that the United States will not be striding about the world with a chip of neutral rights on its shoulder in the event of another war should be a profoundly reassuring fact, not so much to possible aggressors, but primarily to Powers that may be on the democratic, peace-defending side. Particularly, our new policies and state of public opinion should be of intense importance to the Powers that control the seas.

The probable form of our new neutrality statutes is almost equally reassuring to the sea Powers. Everything is headed now toward a re-enactment of our previous neutrality legislation, *plus* some form of "cash-and-carry" plan. This means, of course, that we would sell war materials only for cash, and would insist that they be transported in somebody else's ships. Great Britain has the shipping with which to bring needed war materials to Europe—or at least has incomparably more shipping than any of its potential enemies. It also has more available cash, not only in its own coffers but in the United States already. American banking authorities estimate that over \$7,000 million (£400 million) in foreign investments are now placed in the United States. Of this total, well over one-half is in British and French hands. About one-fifth, incidentally, is estimated to be in Dutch and Swiss hands. It is clear that Great Britain could find the cash to buy war materials in the United States, first through use of available funds in London, then through use of short-term deposits in the United

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States, and finally through disposing of American securities. In its last stages this process might be drastic, but nevertheless Great Britain has the financial resources to buy war supplies in the United States to the total of thousands of millions of dollars.

Thus, Washington does not believe that its present neutrality policies, even if implemented by a cash-and-carry plan, should seriously disturb Great Britain or the democratic States of Europe. The neutrality laws—if enacted as they now shape—would, of course, prohibit export of arms, ammunition, and instruments of war to both sides. But it is assumed that the democratic States—like their opponents, who would probably find their access to the oceans severely restricted—are much more interested in raw materials, automotive products, and the like than they are in bare munitions. Raw materials and automotive equipment would be readily available with far less time-lag than would apply to munitions. Moreover, Great Britain would have the possibility of making purchases of supplies through Canada. Although the neutrality statutes may prohibit shipment of certain products to neutrals, the present branch factories of American automotive companies in Canada would be available for such purposes as were required.

It will perhaps be useful to summarize exactly what sort of restrictions the United States now contemplates on its war-like trade. First of all, there is certain to be a flat, mandatory embargo (which the President will be required to apply as soon as he determines that a state of war, or civil warfare, exists) upon arms, ammunition, and instruments of war. Secondly, there are sure to be restrictions on the travel of American citizens upon ships of belligerent nations or in war zones. Thirdly, there is likely to be either a cash-and-carry plan or permissive authority to the President to apply restrictions upon the export of various war commodities.

It will be seen that the cash-and-carry plan is contrived

not to choke off war supplies—and thus perhaps to shorten the war—but simply to avoid American entanglement. Therefore it should not be resented by belligerents. And if the war-materials restriction is made permissive with the President, there is no ground for complaint until it is applied. The cash-and-carry scheme was devised by the group of Senate isolationists who conducted the long investigations into the munitions business. They are bipartisan, including two Democrats, Senators Clark and Bone, and two Republicans, Senators Vandenberg and Nye. Their method is ingenious :

Whenever the President shall have issued his proclamation (of the existence of a state of war) thereafter it shall be unlawful for any American citizen, partnership, company, association, business trust, or corporation to retain or assert any right, title, or interest in any article or commodity exported by sea from the United States to any port or place which can be reached only by traversing those waters adjacent to a belligerent state which are within the zone of belligerent operations as determined by the President, and no such right, title, or interest shall be recognized by the Government of the United States . . . and any contract for the insurance of risks on any article or commodity so exported, or on any American interest therein, or any American vessel carrying such article or commodity, shall be null and void . . .

This measure is the more extreme of the two that now stand any chance of enactment ; the other leaves the embargo authority in the hands of the President. It will therefore be seen that, so far as any rigid legislative enactment is now concerned, the United States is not likely to cut the sources of war materials from any belligerent that has access to the seas. That fact, coupled with our relinquishment of "the freedom of the seas" contention, constitutes the American contribution—thus far in definite view—to the present European problem. What may be evolved by President Roosevelt and his advisers, engaged in their search for a peace program, is still unpredictable.

II. FLOODS AND PLANNING

NOTHING is more fully reported about the United States in the oversea press than the American weather, and for years now our succession of floods, droughts, untimely freezes, earthquakes and tornados has fully justified the grim boast that "anything can happen in the United States, and usually does". But the floods we have been having this winter have been of more than meteorological interest. They seem finally to have driven home the necessity of national planning and national action to preserve our continent from the fate of China.

At the height of the floods along the Ohio and Mississippi, President Roosevelt sent to Congress recommendations for a long-range national plan and a regular annual building program. Nothing could have been more timely, and it will probably be enacted. These floods, if one may say so, are politically convenient to President Roosevelt, not only in driving home a recognition of the need for planning, but also in preserving the emergency atmosphere that prevailed during the greater part of the first four New Deal years, and was beginning to give place to a feeling of "normalcy". Again Washington has been on a 24-hour, "war-time" basis. Again we have "commanders-in-chief" dictating the government and life of beleaguered communities. Again we are breathless. Again the President's eyes sparkle, and he directs his subordinates like chess-men. Again Congress falls into a mood of heavy spending. Again we need to spend rather heavily, if for nothing more than the relief of suffering.

Out of the wreckage left by the floods and droughts—and despite the fact that these tragic experiences are forgotten with all-too-human celerity—we are likely to see rise a better planned America. The specific method of curbing Ohio river floods, for example—and thus of decreasing danger in the lowlands along the Mississippi all the way to the Gulf of Mexico—is to build vast storage reservoirs.

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The Administration proposes to build 14 of them right away, and ultimately as many as 39, although no less than 89 are said to be necessary for complete protection. But 14 will do very well as a start. These reservoirs not only serve as flood control, but they also permit extensive power production, they improve recreational and sanitary amenities. Some river basins have already been tamed by this method. The public advantages are quite evident.

The method of salvaging the drought-hit areas—with another summer of possible drought ahead, because the amount of moisture being held back in the great plains is woefully insufficient—is more complicated. It involves moving a large number of people to better areas, but the major method is to turn present wheat and corn lands back to the range. As grasses gradually re-establish themselves, the natural moisture is held back, the soil does not erode either from water or from wind. And there are numerous other methods of control, such as contour-plowing, terracing, reforestation, and the like.

With four more years of Roosevelt building, by which time the habit of national planning for the safeguard of our physical heritage ought to be established, the face of America should look far less woebegone than it now does, ravaged by the searing droughts of summer and the raging floods of winter. At the same time, a national planning policy in the realm of resources naturally leads to planning in the industrial and labor fields. That crisis is immediately ahead.

III. THE AUTOMOBILE STRIKES

WE are witnessing one of the epochal attempts in American history to push trade unionization to the point where genuine collective bargaining is possible. It is essential to remember that there is no responsible organization to speak for labor in many American industries, of which the most notable is the automotive business. For

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over a year, therefore, John L. Lewis—the long-maned, prognathous-jawed leader of the Committee for Industrial Organization, and head of the most powerful union in American history, the United Mine Workers—has been laying his lines in the automotive industry.

Mr. Lewis's drive had great advantages and severe handicaps. The main handicap was that he started from scratch, with no union worthy of the name in the entire industry. An earnest young preacher who lost his pulpit,* but who had worked very little in motor factories, became head of the Automobile Workers Union. His dark eyes flashing behind studious, rimless-spectacles, this clergyman, Homer Martin, stepped straight out of a novel. His union commanded a meagre minority in the industry. But he and Mr. Lewis knew perfectly well that peace-time recruiting could not build up their strength. There are too many deterrents from the manufacturers, in the form either of a bland rain of pay-checks, or of positive intimidation. A committee headed by Senator La Follette, the Wisconsin progressive, has recently summoned under *sub poena* a revelatory succession of industrial spies, men who earn large sums of money as informers and *agents provocateurs* to prevent or cripple unionism. So Messrs. Lewis and Martin decided that only in an atmosphere of strike could they swell their ranks, particularly if they should win or draw in the outcome.

They had the great advantage of a fragile automotive industry. General Motors Corporation, like the individual motor-car factory, is a great assembly-line. Close two or

* It is interesting to note how many clergymen have sprung into prominence in what some call social reform, others agitation, in recent months in the United States. Father Coughlin was our most striking example; Gerald L. K. Smith, a fiery follower of Huey P. Long, seemed at one time a possible American Hitler; Dr. Townsend's old-age-pension movement is largely staffed with clergymen, with or without pulpits; and in state after state the "radical" movement which generally means "crack-pot" panacea-chasing instead of adherence to an economic or political philosophy—is dominated by smouldering-eyed clergymen with a gift of the gab.

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three essential units, taking out only a few thousand men, and you stop the whole thing. Meantime, General Motors' competitors, Ford and Chrysler (which makes the Plymouth car as well) merrily kept on manufacturing cars and holding their far-flung distributive systems intact. The pressure on General Motors was therefore very great.

But the union leaders adopted the new technique of the sit-down strike. Although it was particularly comfortable to sit down (and eat and sleep and live) in factories that make nicely upholstered motor-car bodies, this strike was almost too effective. Like the general strike, it tends strongly to alienate public opinion. Moreover, the public has never learned to regard motor-car manufacturers as industrial ogres, in the fashion of steel kings or textile barons. The General Motors people, Walter Chrysler, and Henry Ford, are looked upon as noble, self-made men, who used to repair bicycles within the memory of many people. They are the heroes of success-stories; they have not huge paunches, they do not glitter with gold and diamonds, and they are not recalled as smoking long Havana cigars.

The union's weakness, the company's relative favor with the public, were balanced off against the very real grip Mr. Lewis had upon General Motors production in a severely competitive business. A compromise settlement was the only possible outcome, leaving Mr. Lewis in somewhat strengthened position, but not yet master of the industry, nor yet leader of a real American labor party.

IV. THE POLITICAL FUTURE

HERE, it is obvious, we come to the great American question of to-day. Which are we moving governmentally, after the landslide re-election of President Roosevelt?

First of all, the paradox must be pointed out that the very landslide has had a moderating influence. It has made

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Mr. Roosevelt the President of the whole people. It has cancelled his political indebtedness to any particular groups, for his majority was far greater than any single group. It opened the way to what the label-lovers called "an era of good-feeling", copying the historians' phrase for President Monroe's Administration in the 1820's. And it has left the President precisely where he was during all his first Administration: an assiduous student of public opinion, a practitioner of the "quarterback-theory" of government, which simply means the rule of expediency.

This is not to be taken as a slighting description. President Roosevelt, like any other democratic official, seeks to govern by majority rule and to adapt his governance to the times. In his second term, his job is not to get re-elected (as it was inescapably for a large part of his first term) but to write a great record for history. His own strong preference is to rise above party, to govern as the leader of an united people. His closest friends and advisers are drawn equally from his own Democratic party and from the progressive Republicans. President Roosevelt, in short, is a born centrist. He has described himself as "just to the Left of Centre".

And that is where the majority of the American people are to be found at present. Sometimes the President darts Leftward, sometimes he swings to the Right, but these gestures are simply to preserve his balance in the Centre. He comes under pressure from both wings, and he responds to both. He exasperates some of his friends who have fixed convictions. But if you admit the legitimacy of a centrist philosophy, you make an honest philosopher of President Roosevelt.

Already, in his second term, the President has taken steps in both directions. Within two days, he rebuked both employers and workers in the General Motors strike. After sweetly reassuring business following the election, he has turned around and gone after the private utilities in the Tennessee Valley area with knife and machine-gun.

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At least, he has threatened them with such weapons. Much turns on the power issue; in the eyes of social planners it is the basic issue. The President, by threatening to set up a completely competitive system of government-owned and -operated power lines in this vast southern empire, may simply be seeking a more favorable grid-system alliance with the private utilities. In short, his centrist philosophy may be in process of application, and we are merely seeing a realistic form of government regulation rather than a move toward full socialization.

From every standpoint, the next few years look like a period of consolidation, of improvement in the hasty reform laws passed in the last term, of careful drafting of new projects. Not the least important of these new plans is that for governmental reorganization. A weighty report, recently sent to Congress, would increase the Cabinet portfolios by two, draw into the departments the long list of "independent offices" that have grown up through the years, and, most important of all, would extend the civil service higher in the governmental structure and provide for the first time a well-paid career service on the British model. If President Roosevelt achieves this reform, he will have written his name large in American history.

Countless unsolved problems remain, but they are problems on which there is much national agreement. Of the two greatest challenges, one is that of housing, which, in turn, is the key to an American rebuilding program potentially as great as the railway-building expansion of the last century. The other is the betterment of tenant-farming conditions, which keep in degradation a large and growing group of hopeless people, of good racial stock, in the south and west.

As long as President Roosevelt deftly maintains his position in the Centre, the likelihood of either a strong Left or a strong Right party is small. In 1940 he must pass the baton on to other hands. The most attractive younger man to-day is Henry A. Wallace, the thoughtful,

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philosophical, religious, sturdy Secretary of Agriculture. Whether Mr. Wallace can acquire political tricks remains to be seen. He, too, is a born centrist. As long as this centrist position continues, President Roosevelt or his successor can hold the great bulk of the Democratic party behind him, and attract big sections of the Republican party. The Centre position might be well-adapted to a period of relative but somewhat precarious prosperity. In case of hard times, or perhaps European war, the President would have either to move toward the Left or to take up a stand above all party lines until the *dénouement*.

Therefore, we are still living our political philosophy from day to day. Strong lines are not yet drawn. The Opposition is at sea. But we have a strong executive, the best of guarantees of stable policy in case a crisis strikes the world. We are equipped for a cyclone or for sunshine, and it is hard to say which of these would more decisively drive President Roosevelt from his tight-rope.

The United States of America
February 4, 1937.

GREAT BRITAIN

I. UNIFORMS AND UNIFORMITY

THE fascist-communist thunder-storm, which overcast political skies in the autumn, has rumbled away below the horizon. For this a number of reasons may be responsible: returning industrial prosperity, the unseasonableness of open-air demonstrations, the Government's show of determination to prevent the militarisation of politics. The Public Order Bill * duly passed into law, and became operative on January 1. The Government proved ready to introduce or accept amendments to the Bill designed in the interests of the liberty of the subject, which some thought were encroached upon by certain of its clauses; but the ban on "uniforms signifying association with any political organisation or with the promotion of any political object" they refused to modify, resisting attempts to define the term "uniform" or to limit it to the "military or quasi-military". The British Union of Fascists issued a statement recording the opinion of counsel that the blackshirt uniform was illegal; that an ordinary shirt of black colour with tie worn under an ordinary suit was legal; and that their organisation was not otherwise affected. They added: "As it is the consistent policy of the movement to obey the law of the land, the black-shirt uniform therefore will not be worn by members in any public place or at any public meeting".

At the end of January a prosecution was successfully brought at Leeds against a Mr. Wood, who had sold fascist newspapers in the streets wearing a black peaked cap bearing emblems, a black shirt and tie, riding breeches,

and a black overcoat. The defence was that this costume was not a political uniform but a newsvendor's livery, owned and issued by a firm called the Action Press Limited. It was admitted that the Action Press had the same address as the head office of the British Union of Fascists, of which Wood was a member. The defendant claimed that when Sir Oswald Mosley wore a similar uniform he did so as a newsvendor for the Action Press, and would have it withdrawn from him if he failed to sell, or pay for, at least 2s. 2d worth of newspapers each week. In recording a verdict for the police, the stipendiary magistrate said that one had to put oneself in the position of the man-in-the-street, and consider if to him the person charged would appear to be wearing something that showed he was a member of a particular party. A few days later a successful prosecution was brought at Hull against men who had worn black shirts or pullovers (not all wore black trousers), brassards, and belts with a fascist badge on the buckles. The magistrate said he thought that if a uniform was intended to mean a complete outfit, as the defence contended, then Parliament would have said so.

The fascists are not the only organisation to feel the effect of the Act. The secretary of the Independent Labour party received a letter from the Commissioner of the London Police, before the Act went into force, stating that he had been advised that uniform signifying the wearer's association with the I.L.P. was a prohibited uniform. The Secretary replied that, while he had transmitted the Commissioner's letter to branches of the party and to the Guild of Youth, in his view the red shirts and red blouses worn by members of the Guild were in no sense a military uniform, but were worn mostly on rambles, for sports purposes, and on week-end outings. It is not, however, military uniforms but political uniforms that the Act prohibits.

This handicap to public demonstration may have

* See THE ROUND TABLE, No. 105, December 1936, p. 183.

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accelerated the plans of the British Union of Fascists to establish themselves as a parliamentary political party on a national scale. Lists of fascist candidates for different constituencies have been published from time to time since November, and the objective is stated to be to put up 400 candidates at the next general election. This decision cannot be regretted. Parliamentary election is the core of our democratic constitution, the crucial test of the appeal of any political creed to the people as a whole. The entry of the fascists into the parliamentary arena will provide the first real test of their strength. In view of his earlier experiences with new parties at the polls, Sir Oswald Mosley may be excused a certain amount of apprehension on this score.

The debates on the Public Order Bill exposed the conflict between the desire to afford everyone political and social freedom, and the desire to handicap those whose objective is to injure that freedom, whether they be fascists or communists. A similar occasion was furnished by an official announcement, early in January, that the Lords of the Admiralty had satisfied themselves that the continued employment of a certain five dockyard workers was not in the interests of the naval services, and that their lordships had no further statement to make. Concern was at once aroused in Labour party and trade union circles, and the uneasiness spread further than that. In answer to a question by the leader of the Opposition, Sir Samuel Hoare denied that the men had been discharged because of their political views. So long as any dockyard employee's work was satisfactory, and his politics neither interfered with it nor led to courses that would endanger the navy and the state, there never had been any interference with him. There did, however, arise very rare cases in which individuals departed from the high standard of loyal conduct that the dockyard personnel themselves had set up. Such cases in a royal dockyard involved serious risks, dangers and anxieties. Information had

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reached him of subversive activities on the part of certain men. After a personal investigation he had had the cases exhaustively examined by a committee of highly placed, responsible and experienced permanent officials, all being civilians, and some being drawn from outside the Admiralty. Although the committee had given the greatest possible weight to all points in favour of the suspected individuals, their unanimous view was that in the interests of the safety of the navy the five men should not remain in employment in His Majesty's dockyards.

The Labour party insisted on pursuing the question in the form of a vote of censure, regretting the action of the Government in dismissing the men without informing them of what offences they were accused or affording them any opportunity of making any defence. The First Lord, however, was adamant, adding little to his previous statement. He admitted that it was the secret service—whose existence he deplored but insisted was necessary—that had supplied the information about the discharged men. They could not be told anything without betraying the methods of the secret service; therefore in the interests of the state they had to be told nothing. Dislike of the system of espionage is universal among the people of this country, and, while the rejection of the censure motion by 350 votes to 145 no doubt fairly represented the view of the House on the necessities of the case, a great many people were left with a feeling of profound disquiet that those necessities should exist. As the *Manchester Guardian* put it, "the safety of the state is of the first importance, but so is the safety of the individual".

The Labour party has not been entirely happy in its domestic affairs lately. The reaction to five years in Opposition, as well as the example of "popular fronts" in other countries, has given rise to a number of proposals for alliances on the Left. To some extent these proposals have cancelled each other out; for while a "popular front" has been taken by some to mean a union

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of all the radical critics of the Government, including the Liberals and even possibly some dissident Conservatives, others have adopted the slogan "No enemies on the Left", implying the consolidation of the Labour and the Communist parties and of any groups between them. These two policies would be diametrically opposed. The first, perhaps, offered the most tempting chance of securing a majority representation for the Left, but it has been rejected by the official spokesmen of both the Labour and Liberal parties, and in fact it is only the second that has had any practical manifestations. In the middle of December the Communist party, the Independent Labour party and the Socialist League issued a joint statement foreshadowing what was described as a united front between those three bodies. The Labour party has consistently extruded the Communists from membership, and the I.L.P. was also disaffiliated some time ago. The Socialist League, of which Sir Stafford Cripps is the leading personality, retained its affiliation to the Labour party. The purpose of the united front was said to be to resist fascism and to concentrate joint propaganda on the means test and other social questions. The united front was approved by the three constituent organisations on January 17, the Socialist League accepting it by a majority of only 56 to 38. A fresh manifesto expressed implacable opposition to the rearmament and recruiting programme of the National Government. The I.L.P. made certain reservations with regard to association with the other two bodies, declaring that it maintained its opposition to working-class reliance on the League of Nations, the collective system of peace, and military pacts between capitalist governments. In this respect it disagreed with the policy of the Soviet Government, but it recognised the need to subordinate criticism of Soviet policy in order to mobilise support for Russia arising out of its action in relation to Spain.

A few days before the united front was consummated, the national executive of the Labour party issued an

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appeal for party loyalty, declaring that association with two kinds of organisation was in direct conflict with the decisions of the party conference. The two classes were :

- (a) organisations which were clearly formed to pursue united front or popular front activities;
- (b) organisations which were being promoted to weaken the party's organisation and electoral power by association with other political bodies which did not share the party's determination to achieve its democratic socialist objectives.

It was, therefore, to nobody's surprise that the party executive disaffiliated the Socialist League. This, it was explained, did not imply the expulsion from the Labour party of individual members of the League who might also be party members. For its part, the Socialist League urged its supporters to retain their Labour party membership. The divisional Labour party for Sir Stafford's own constituency passed a resolution expressing its complete confidence in its member and regretting the disaffiliation of the Socialist League. The fate of the united front will be anxiously watched by the orthodox Labour leaders, though their anxieties are mitigated by the great power in the Labour party of the trade union movement, which always inclines to be moderate and to oppose the forces of communism, which it regards as dangerously disruptive of its own industrial and political power.

II. THE SPECIAL AREAS

AMONG the most striking of King Edward VIII's public acts was his visit in November to the distressed areas of South Wales. He was accompanied by the Ministers of Health and Labour, by Mr. Malcolm Stewart,* the retiring Commissioner for the Special Areas, and by his successor, Sir George Gillett. Great publicity was given to His Majesty's statement at the end of the tour :

Something will be done about unemployment. I can sympathise with you. Everything will be done that can be done.

* Mr. Stewart has since been honoured with a baronetcy.

A few days earlier, the Government had had to face the prospect of a revolt of a section of their own supporters on the issue of help for the special areas. The Special Areas Act had been scheduled in the annual Expiring Laws Continuance Bill, a gesture of apparent satisfaction with its form and operation that was resented by the Opposition and by a large number of Conservative members. Mr. Chamberlain mollified the critics by declaring that a list of proposals for government action put forward by Mr. Stewart, some of them for enlarging the Commissioner's powers of assistance under the Special Areas Act, were being carefully and sympathetically considered. He proposed to leave the Act in the Expiring Laws Bill, but to bring in before the end of the financial year an amending Bill giving the Government the necessary additional authority. Feeling remained strong, and on the committee stage the Government were induced to accept a Conservative amendment making the expiry date of the Special Areas Act May 31, 1937, instead of the following March 31.

One of the proposals most frequently and earnestly put forward has been the appointment of a separate Minister for the special areas. This proposal is open to criticism, even from the point of view of the areas themselves, but there has been a certain amount of evidence of the need for some person or body to co-ordinate government economic policy with an eye to those patches of the country's economic life—not necessarily geographical patches—that are below the standard of prosperity. The large-scale intervention of the Government in the normal industrial life of the country through its rearmament programme makes this need all the more urgent. An incident of minor importance in itself, but possibly significant as a straw in the wind, was the decision to establish a new aircraft factory at White Waltham, an agricultural and residential neighbourhood not far from Maidenhead. The decision was assailed, not only by those who held that in the erection of factories preference should always be given

to the more depressed industrial areas of the country, but also by those who deplored the defiling of the countryside, and by those who conceived the chosen site to be unnecessarily vulnerable from the air. Under pressure the Government rescinded their decision, and the factory is to be built in Lancashire. It was also announced in January that in disposing of the Wolseley aero-engine plant and assets * Lord Nuffield had stipulated the transference of the business to a distressed area, and that the whole concern was being re-established on the Clyde.

But this was only a fragment of the distressed areas' debt to Lord Nuffield, whose munificence had recently been displayed by the gift of £2 million for the establishment of a post-graduate school of medical research at Oxford. On December 21 he announced that he had placed at the disposal of trustees a like sum for the benefit of the special areas. The trustees would have full discretion to use the capital of the trust for the initiation or support of measures likely to give employment to those living in the areas, as well as measures designed for their social betterment. Lord Nuffield appreciated, he said, that the Government had done and was doing all that was possible within its legitimate sphere, but he felt that there was still room for a trust, the scope of whose activity would not be subject to those limitations necessarily involved in the expenditure of money authorised by Parliament.

The Labour party has been conducting its own investigation into the state of the special areas, and at the end of January its commission of inquiry published an interim report containing a number of specific proposals. These included the appointment of a Minister for special areas, to whom the Commissioner would be responsible; the allotment to him of much greater funds and powers than the Commissioner at present possessed, including the power to vary by order the boundaries of the special areas,

* See THE ROUND TABLE, No. 105, December 1936, p. 176.

and to make grants up to 100 per cent., if necessary, of the cost of approved public works under local authorities; additional exchequer grants to reduce the public assistance rates in the special areas to the national average; the establishment in the areas of new state enterprises, particularly for arms manufacture and the extraction of oil from coal; financial assistance to the coal trade so as to equalise conditions between this country and its subsidised European competitors; great improvements in communications in the special areas, on grounds not only of commercial development but also of defence and tourist traffic; the raising of the school age, improved pensions for older workers, and drastic and immediate steps to raise standards of living by the provision of free meals and milk and by the revision of the present unemployment assistance regulations.

III. THE RATE OF INTEREST

IN deciding its policy towards proposals made on behalf of the specially distressed areas and industries of the country, the Government has constantly to weigh up two sets of considerations. The first is financial, including not only the initial cost of measures of relief or subsidy, but also the prospect of continuing financial liability, direct or implied, for improvements and activities that might prove mere efforts to sweep back the Atlantic of economic change. The second set of considerations turns on the problem whether such assistance as the Government can give, within the means at its command and the proper scope of socialised activities, ought to be concentrated on the special areas or rather devoted to general economic expansion. This in turn raises the whole issue of the economic condition of the country, the likelihood of further general industrial recovery, and the possibility of a relapse into depression after a temporary boom.

These questions were directly raised, and emphatically

answered, by Mr. J. M. Keynes in a notable series of articles in *The Times*.* He believed, he said, that the country was approaching, or had reached, the point where there was not much advantage in applying to economic activity and employment a further general stimulus at the centre.

So long as surplus resources were widely diffused between industries and localities it was no great matter at what point in the economic structure the impulse of an increased demand was applied. But the evidence grows that . . . the economic structure is unfortunately rigid, and that (for example) building activity in the home counties is less effective than one might have hoped in decreasing unemployment in the distressed areas. It follows that the later stages of recovery require a different technique. To remedy the condition of the distressed areas, *ad hoc* measures are necessary. . . . We are in more need to-day of a rightly distributed demand than of a greater aggregate demand; and the Treasury would be entitled to economise elsewhere to compensate for the cost of special assistance to the distressed areas.

The general theme of the articles was the need for preventing a recurrence of the boom-slump cycle, in view of the fact that we would soon be approaching the peak of the curve and might, if no preventive steps were taken, expect a repetition of the downward slide. The prolongation of prosperity was essentially a matter of maintaining the level of new investment, but the longer recovery had lasted the more difficult did it become to keep new investment stable. A large part of the investment that occurred during a recovery was, in the nature of things, non-recurrent; another part became progressively less easy to sustain, because with each increase in the stock of wealth the profit to be expected from a further increase declined; and a third part might be checked by the disappointment of exaggerated expectations. Mr. Keynes repudiated the belief that dear money is a "natural" or "healthy" consequence of recovery. In the past it had

* January 12, 13, and 14, 1937.

certainly been a symptom of a boom, but it had no less certainly heralded a slump. "We must avoid it, therefore, as we would hell-fire". Nevertheless, a phase of the recovery might be at hand when it would be desirable to find other methods of temporarily damping down aggregate demand, with a view to stabilising subsequent activity at as high a level as possible.

Just as it was advisable for the Government to increase debt during the slump, so for the same reasons it was now advisable that they should incline to the opposite policy; hence the main part of the cost of armaments should be met out of taxation. Just as it was advisable (from our own point of view) to check imports and to take measures to improve the balance of trade during the slump, so it was now advisable to welcome imports even though they resulted in an adverse balance of trade.* Just as it was advisable for local authorities to press on with capital expenditure during the slump, so it was now advisable that they should postpone whatever new enterprises could reasonably be held back. The promotion of public investment in such fields as building and transport and public utilities, at a later stage when private investment should be flagging, required long preparation in advance. Now was the time to appoint a board of public investment to prepare sound schemes against the time when they should be needed. So long as national productive resources were not fully employed, the rate of interest must be reduced to the figure that the new projects could afford. The Bank of England and the Treasury, said Mr. Keynes, had the power to hold down the long-term rate of interest to the required figure, "by the exercise of the moderation, the gradualness, and the discreet handling of

* The excess of imports over exports in 1936 was £348 million, £73 million greater than in the previous year. It seems likely that this extra deficit was made up by increased invisible receipts, mainly shipping earnings and dividends on investments in such industries as rubber, copper and tin, but that there was little or no margin, on balance, for fresh capital investment abroad.

the market, of which they have shown themselves to be masters".

While Mr. Keynes's views have received a remarkably unanimous measure of endorsement from economists, the financial press, the heads of the great joint-stock banks and other responsible quarters, not everyone agrees that the authorities' power of financial control is so assured. It has been shown* that if the advances of the London clearing banks rise in the course of 1937 to £1,000 million—roughly £130 million above the present level—they will require, not only the parallel advance in deposits that is normally to be expected, but also an increase of £15 million in their cash holdings; otherwise they must be forced to raise the long-term rate of interest by disposing of some £100 million of the government securities which they at present hold. Such an increase in bank cash the Bank of England and the Treasury certainly have it within their power to supply, but can they do so without generating unhealthy features of inflation, such as rapidly rising prices, which would be a handicap rather than a stimulus to the kind of investment that is most required? In any case, the price of government bonds has already been depressed by the prospects of rearmament finance. Not even those who agreed with Mr. Keynes on the need for paying for arms out of current revenue thought that a loan could be entirely avoided, but most people were surprised by the scale of borrowing actually thought necessary. Readers of *THE ROUND TABLE* who remembered the hint† that five years of rearmament might cost some £450 million above the level of 1935–36 estimates need not have shared that surprise. Mr. Chamberlain announced on February 11 that he would ask for power to borrow up to £400 million, spread over five years, the service to be charged against the defence votes. The following day, 2½ per cent. consols stood at 81, their post-slump peak having been 94.

* *Economist*, January 23, 1937. † See No. 103, June 1936, p. 598.

CANADA

I. CANADA AND THE NEXT WAR

WITHIN the last twelve months the Canadian people have begun to find foreign policy a serious business, and one for which their national experience has done little to qualify them. The League of Nations, under whose aegis the country took its place as an autonomous member of the international community, and whose effective operation would have removed the ominous problems now on the horizon, reveals an alarming impotence, and the ordered world of post-war expectations proves an unmapped wilderness. In these unwelcome circumstances, the responsibility which the nation so recently and so proudly achieved becomes something of a burden. It has become urgently desirable to define the Dominion's attitude in world politics; but the effort to do so encounters at every turn the conflict of old loyalties and new aspirations, and threatens to reopen a racial cleavage which the buoyancy of rapid progress had tended to close in mutual congratulation.

The bewilderment of the moment contrasts painfully with the optimistic confidence of the 'twenties. There has been a deflation in politics scarcely less marked than the economic depression; but, whereas economic confidence is returning, the slump in international politics descends towards its nadir.

The decade of 1920 to 1930 will stand in history as an era of boom in the growth of Canada. The Treaty of Versailles placed her formally among the adult nations, and successive Imperial Conferences struck off the last bonds of colonialism. The tempo was exhilarating. It was high

time that a people of ten million souls, ranked already among the first ten commercial Powers and possessed of vast territory waiting to receive and to be further developed by the surplus of Europe's population, should have its voice in the councils of the world. Political theorists hailed release from parochialism, the opening of magnificent new horizons, the promise of new dignity in public life. Nothing comparable had happened since the great days of 1867, when confederation had bound together a scattering of isolated and struggling provinces in one broad Dominion.

Of course there were doubters. Canada was not without those plain-common-sense people who believe that war is a function of human nature and that organisation for its prevention is therefore sheer folly. There was, moreover, a school of British imperialists who found colonial status quite to their liking and thought that complete control of foreign political relations should be left in the strong and skilled hands of Great Britain. This craze for autonomy was being pushed too far. The Dominions had bitten off more than they could chew, and the effort at mastication and digestion might disrupt the Empire.

Opposition of this sort was strengthened by the abstention of the United States from the League itself and from its offshoot, the Permanent Court of International Justice. Not that Canadians had any fear of trouble in direct relations with their neighbour; that was a familiar realm in which they moved with confidence. But what if the country were called upon to take part in sanctions against a violator of the Covenant, and the United States insisted upon full trading rights? What if the offender were a Latin-American State, and Washington stood on the Monroe Doctrine against intervention? Worst of all, what if some aggrieved member appealed under Article 17 of the Covenant against the United States? Any one of those hypotheses might find Canada bound to participate in measures involving sharp conflict with the Power upon whose good

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course might have entailed risks and required courage. But the risks could hardly have been greater than those involved in the chaotic scramble of power politics, which is the inevitable alternative to a collective system. As for courage, she failed, along with so many of her fellow members, to realise that the creative quest of peace, no less than the destructive art of war, demands that virtue in full measure.

However that may be, there is no escaping the conclusion that Canada must accept a share of responsibility for the failure that has produced her present quandary. Hitherto, in spite of all the weakening reservations that she initiated or approved, she has nursed the hope that the League, Locarno and the Pact of Paris would ward off the type of crisis that would require swift and clear decision as to how far she is prepared to back the Commonwealth or the Covenant. Now, on the contrary, everyone knows that such a crisis may confront her from one day to another, and it has become a matter of immediate personal interest to know what the country is most likely to do about it. Will Canada again identify herself for better or worse with the fortunes of Great Britain? Will she attempt to cut herself off from Europe and, stifling old sentiment, find her sole directives in her North American situation? Will she aim at the cloistered isolation that has been recently praised by certain leaders of French-Canadian thought? Will she join, this time with knowledge and acceptance of all its implications, in any serious movement that may develop for re-establishing the collective system?

The Canadian people includes backers of all four alternatives, and no one can say with certainty which of them would rally a majority. But political commentators throughout the Dominion are now constantly trying to define the four groups of opinion, and to analyse the factors tending for and against each group.

At the British Commonwealth Relations Conference held at Toronto in 1933, there appeared to be a pretty

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general conviction that the continuance of Commonwealth unity depended upon the maintenance of an international organisation capable of keeping peace. Since that date, this has become more or less an axiom for political theorists in Canada. The reason given is that certain of the Dominions would probably, in the event of a British war in which they did not feel themselves directly concerned, demand neutrality. It had long been theoretically conceded that no Dominion was bound to participate actively in hostilities in which the Mother Country was involved. But "passive belligerency" and complete neutrality are different things, and the latter would appear possible only if the whole constitutional bond with Great Britain were severed. On this reasoning, therefore, any major war involves the risk of splitting up the Commonwealth.

There are still Canadians who put loyalty to the Mother Country above every other political affiliation. But both the number and the influence of these imperialists, so called, have diminished since 1914 in proportion to other elements and other forces in the population. On all sides one hears it said that the enthusiastic rallying of that fateful year will not repeat itself. The burdens of the war still weigh crushingly, and the disillusionment of an otherwise barren victory has been accentuated by the bankruptcy of the institution that alone, among its products, promised lasting benefit. More and more English-speaking citizens add their voices to those of the French-Canadian bloc, which forms almost thirty per cent. of the population and which clamours with something like unanimity for total abstention from all foreign wars. Whether or not they know it, the members of this composite group are asking for secession from the Commonwealth. Their further protest against any commitment to military action on behalf of an organised society of nations is tantamount to a refusal to participate in an effective League. Their aim would therefore appear to be pretty complete isolation.

A second group proclaims itself sick of Europe with its eternal strife but, instead of walling the country off from the rest of the world, would welcome closer intercourse and more active co-operation with the other nations of this hemisphere. Recently such a policy has been enlisting an increased number of adherents. While still too vague and disparate to be called a movement, the trend is encouraged by a palpable change in sentiment towards the United States. For some time past there has been distinctly less of that superficial anti-American irritation which, in spite of excellent official relations, was so apparent a few years ago. Some acute causes of friction have disappeared or lost their virulence. The end of prohibition brought cessation of the rum-running incidents; the judgments of the Supreme Court and the care taken to secure their execution, assisted no doubt by the more pressing pre-occupations of the depression, have taken the sting out of the Chicago water-diversion grievance. The depression itself, by deflating the all-confident, all-booming commercial supremacy of the United States, and exhibiting that country in the throes of financial and industrial panic, weakened the familiar inferiority complex and generated more fellow-feeling. Anyone who doubts the change should compare the Canadian tempest over the reciprocity pact of 1911 with the gratification that greeted the similar agreement of 1936, and, with that introduction, should note the sympathetic interest displayed by the press in President Roosevelt's plan of pan-American peace.

The last group is made up of those people, not all of them identified with the despised class of idealists, who believe that Canada must inevitably be involved, late or soon, in any general war in which Great Britain is a belligerent. According to this school, one of two things must happen if and when such a war breaks out. British sentiment in the country might still be strong enough to force active assistance. But, if this should not prove to be the case, the injuries to the trade, property and persons of Canadians,

which protracted hostilities would necessarily entail, would end by reinforcing British sentiment to the point where neutrality would become unendurable.

Given these premisses, there is only one logical conclusion, namely, that this country must work heart and soul for a League strong enough to prevent war. Unhappily such counsel, sound as it may be for the long term, offers little help in the immediate predicament. The great Powers are embarked on a course that appears to mean war. Can any human agency turn their energy at this juncture to the organisation of a stronger peace? Must not we resign ourselves to another war before reason can reassert itself? One hope is held out by the optimists, and that has a forlorn aspect. It is that the United States may avert the threatening world disaster by summoning a conference of the potential belligerents at Washington.

In the wide intervals between these well-defined bodies of opinion stand multitudes who have done little or no thinking on foreign policy or whose thinking has led to no definite conclusion. Among these would be found many pious souls who for years have been preaching the League of Nations, with little knowledge but much emotion, but who, when the question of supplying it with the physical force necessary to carry out its decisions seemed likely to be raised, discovered suddenly that they had never believed in any force other than "public opinion". Angry as he may be, the idealist will usually concede that the Government, when it retreated last December from unpleasant complications in the Ethiopian crisis, probably had the mass of the people behind it.

There is little means of gauging how the nation stands. Straw votes of the extent now common in the United States are still unknown in Canada. Some talk has been heard of a peace-ballot like that organised with such notable results in Great Britain. But the League of Nations Society in Canada has not yet the confidence, or the financial resources, to launch such a plebiscite. A strong leader might impose

upon the country a clear-cut policy of isolation, of North-Americanism, or of internationalism. But the risk to party fortunes that such a move would carry with it is sufficient to deter any contemporary politician from making the venture.

One possible test remains. The National Government in England has believed itself forced into a vast programme of rearmament. Again, as in the period from 1909 to 1914, the question of assistance by the Dominions is being raised. The parliamentary debate which any proposal to contribute Canadian money, ships or troops must occasion at Ottawa may compel the people to declare itself. If that does not happen, or if the voice is not decisive, the outbreak of war, with its imperious demand for instant action, will try, more sorely than anything has tried it yet, the cohesive strength of Canada's federal nationhood.

II. REARMAMENT

IN Canada the problem of defence was virtually in abeyance from the end of the war until the present year, when it has again been brought into the forefront of public discussion. The Canadian people were exceedingly proud of the war-time exploits of their oversea army; when the war was over, however, they were content to see it demobilised and only a small permanent force retained. Largely through the enthusiasm of public-spirited officers who had served in the war, the different militia corps were kept in being, but when economies had to be made during the depression in the votes for the Department of National Defence many militia units had a very difficult time. The grants available for equipment and training were small, and only the generosity of the richer officers in supplementing them enabled the units to survive as efficient cadres. The strength of the permanent military and naval forces was also reduced, and Canada could justifiably claim that she had carried the process of disarmament further than any other civilised country, except perhaps Denmark.

The sense of security derived from her geographical position prevented any uneasiness on this score. As the skies darkened in Europe, however, there gradually developed, at least in English-speaking Canada, a serious anxiety about Canada's lack of any but trivial armaments, and in different quarters voices were heard pointing out that her defence forces were sadly incommensurate with her obligations as a partner in the British Commonwealth and a member of the League of Nations. The controversy that accordingly began last summer is still being carried on in the press and in public and private debate.

It inevitably divides along the lines of cleavage on general international policy that have been described elsewhere in this article. At bottom, the isolationists rely for Canada's defence upon her geographical position and upon the survival of British supremacy at sea. The anti-isolationists are divided roughly into two camps on defence policy. They are in general agreement upon four premisses: that the possibility of war with the United States must be left out of account in the framing of any Canadian defence programme; that revolutionary inventions, which have overcome the old barriers of distance and time, have impaired the special security conferred upon Canada by her geographical position; that such an abundance of natural resources, now being exploited by a comparatively small and scattered population, constitutes a tempting prize for any of the aggressive "unsatisfied" Powers; and that Canada's obligations as a member both of the British Commonwealth and of the League of Nations demand that she should make an adequate contribution to the armed forces necessary to uphold the principles and ideals for which those two organisations stand. They agree that, while other nations are feverishly adding to their armaments and preparing for the contingency of another great war, Canada simply cannot afford to be without effective modern armaments, at least strong enough to sustain her neutrality.

When, however, the anti-isolationist school begins to consider a defence programme for Canada a cleavage of both opinion and aim emerges. One element contends that Canada's defence policy should be framed with the sole objective of providing such strong defences for her own territory that no aggressor nation could hope to invade it with success. These people would spend money on heavy coast batteries, forts, destroyers, submarines, minelaying equipment and other requirements for coastal defence, and would keep the naval, military and air forces at a strength that would allow them by swift concentration to frustrate the plans of any attacking enemy. But they rule out the idea of sending another Canadian expeditionary force overseas, and would make no preparations for any such enterprise. They argue that any attempt to enforce conscription would split the nation in two and must be dismissed as unthinkable unless actual invasion was imminent; that, even if a large volunteer force for overseas service could be raised, the problem of its transportation to the scene of hostilities would bristle with difficulties, and that as casualty lists began to be published public opinion would revolt and prevent the forwarding of reinforcements. They would be ready to give Great Britain whatever financial assistance could be spared and to make generous contributions of food supplies and munitions, but they would subject Canadian participation in any overseas war to definite limitations. If Canada were in a position to guarantee the security of her own coasts, they argue, she would be leaving Great Britain free to concentrate her energies upon her European or other commitments.

This attitude is vigorously challenged by an influential body of opinion in the English-speaking provinces of Canada, which agrees with Mr. Meighen, the Conservative leader in the Senate, that there cannot profitably be any separatist policy of defence for Canada. Pointing out that after the opening weeks of the world war the security of Canadian territory did not give the British Government

a moment's concern, they argue that there is one tremendous insurance against any invasion of Canada by a hostile Power—the complete certainty that it would immediately find ranged against it all the armed might and financial and economic resources of the United States. They claim that accordingly the contingency of an invasion is so remote as not to be worth considering as the basis for a defence programme. They insist that, inasmuch as the preservation of Canada's political integrity is inextricably bound up with the security and integrity of the British Commonwealth, the only sane and honourable Canadian defence policy is to participate, without any sacrifice of hard-won autonomy, in some co-operative, all-Commonwealth scheme of defence.

Mr. Mackenzie King and his Cabinet did not fail to note the growing popular interest in the problem of defence, but they postponed serious consideration of it until the Prime Minister returned from his visit to Geneva and London, during which he had had opportunities of studying the European situation at first hand and of becoming apprised of the views of the British Government. On his return the problem was exhaustively discussed at a series of Cabinet meetings. According to well-authenticated reports, an ambitious programme of rearmament, produced by the Department of National Defence, was rejected by the Cabinet after careful consideration in favour of a more modest expansion. The Ministry appears to favour a policy of adequate defence for the coasts of Canada but no more extensive commitments at present. Mr. Ian Mackenzie, who has proved himself a very energetic Minister of National Defence, forecast such a policy in a speech at Victoria, B.C., on October 7. He recalled the formulæ about Imperial defence adopted by the Imperial Conference of 1923 and reaffirmed in 1926, to the effect that, while it was for the several Empire parliaments to decide the nature and extent of national armament, the primary responsibility of each portion of the Empire was

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for its own local defence. Mr. Mackenzie declared that the Government's defence policy was based upon the following considerations: the general interest of Canada, the security and welfare of the Canadian people and their homes, and due regard to any obligations Canada had incurred.

The details of that policy were revealed when the estimates for 1937-38 were tabled on January 18. The Department of National Defence vote totalled \$35 million, an increase of roughly \$7½ million over the previous year's vote. The latter, moreover, included items totalling \$4½ million for unemployment relief camps and civil aviation, which have now been removed from the jurisdiction of the Department; the actual increase in its vote is no less than \$11,600,000, which follows an increase of \$5 million a year ago. The estimates for the different services are as follows:

	1937-38.	Approximate increase.
	\$	\$
Militia services . . .	17,850,428	4,550,000
Naval services . . .	4,486,610	1,550,000
Air services.	11,752,650	5,500,000

The greater proportion of the additional money is to be devoted to strengthening the air force and improving the coastal defences. The air force is to acquire 102 new planes of different types, and special efforts will be made to have as many as possible of them manufactured in Canada. These reinforcements will bring its strength up to 284 machines, of which, however, a number are either obsolete or obsolescent. The personnel of the air force is also to be augmented by 48 officers and 565 men, raising it to a total of 195 officers and 1,498 men, while the non-permanent air force is to be increased by 21 officers and 280 men to a total of 118 officers and 946 men.

The Canadian navy will continue to keep in commission four destroyers and auxiliary vessels, but it will be stronger

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through the replacement of two obsolete destroyers by others of a more modern type recently purchased from the British Government. The vote for 1937-38 also provides for the building of four minesweepers at a cost of \$750,000. Furthermore, the personnel of the navy is to be increased by 373 to a total of 1,339 officers and men, and that of the Royal Canadian Naval Volunteer Reserve by 161 to a total of 1,212. There is to be a small increase of the permanent army, making its total strength 465 officers and 3,760 other ranks. Recently the territorial or non-permanent militia, as it is styled in Canada, has been subjected to drastic reorganisation, which has resulted in the elimination of a number of inefficient or merely paper units. Provision is now to be made for the training of 46,340 men of all ranks for periods of ten, twelve or fourteen days. The additional equipment to be provided for both the permanent army and the non-permanent militia will include a number of coastal defence guns of large calibre. New sites for coastal batteries are to be developed, and anti-aircraft guns and other defensive equipment secured. A considerable number of militia units are being mechanised.

On the whole these plans command public approval. Imperialists may regard them as inadequate, but only a coastal defence policy could have won the support of most of the French-Canadian Liberals. (There recently appeared, however, in *L'Action Française*, a paper of extreme nationalist views, a surprising editorial favouring an increase of Canada's armaments on the ground that it might be necessary as a safeguard against disturbing influences now visible in the United States.) The country will be satisfied to let the evolution of any larger policy await, as the Ministry obviously intends, developments in the international situation.

Canada,
January 1937.

AUSTRALIA

I. POLITICAL CHRONICLE

THERE have not been lacking matters of interest and importance in the Commonwealth during the past three months. The Commonwealth budget has been well received, and criticism of it in Parliament suggested the forced discharge of the duties of an Opposition rather than the expression of genuine disapproval. A feature of the budget was the proposed large increase of defence expenditure, which is to amount to £8,809,107 from all sources in the current year. The New South Wales budget, which also reflected the improved local economic conditions, will be balanced this year for the first time in seven years.

General regret has been manifest at the death of Admiral Sir David Murray Anderson, Governor of New South Wales and a former Governor of Newfoundland. He contracted a severe illness on the voyage to Australia, and was in hospital in Perth for some weeks. He afterwards carried out his duties, though obviously a sick man, in a manner which commanded widespread admiration, and was splendidly assisted by Lady Anderson.

Much public interest has been created by the exclusion of a Mrs. M. Freer, a British subject, from the Commonwealth by the Minister for the Interior, and questions have been asked in the House of Representatives in an endeavour to elicit the reason for her exclusion. The questioners obtained little satisfaction, but it is generally thought that the Minister, in subjecting Mrs. Freer to a dictation test in Italian, which she could not pass, and thereupon declaring her to be a prohibited immigrant, acted unwisely in his

administration of the Immigration Act; for his action appears to have been based on *ex parte* representations, made on behalf of people in Australia who for private reasons were anxious to prevent Mrs. Freer from landing. That the Minister's action was within the powers he may lawfully exercise under the Immigration Act was determined by *habeas corpus* proceedings in the High Court. It is the propriety, not the legality, of the action that has been criticised.

Air Mails and Civil Aviation.

The negotiations over the British-Australian air-mail contract have been unusually prolonged. Although the ultimate form of the agreement has still to be determined, most of the major points under discussion between the two Governments are known to have been settled.* Australia will retain control over the Singapore-Sydney section of the route. The Commonwealth Government from the outset considered that such control was essential, and it has been difficult to deny its claims in this respect, though the reasons originally advanced† were not convincing. The efficient working of the last section by Qantas Empire Airways, subject to the control and supervision of the Federal Ministry, has reflected credit on those responsible. During the past 18 months, late air mails from Great Britain have been at least as numerous as those on time, and public opinion in the Commonwealth is inclined to be critical towards the service, particularly the section west of Singapore, on which most of the delays have occurred.

There are to be two mails per week and some surcharge, probably 5d per oz, on mails going from Australia to Great Britain, but this may be reduced or abandoned altogether if the expected large increase of air mails

* The Commonwealth Prime Minister announced the terms of the agreement on February 8; they follow closely the lines forecast in this article.—*Editor*.

† See THE ROUND TABLE, No. 103, June 1936, p. 627.

eventuates and thus justifies the application of the ordinary postal rates. The duration of the contract is 15 years, though it will be reviewed every three years and the Commonwealth will have the right to withdraw if it does not consider the service to be satisfactory. The issue of flying-boats *versus* land planes has been left to the experts to determine, though it is expected that flying-boats will be employed eventually, if not at the commencement of the service, which is now scheduled for January 1938. Under the modified agreement, the Australian subsidy will probably be £150,000 per annum instead of the £93,000 payable at present. The financial obligations of the Commonwealth Government are not likely to be as heavy as was at one time expected, on account of the increased and increasing popularity of the air-mail services. There is thus every ground for assuming that the revised contract will give satisfaction to all parts of the Empire concerned.

In November the High Court gave a decision of great significance concerning the control of civil aviation in the Commonwealth. The Court allowed an appeal by an air pilot against whom action had been taken for an alleged breach of air regulations made by the Commonwealth Civil Aviation Department. It had for long been held by constitutional authorities that the Federal Parliament had no power under which it could legislate for the complete control of civil aviation. As far back as 1920 a conference of Premiers decided that it was desirable to confer the control of air navigation and aircraft on the Commonwealth, but as some of the states were inclined to withhold certain of their powers in this respect nothing effective was done. The Royal Commission on the Constitution, in its report in 1929, expressly recommended that specific power should be given to the Commonwealth to legislate in respect of all matters affecting air navigation and aircraft. Its recommendation, however, was not put into effect.

The matter has now been brought to a head by the High Court's decision. This limits the power of the Commonwealth to pass legislation for the control of civil aviation (a) to inter-state air navigation and matters relating thereto, (b) to civil aviation in Commonwealth territories, and (c) to measures necessary to implement the International Air Convention, to which the Commonwealth is a party; but in this case the legislation must be strictly confined within the terms of the Convention. The need for giving the Commonwealth wider powers is instanced by the fact that the terms of the Air Convention relating to the regulation of aircraft apply only to aircraft engaged internationally, and that therefore the Commonwealth would appear to have at present no control over aircraft engaged in intra-state activities. The Government has decided to ask the people immediately for full power to enable the Commonwealth Parliament to legislate in regard to air navigation and aircraft. The referendum on this question will be held in conjunction with the marketing referendum early in 1937.

Incidentally, two of the judges expressed the opinion that the Commonwealth has power to enter into any international agreement and to pass legislation to secure the carrying out of such an agreement, even though its subject matter is not otherwise within the scope of the Commonwealth's legislative power. This view is based upon a liberal interpretation of the Commonwealth's powers in regard to "external affairs". It follows and develops an opinion of the late Mr. Justice Higgins. Although the opinions so far expressed by some judges on this issue are *obiter dicta* only, they indicate a trend of judicial opinion which if adopted by the High Court would extend the functions of the Commonwealth in a manner undreamed of by the founders of the constitution.

Important consequences would follow, especially as specific mention was made of labour conditions. This term may be held to include the length of the working

week, a subject generally considered to be outside the scope of the legislative powers of the Commonwealth.

Trade Agreements.

The Commonwealth Government has recently concluded trade agreements with Belgium, Czecho-Slovakia, France and the Union of South Africa. These are subject to parliamentary ratification, so far as Australia is concerned, but it is not expected that there will be any difficulties in that regard.

Negotiations have been in progress for some months between the respective Governments, and the public certainly felt that it was time some trade agreements were made in the interest of Australian oversea trade. It has been thought in some circles that the Federal Ministry has been actuated by an ultra-imperial commercial policy, and that foreign markets of considerable size and importance for some Australian exports were in danger of being lost. This view appeared to be supported by the attitude of the Government towards trade with Japan, and the new agreements will be welcomed by those who favour a liberalising of the Government's approach to the problems of oversea trade. Indeed, in some respects Sir Henry Gullett's speech announcing the agreements indicated a partial reversal of his form during the winter. He made it clear that the need for holding as many oversea markets as possible for Australian wool was fully realised, perhaps because the Ministry's policy in regard to Japan had meant the complete loss of Japanese competition at the Australian wool sales.

Imports of Australian products into Belgium totalled £4,854,596 * in 1934-35, of which £4,346,526 represented wool. For the same period the comparable figures for Czecho-Slovakia were £83,190 and £83,043. Imports into Australia from Belgium were £477,864 and from Czecho-Slovakia £353,796. The French figures show imports

* Values in Australian currency unless otherwise stated.

from Australia equivalent to £8,900,000 sterling, and exports to Australia equivalent to £600,000 sterling—a balance of trade of over 14 to 1 in favour of Australia. The difference between the French and Australian statistics is due to the inclusion of indirect purchases of Australian wool by France in the French figures.

Thus the trade position between Australia and these three countries varies enormously. The balance of trade between Australia and Belgium has been in Australia's favour during the last four years to the extent of 11 to 1, whereas Czecho-Slovakia has had with Australia a favourable balance of 3 to 1 during the last three years. The Commonwealth has made concessions in duties and/or primage in a large number of items by reducing the margin between the British preferential tariff rates and the general tariff rates previously applicable. The Government estimate that the primage concessions will amount to more than £100,000 annually. In some instances both preferential and general rates of duty and primage have been reduced.

Australia does not appear likely to gain any spectacular immediate benefit in her export trade as the result of the three agreements; but her existing market for wool is more assured, and a market for Australian apples may be developed in Czecho-Slovakia, and for meat and barley in Belgium. The treaty with France should help to increase French exports to Australia, but increased French wool purchases from Australia in the future are likely to be caused by more fundamental facts than the trade treaty. Australia nevertheless should benefit from the French agreement, since her exports have been subject to the maximum French duty in the absence of a commercial treaty between the two countries, and since some special French retaliatory duties on butter and wheat have been abolished. France has also guaranteed Australia satisfactory quotas for barley, pears and apples. The vexed question of wine appellation has been settled in a manner

satisfactory to Australia. The French Government will not object to the use of names of French districts upon Australian wine.

It is understood that the British Government was consulted before the conclusion of the negotiations and agreed to some modifications of the application of the Ottawa agreement. The agreement has materially hindered the efforts of the Federal Government to conclude trade treaties with foreign countries, and the action of the British Government is taken as indicating a trend towards freer trade between the Empire and the rest of the world. All the recent agreements contain a form of the most-favoured-nation clause, and the agreement with South Africa is simply an exchange of letters agreeing to most-favoured-nation treatment.

Some criticism has been directed at the Government for ignoring the Tariff Board in the alteration of duties necessary under the trade diversion policy, Professor L. F. Giblin being the most distinguished of the critics.* The Government, however, has retorted that at the last general election the Prime Minister in his policy speech specifically proposed the negotiation of overseas trade treaties and consequent alteration in duties independently of Tariff Board enquiries. There might be considerable difficulties in the way of arranging bilateral trade agreements, or of making some fundamental change in trade policy, in which the concessions given or penalties imposed were only relative to the general or British preferential tariff, if strict adherence to Tariff Board recommendations were made imperative. In regard to one item (tobacco) the Government went directly contrary to the Board's recommendation, and there is undoubtedly a danger that under its trade policy the expert and impartial consideration of the Tariff Board will have gradually to yield to inexperienced and political considerations.

* See THE ROUND TABLE, No. 105, December 1936, p. 211.

The Commonwealth Grants Commission.

The Grants Commission recently presented its third report, and its recommendations regarding the federal grants for 1936-37 that should be made to the claimant states of South Australia, Western Australia and Tasmania have been acted upon without amendment. A recent number of THE ROUND TABLE* contained a short review of the work of the Grants Commission and of the broad principles that governed its recommendations in the first and second reports. In the third report there has been no fundamental change in those principles.

The grants proposed for the current financial year, compared with those for the last year, are as follows :

	1935-36.	1936-37.	Per Capita.
South Australia	£1,500,000	£1,330,000	£2 5s. 4d
Western Australia	£800,000	£500,000	£1 2s. 3d
Tasmania	£450,000	£600,000	£2 12s. 0d

Since the statistics for 1934-35 form the basis of the Commission's calculations, there is a time-lag in the application of the remedial financial measures. This is not thought to be of material consequence. But the Commission added £44,000 to this year's grant to Western Australia as a special allowance on account of the effects of the drought on that state's financial position.

In its first report the Commission based its recommendations on the financial needs of the governments of the claimant states, and rejected the widely held theory, which was roughly applied before the Commission was appointed in 1933, that the proper basis on which federal financial aid should be given was the extent to which the financial disabilities of the states were due to federation and to the effect of federal policy. In its third report the Commission strongly adheres to its previous view. Whether, however, the Commission has succeeded in

* No. 102, March 1936, pp. 402 *et seq.*

formulating the best method of assisting the less prosperous states is still open to some doubt. A suggestion of which more may be heard is that financial and economic inequalities between the states could be corrected on a more or less permanent basis if the proceeds of federal direct taxation were shared by the states by reference to relative prosperity, population, and area. Those states which are below the average of prosperity, as shown by the federal income tax assessment plus wage payments, would receive larger shares, while there would be corresponding deductions for states showing prosperity above the average.

The work that the Grants Commission is doing is of great value to the Australian federation and its industry has been widely praised, even by those who have disagreed with some of its conclusions.

II. LAND SETTLEMENT IN AUSTRALIA

THERE is a certain amount of demand within Australia for new schemes of land settlement. The demand comes, in the main, from political groups, and from those who, having built up good properties for themselves, want to acquire with government aid other properties for their sons. There is also a demand from patriotic people in the cities, who, believing that the adequate defence of the Commonwealth calls for a much larger population, think that the increase should be in the rural industries, and from those who believe that the healthy nation is the one that has a large proportion of its people on the land.

In common with that of most other countries, the population of Australia tends to increase in metropolitan and urban centres and to decrease in rural districts. At the 1891 census, the rural population of New South Wales (which has the largest population of all the states) was 33·8 per cent. of the whole. By 1933, the percentage had dropped to 22·8 per cent., despite the fact that the economic

depression had checked the movement from the land to the cities and had, indeed, started a temporary movement in the opposite direction. Then, too, with the improvement in methods of cultivation, the development of scientific knowledge, and the great advances in mechanisation, fewer people are needed to produce the same crops as in the past. The demand of the cities and towns for foodstuffs and wool is easily satisfied, and in most rural industries there is a surplus for export. The great problems are to produce those surpluses at a level of costs that will yield profits when the surpluses are sold overseas, and to develop a larger demand in the overseas markets. Expansion in most of Australia's rural industries can come about only if there is expansion in overseas demand.

There is no question whatever as to Australia's ability enormously to increase her output of primary products, but if an increase is justified by demand it should come from a better use of the lands now in occupation, rather than from an extension of the area. There are no great empty spaces waiting to be settled; great empty spaces there are, to be sure, but they are in areas that have insufficient rainfall for profitable occupation. The last few years have shown that many wheat-growers have pushed out too far; great sums of public money have been spent on establishing them in the low rainfall areas, and, as a result of their poor harvests, further sums have been spent on keeping them there. When their failures were evident, a wise policy might have been to move them to land within the area of good rainfall, even though that would have involved the purchase and subdivision of large properties now devoted to the pasturing of sheep.

That, broadly, is the position. The land that is worth working is all occupied, but much of it could be worked more intensively. The claim of those who demand government purchase and subdivision of large estates, for sale on easy terms, is that a large property, now owned by one man and worked with a staff, could provide a living

for six, ten or a dozen owners and their families if it were subdivided. The claim is sound in theory, and sometimes in practice, but there are many provisos. As a method of increasing the number of people on the land little can be said against it, but unless the new owners bring to their tasks sound knowledge and adequate capital the six, ten or twelve families may produce less from the area than the previous owner, and the produce, especially if it be wool, may be of poorer quality. When drought comes—as it does with certainty, if not regularity—the sheep may die, for the new owners may lack the capital to buy feed. Too often weeds may grow, for the new owners may lack the means to employ the labour necessary to keep them in check. Too often the wool may deteriorate in quality because the new owners may lack both the wisdom to improve their sheep by selection and the capital to buy good rams. To replace an efficient grazier who has regularly paid his taxes—large graziers pay large taxes—with half a dozen men who make incomes so small that the aggregate taxation is as nothing in comparison, is beginning to look to governments like bad business, and many politicians (particularly Labour politicians) who were once ardent advocates of closer settlement now have grave doubts about its wisdom.

The idea that a man of limited capital can go on the land and make money easily is no truer in Australia than anywhere else. There are exceptions, of course; in the days when governments were selling crown lands in the good rainfall areas at low prices—often as low as half-a-crown an acre—many competent men, starting with little capital, succeeded in establishing profitable properties. In those days, men started in sheep and wheat, with little more than their zeal and vigour, and reaped great rewards. The rare man might do it to-day—the rare man *will* do it to-day—but conditions have changed. Since the early days land has risen in value forty or fifty fold. It calls for £6,000 to acquire a property and stock it with a

thousand sheep to-day, and, whether governments or rural banks or the vendors provide the money, the interest will be a charge against the year's business. The exceptional man will make a satisfactory income for himself after meeting his expenses. Most men, however, will get very little more than the interest that £6,000 would have earned if invested at $4\frac{1}{2}$ per cent.

The writers of this article have before them the balance sheets of a property of 1,000 acres purchased in 1928 at £8 per acre. There were, at last balance, 1,200 sheep and 800 lambs on the place and they were worth £1,800. The total capital investment is £8,800. After six years' occupation, and four years of top-dressing of pastures with superphosphate, the gross revenue last year was £1,024. The expenses (allowing the owner £3 a week for living) were £1,031. The owner is a man of long experience and good judgment, and has connections that often enable him to make a deal in sheep that might not come the way of men without such connections.

A great variation in the prices of the main products of the land is one of the causes of failure to make profits. The average price of greasy wool during the three years 1911 to 1913 was $8\frac{3}{4}$ d per lb, and those who were established on their properties at that time had purchased them at, and had adjusted their operations to, such a level of returns. By 1925 the value of wool had doubled, and many men went into the industry on the basis of an average price of $16\frac{1}{2}$ d per lb. The average price stayed around that figure for about four years, and the whole economy of the industry was adjusted to it. In 1929-30 the average was down to $10\frac{1}{2}$ d. From 1930 till 1933—another four years' period—it was around $8\frac{1}{2}$ d. There was then little demand for new schemes of settlement, but in 1933-34 the average price rose to $15\frac{3}{4}$ d per lb, and a new interest was taken in the subdivision of properties. A drop to $9\frac{3}{4}$ d per lb came in 1934-35, but happily there was a rise of 45 per cent. in 1935-36.

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There is a similar story to be told of wheat, but it can be told in a different form. Since 1911 the average price of wheat has run all the way from 7s. 3d per bushel in 1920-21 to 1s. 7d per bushel in 1930-31. Governments, both state and federal, have been under the necessity of providing bounties and subsidies to wheat-growers in four recent years. In 1931-32 the total bounty was 4½d per bushel; in 1932-33 it was 3d; in 1933-34 it was nearly 4d, and in 1934-35 about 5½d per bushel. There should be no call for a bounty this year.

Only by adopting various schemes for establishing a local price in excess of the world parity have governments been able to keep great numbers of dairy farmers on the land. There has been a wide range in the average price of butter obtainable by the farmers, from 2s. in 1920-21 down to 8d or thereabouts. Many bought their properties, or incurred debts for improvements or other reasons, in the period of high prices.

The Government of New South Wales has recently announced a new plan for encouraging closer settlement of pastoral properties. In making the announcement, the Premier (Mr. Stevens) said that the owners of several large properties had intimated their willingness to subdivide under this new plan. The Commissioners of the Rural Bank will advance up to 66⅔ per cent. of the cost of the land from the bank funds, and government will supplement such advances by a further 13⅓ per cent., thus leaving the purchaser to find only 20 per cent. of the cost of the property. The loans will be repayable over a period of up to 31 years. Interest will be at current rates. The plan has been devised to increase the number of land-owners engaged in sheep-raising, and there is no sign that the government will assist in the subdivision of properties for wheat-growing (unless it be in combination with sheep-raising), dairying or fruit-growing.

The view of most men in a position to know the problems of land settlement is that it would have been better

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for the Premier to allow settlement to proceed in the natural way. Experience is a better guide than public clamour, and experience is against putting men on the land who have to borrow most of the capital they put into their properties. If governments must have land settlement schemes it would profit them to look into the question of assisting existing settlers, where necessary, to make a success of properties they are in process of acquiring from the Crown. Governments might do this by writing down excess values, and by letting the men who have shown themselves competent take over adjoining (or other) properties from men who have not shown themselves competent. Far too many Australian "closer settlers" are on properties that are too small to enable them to make a living.

It would be misleading to end this rather pessimistic statement of the position without saying that land settlement will go on in Australia despite the difficulties here indicated. Men who want land will find a way to acquire it; people from overseas with the will to succeed, and the capital with which to back up their determination, will go on the land and prosper in the future, as they have done in the past; young men and boys, in hundreds every year, will be absorbed into the various rural industries; the rural population will increase with scientific farming. The era of the pioneer is passing and the era of scientific working and rural efficiency is coming. This means that the now occupied land will be worked more intensively; but the new technique calls for more capital and more labour and, as more people are employed, living conditions will become better for all. That is the future of land settlement as Australia sees it, but it is a future dependent on her finding oversea buyers for her exportable surpluses.

Australia,
January 1937.

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to the success of the Nationalists, who had in the meantime thrown themselves wholeheartedly into the anti-semitic campaign.

It is clear that this matter will play a big part in the session's debates. The Government is introducing an Aliens Bill, which embodies the principle of selection in respect of all immigrants other than those of British birth. Dr. Malan, as leader of the Nationalist Opposition, has submitted a motion demanding legislation of a specifically anti-semitic character. As a result anti-semitism will assume a significance which in the past, happily, it has never had in South African politics. No doubt the Opposition anticipates that its position will be strengthened by raising this issue, and that by such tactics it will be able to drive a wedge between the more and the less liberal elements in the Cabinet and in the United party, of whose existence a great deal of evidence has been given lately.

For the rest, the Government appears to have a heavy legislative programme. There is a batch of labour legislation standing over from last year, designed to improve the machinery for maintaining peace in industry. There are three agricultural Bills of considerable importance, dealing with marketing and control along lines that seem now to be accepted as customary throughout the world, though hardly any the more palatable to consumers on that account. There is a Bill dealing with the control of natives in urban areas, which friends of the natives view with considerable apprehension, though with how much justification it is not yet clear. At the same time General Smuts has given notice of important legislation aiming at the removal of abuses that have crept in under the present company law.

Finally there will be two measures of constitutional significance. One will deal with the alteration in the succession to the Throne; the other, which is held to be necessitated by the changed status of the Dominions, will be concerned with the form of the Coronation oath, in so far as it concerns South Africa. To what extent this

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legislation will provide the Dominion and Nationalist party Oppositions with an opportunity for renewing constitutional wrangles cannot yet be foretold.

II. THE GOVERNOR-GENERALSHIP

SOUTH AFRICA is to have one of its own citizens as Governor General. It had been realized for long that the Prime Minister, General Hertzog, was deeply committed to the principle of such an appointment. On several occasions he had let it be known in public that he would, when the time came, make a recommendation to the King in accordance with that principle, and it was recognised that constitutional practice would necessitate its acceptance. When Lord Clarendon's term of office was extended a year ago, shrewd observers remarked that part at least of the purpose was to give public opinion a further period to prepare for the inevitable change.

Yet it cannot be denied that the announcement made during November that Lord Clarendon would lay down his office in March, 1937, and would be succeeded by Mr. Patrick Duncan, the Union's Minister of Mines, was felt as a shock throughout South Africa. For one thing, it had been assumed and hoped that Lord and Lady Clarendon, who have made themselves very widely and deservedly popular, would have remained until at least the end of 1937; for another it had hardly been anticipated that the new Governor General would be chosen from among the members of the Cabinet. There has been a remarkable unanimity of public opinion in regard to Mr. Duncan's suitability, as a man, for the high office to which he has been called. It has been recognised that in character, experience, ripeness of judgment and balance of temperament, he possesses all the necessary qualities. But, apart from the personal aspect, the appointment cannot be said to be a popular one. For many South Africans, more especially but not entirely South Africans of British stock, the breach

with tradition represented by the appointment of a "local" Governor General is a matter for regret or even for stronger feelings—there is indeed evidence enough of a somewhat unreasoning tendency to regard it as the snapping of yet another link with the Empire. As far as comment in the public press is concerned, no very strong objection has been raised against the principle of a "local" appointment. But there has been a great deal of powerful criticism, even from some of the Government's most loyal and effective supporters, of the decision to appoint a politician still in the active pursuit of his craft. The extent to which this criticism is really prompted by an undisclosed dislike of the idea of choosing anyone from South Africa as its own Governor General is difficult to assess.

Shortly after the appointment was made, General Smuts, sensing the prevalent attitude, spoke at some length in defence of it. He rightly urged that it should not be regarded as in any way weakening the partnership between South Africa and the Commonwealth—that indeed it should serve to strengthen it. He went on to refer to the fact that Lord Tweedsmuir and Mr. Duncan had been colleagues in South Africa as members of the "Milner Kindergarten" thirty years ago, and asked why, if it was appropriate that Lord Tweedsmuir, who had left South Africa, should have been appointed Governor General of Canada, it was inappropriate for Mr. Duncan, who had remained in South Africa, to be appointed Governor General of the Union. The impression made by General Smut's defence was not an entirely happy one, and his main argument seemed to be effectively countered by the observation that, while Lord Tweedsmuir had never participated in Canadian politics, Mr. Duncan was actually a member of the South African Government.

It is this aspect of the matter, and perhaps this aspect only, that gives rise to concern. If a South African politician had to be chosen, then, everyone agrees, no choice could have been happier than the one actually made. But,

when once the principle of a political appointment has been admitted, what assurance can there be that the next choice will be equally happy, the more so as it may well be made by men of different outlook from that of the makers of the present one? If ever a pronounced political partisan is to be made Governor General, or if the post should come to be regarded as a possible reward for party political services, the prestige of the office will receive a vital blow. And that is something which South Africa, as a whole, does not desire to see.

It is, however, difficult to foretell the course of development in this matter as far as the Union is concerned. It may be that South Africa, like Australia, will decide five years hence to reverse the policy on which it has now embarked. On the whole that is unlikely. It may be that South Africa will follow Ireland, and that the office will be shorn gradually of its prestige and eventually disappear. That may probably also be dismissed as unlikely. Having regard at once to the general temper of the South African people and to the character of the man chosen for the launching of the experiment, it seems to be not too much to hope that it will in fact prove to be a success, that sound traditions will be established from the outset, and that a succession of South Africans will be found capable of maintaining as Governors General the dignity of the office in a spirit of impartiality and of self-effacing detachment.

III. SOUTH-WEST AFRICA

EARLY in December, the Union Government issued a communiqué giving its decisions on the report of the South-West Africa Commission. A full account of this report and of the Commission's recommendations has already appeared in *THE ROUND TABLE*.^{*} It will be remembered that the Commission found unanimously that the present form of administration of the territory was a

^{*} No. 104, September 1936, pp. 772, *et seq.*

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failure; each of its three members, however, recommended a different form of administration for the future, only one advocating the administration of the territory as a fifth province of the Union. In view, therefore, of this lack of unanimity in the Commission's recommendations, and of the antagonism that the fifth-province proposals have aroused amongst the German section in the Territory, the Union Government has decided against that solution. The communiqué runs :

Although the Union Government is of the opinion that to administer the Mandated Territory as a fifth province of the Union, subject to the terms of the Mandate, would not be in conflict with the terms of the Mandate itself, it feels that sufficient grounds have not been adduced for taking such a step. It is however not convinced that the existing form of administration does not answer its purpose, or that the administration of the Territory as a province of the Union would contribute materially to that greater measure of security which the Union section desire. The Union Government also very much doubts whether any of the other solutions which have been suggested would give greater satisfaction than the existing form of administration.

The present form of administration is, therefore, to continue. Steps, however, are to be taken to allay that sense of insecurity in regard to the future of the territory which, as the report indicated, lies at the root of much of the unrest, leading the Union section of the population to agitate for a tightening of the bonds with the Union and encouraging the German section to lend itself to Nazi intrigues for the return of the territory to Germany. With a view to checking these two opposing tendencies, the communiqué states that

The Union Government is not prepared to consider the possibility of the transfer of the Mandate to another Power, and wishes to assure the people of South-West Africa that it has as little thought of abandoning the Mandate as it has of abandoning its own territory. No one need, therefore, be perturbed by the statements of persons who, for political reasons, make play with the imminent return of the Territory to Germany.

This downright announcement may, indeed, lend colour to the views of those who say that a mandate is only a pretty

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name for annexation; it may cause the Mandates Commission some apprehension as to the Union's ultimate intentions in South-West Africa; but it should undoubtedly achieve its immediate purpose of satisfying the Union section of the population of the Territory as to its future security, and of warning the German section of the futility of Nazi intrigue.

Further, the communiqué makes it plain that the Union Government intends to deal firmly with the problem of the Nazi intrigues in the Territory so convincingly revealed in the Commission's report. Whilst prepared for the recognition of German as an official language in the Territory, and entertaining "no objection whatever to endeavours on the part of the German-speaking section of the Union nationals to maintain their language and cultural life and to establish, for this purpose, their own societies and organisations", the Union Government has decided to render it impossible for aliens to be members of political organisations or of public bodies and other organisations "in regard to which the Administrator considers it undesirable that aliens should be members". Moreover, legislative measures are to be taken to prevent any unlawful infringement of the liberty of the person and to protect the individual against unlawful pressure or compulsion in the exercise of his public or private rights. These measures, if carried into effect, should go far to check the activity of Nazi agents in the Territory and to encourage that not inconsiderable section of the German-speaking population which, if freed from external intimidation, would be prepared to cooperate with the Union section in the future, as it did before the Nazi era, in promoting the welfare of the territory. Briefly, therefore, the Union Government, having decided to leave the constitution of South-West Africa unchanged, is determined to secure those conditions of free speech and action without which that Constitution cannot work.

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IV. THE CROWN AND THE BECHUANALAND PROTECTORATE

THE judgment of the Special Court of the Bechuanaland Protectorate in the case of Tshekedi Khama and Bathoen *versus* the High Commissioner, which was delivered in November last, merits more than local attention, since it has been taken to indicate a change of the Administration's policy. Until recently that policy could be fairly described as leaving a considerable share of the powers of government and of the administration of justice in the hands of the chiefs and their respective tribal institutions, with a minimum of interference with native law and custom. More recent events have suggested a revised attitude. Draft proclamations dealing respectively with certain aspects of government and administration of justice were drawn up by the High Commissioner and circulated among the chiefs for their comments. Conferences were then held between chiefs and Administration officials. Ultimately, after several periods of delay, the High Commissioner promulgated Proclamations 74 and 75 of 1935. The effect of the former proclamation was to impose external checks and limits upon the administrative and judicial functions of the hereditary chiefs, and generally to develop the relevant native custom along constitutional lines. The latter proclamation replaced the existing system of native courts or *Kgotlas*, and of elaborate series of appeals, by new tribunals of paid members, thereby depriving the chiefs of much of their judicial authority.

From the outset, difficulty was experienced in bringing the proclamations into operation, particularly among the Bamangwato and Bangwaketse tribes, whose respective chiefs, Tshekedi Khama and Bathoen Seepapitso Gaseitsiwe, instituted actions in the Special Court of the Protectorate for the purpose of testing their validity. The Hon. Mr. Justice E. F. Watermeyer, of the Cape Provincial Division of the Supreme Court of the Union, heard these actions at Lobatsi. The plaintiff chiefs claimed that the proclamations

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were of no legal force or effect, contending that in promulgating them the High Commissioner had exceeded the powers conferred on him by the order in council of May 9, 1891. The defendant initially maintained that in terms of the same order in council the Court had no jurisdiction to examine the validity or otherwise of the proclamations, but the Court overruled this objection as untenable.

The plaintiffs rested their claim on three grounds, all of which the defendant traversed. The first was that the proclamations violated a residuum of sovereign rights vested by treaty in the chiefs; the second, that the proclamations were uncertain and unreasonable; the third, that they altered native law and custom in conflict with the express terms of the order in council.

On the first issue the Court, after a meticulous historical survey, found that the evidence relating to the existence of treaty rights was insufficient to determine a decision, and therefore had recourse to section four of the Foreign Jurisdiction Act, whereby a Secretary of State's answer to questions involving the existence or extent of the Crown's jurisdiction in a foreign country is constituted conclusive evidence. To a question framed by the Court the Secretary of State for Dominion Affairs replied :

I am of opinion that the words "full internal sovereignty" are inapt to describe His Majesty's powers in a Protectorate, but His Majesty has unfettered and unlimited power to legislate for the government of and administration of justice among the native tribes in the Bechuanaland Protectorate, and this power is not limited by treaty or agreement.

Not only did this answer dispose of the plaintiffs' first contention; it also disposes, it is suggested, of the argument that the contemplated transfer of the territory to Union protection would constitute an infringement of treaty obligations.

On the second issue the Court found that this was not a case in which it could enquire into the reasonableness of

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the legislation proposed, since, where a discretionary power to legislate is delegated, no duty is imposed on the Courts to say when measures are, and when they are not, in the general interests of peace, order and good government. This decision, however, would appear to burke the issue of uncertainty, which the evidence showed to have arisen from the application of certain provisions of the proclamations to the actual conditions in the protectorate.

On the third issue the Court found difficulty in interpreting section four of the order in council of May 9, 1891 :

The High Commissioner in issuing such Proclamations shall respect any native laws and customs by which the civil relations of any native Chiefs, tribes or populations under Her Majesty's protection are now regulated, except so far as the same may be incompatible with the due exercise of Her Majesty's power and jurisdiction.

The Court concluded that this merely required the High Commissioner "to treat with consideration" all compatible native law and custom. The Court found as a fact that the proclamations made very great changes in principle in native customs, but also, as a further fact, that the High Commissioner in making those changes had respected native law and custom in the sense of giving them full consideration, and consequently held the proclamations valid.

The manner in which the section juxtaposes the requirement to respect native laws and customs and the exception to that requirement makes it difficult to accept the Court's interpretation. Admitting the ambiguity of "respect" when standing alone, the context would appear to connote the sense of "refrain from interfering with". This interpretation would equally fit the cases suggested by Mr. Justice Watermeyer as supporting his own interpretation. For example, there would be no need to "treat with consideration" a barbarous custom, since the exception would exclude it from respect on the ground of incompatibility. Even if the Court's interpretation be adopted, can the finding that the High Commissioner respected native law and

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custom be sustained? As Mr. Justice Watermeyer said in his judgment, "the High Commissioner cannot simply ignore native law and custom. If, for instance, he introduces legislation in conflict with some native custom of which he has no knowledge, then clearly he cannot be said to have respected such custom." In fact, nine days of the hearing, for which period costs were awarded to the plaintiffs, were devoted to evidence concerning native customs the existence of which was denied by the defendant. Surely these circumstances suggest an ignorance of native custom on the part of the High Commissioner inconsistent with the respect he is required to pay them. The importance of preserving to the protectorate its native institutions, customs and law, except where they are incompatible with its status as a protectorate, demands a closer study of those institutions than the Administration appears to have made hitherto.

South Africa,
January 1937.

NEW ZEALAND

FOR the first time for about five years New Zealand is enjoying a recess from Parliament which is likely to be of normal duration. It is the practice for Parliament to meet late in June and to continue until about November. The parliamentary working week is only four days, which enables country members to visit their constituencies. In 1931 the impact of the depression called for an emergency session early in the year, but the ordinary session, held some months later, was not appreciably shorter than usual. Parliament, having commenced the practice of making two bites at the cherry, could not throw it off, with the result that since that first emergency session in 1931 we have had eight sessions in five years; that is, eight recurrences of the constant disturbance and alarms to the business community.

I. PUBLIC FINANCE

IT can hardly be held against the Labour party that it did not at once abandon the early session. Coming into office in December 1935 with an entirely new programme which it was anxious to put into effect, and having a comfortable parliamentary majority, Labour was naturally impatient to get to work. Parliament was accordingly summoned for March 26. It found a good array of Bills ready for consideration, and worked hard and methodically on their enactment till June 11. Then, having overtaken the work of the legal draftsmen, Parliament adjourned for a few weeks to allow Ministers to get ready their remaining policy Bills. It resumed on July 21 and was eventually prorogued on October 31. The Labour party must have

had a comfortable feeling of achievement. It had passed altogether 59 public Acts—many of them of almost revolutionary import—13 local Acts and 7 private. Yet the number of late sittings was not greater than usual, for the closure was applied freely to expedite decisions. Moreover, the Labour party eliminated much of the wasteful and expensive debate on the Address-in-reply, which often kept Parliament employed for weeks and even months when urgent work called for attention.

The latter part of the session enabled Ministers from time to time to clarify their position on the use of "public credit" and generally on government interference with capital. Questions in the earlier months had given the Government the opportunity of saying clearly enough that they did not intend to utilise what is called "costless credit" in implementing their policy, but it remained for the budget and the taxing Bills to indicate how they intended to raise the additional revenue that their new commitments called for.* In the debate on these Bills Mr. Savage said:

Our predecessors did not seem to know any method of doing anything except by first taxing the people to get the money. . . . I think that the public credit should be used freely and sensibly for the creation of public assets. I propose to remove the sales tax and the high rate of exchange at the time that seems to be most suitable. It is all a matter of making the transformation with the least possible disturbance. In one primary industry we have a substitute—the guaranteed price. . . . The exchange should be reduced and ultimately abolished, and other methods substituted—trade agreements.

Other aspects of the Government's financial policy developed later in the session. The Finance Bill (passed on October 19) authorised the raising of £13,000,000 this year, of which £6,000,000 is for public works, £5,000,000 for housing, and £2,000,000 for main highways; some 4,000 miles of these will be taken over by the state, with corresponding relief to local bodies. Of the sum allocated for housing £1,500,000 will be made available this year to

* See THE ROUND TABLE, No. 105, December 1936, pp. 222 *et seq.*

local bodies at 3 per cent. interest. The Government has no intention of making a profit out of its housing policy, but it does intend to meet all the charges. The Minister of Finance (Mr. Nash) reiterated that notes will not be used to finance the policy, and that the Government will be charged interest—he does not say at what rate—on all money it may raise through the Reserve Bank. On the eve of his departure for England he announced that he would exercise the option of converting or paying off £12,400,000 of 4 per cent. stock and debentures falling due on January 15, 1940. Holders were invited to convert into 3½ per cents maturing in January 1957 or into 3 per cents maturing in July 1941. In making this first government issue since 1933, the Minister expressed his belief in a low rate of interest for the prosperity of the Dominion; a high rate, he said, always culminated in depressions. By November 14 the sum of £8,253,780 had been converted; £2,714,750 will be repaid in cash, leaving a balance to be found from some other source.

This issue included £1,530,000 to be paid by the Government for the purchase of the electric light and power undertaking of the Southland Power Board. Though the state possesses a number of important power stations in both islands, involving the investment of £14,000,000 of public money, it has hitherto operated by wholesale only, selling the power to local boards for distribution. The Southland Board has been embarrassed for some time owing to its heavy burden of loans, upon which a sinking fund is provided at the rate of 4·1 per cent. To finance this it has in the last 12 years raised over £500,000 by rating the district. As the state had guaranteed the loans, one of which (amounting to £1,500,000) was due for repayment in London on September 15, the Government offered to take over the undertaking as a going concern, assuming all liabilities and promising that there should be no increase in the charges for power and light. The question was submitted on September 28 to a poll of ratepayers, by

whom it was approved by a large majority. As long ago as March Mr. R. Semple stated that it was the Government's intention to make the sale of power and light a state monopoly. Thereby they advance only a step towards complete state control, since legally the state has had the right to monopolise power production for the past quarter of a century.

II. THE RATIONALISATION OF INDUSTRY

THERE was a lively controversy about the Industrial Efficiency Bill, which was introduced on September 25.* As the debate developed, the Minister of Industries and Commerce assured critics again and again that the principle of licensing and rationalising industries was only to give effect to proposals put forward by manufacturers. The New Zealand Manufacturers Federation proudly claimed that more than two years ago it had proposed licensing, planning and co-ordination of industry; but it had not anticipated such extensive departmental and political control as the Minister intended. It had suggested that the representatives of industries and of consumers should do the work. Mr. Sullivan claimed that New Zealand was merely following in the footsteps of Great Britain, but Lord Elibank, who was in New Zealand, pointed out that, under the British Act referred to, the rationalisation was enforced only when those engaged in an industry requested the Government to intervene. Mr. Sullivan accepted a suggestion that representatives of both manufacturers and workers should be present when their particular industry was being considered. Not all of the Opposition members criticised the Bill. Planning is not new to them, since their own party has applied the principle in recent years; but they condemn out of hand the wholesale powers of licensing which the Bill proposed to take for the Minister and his bureau. Such powers, they say, would have

* See THE ROUND TABLE, No. 105, December 1936, p. 233.

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prevented a Henry Ford from getting a start in life, and yet make possible the most extreme forms of monopoly. On October 7 Mr. G. W. Forbes, leader of the Opposition, moved an amendment to restrict the operation of the Bill to certain industries to which it should apply only on their request for intervention. This was defeated by 42 to 17 and the second reading agreed to.

Meanwhile chambers of commerce and manufacturers' associations either gave their blessing to the measure or accepted its principle with safeguards to which the Minister gave reasonable consideration. He agreed that a vote should be taken in an industry before a plan was adopted and that if such vote were adverse the plan should be shelved; further, that on the submission of a provisional plan adequate notice should be given to all persons affected. The functions of the bureau were widened to include supervision of industrial capitalisation, and provision was made for compensating persons who suffered loss due to licensing. The Opposition tried, without success, to restrict the Bill to manufacturing industries. The Minister insisted that the Government did not intend to use tariffs to protect New Zealand industries. They would continue to push their policy of trade agreements. The Bill passed the House on October 21, and the Legislative Council two days later. On December 18 ten industries were gazetted as being licensed under the Act, including the importation of motor spirit, the manufacture of cement, asbestos, rubber tyres, electric ranges, pumps, rennet and phosphatic fertilisers, and the dispensing of chemists' prescriptions. These industries can now be carried on only under licence.

Before leaving for England to inaugurate the export side of the Government's marketing policy, Mr. Nash announced that it was not intended for the present to take any steps in state control of local marketing of dairy produce, beyond perhaps making regulations to secure for the producer who supplied the local market a return equal

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to the sum he would receive if producing for export, and to see that the consumer paid a reasonable price. Within two months of this statement it was apparently found necessary to take the first steps towards state control of the local market. On December 4 it was announced that the state was taking over the business of a leading Wellington distributor of dairy and allied products; it will be carried on as a state enterprise under the management of its late owner, who becomes director of internal marketing.

The Congress of British Empire Chambers of Commerce, which was held in New Zealand in October, synchronised with the passage of the Efficiency Bill and elicited a few pointed comments on New Zealand legislation. At the opening of the congress Mr. Savage threw out a suggestion to British capitalists.

If they were going to have preferential trade within the Empire (he said) it had to have two sides to it. Unless the British people would invest their surplus capital to lay the foundations of preferential trade they would never get it. While British capital was invested in foreign countries British trade would follow it.

Mr. Nash pleaded for the co-operation of Great Britain in ascertaining what goods New Zealand could take and what industries could be built up economically in the Dominion. Increasing production and increasing imports, he declared, were not incompatible if we were pursuing a higher standard of living.

This and some remarks of Mr. Sullivan on the Efficiency Bill seem to have given Lord Elibank another cue for a courteous warning on behalf of British capital. Speaking at Dunedin on October 15, he appealed to the Government not to pass the Bill until Mr. Nash had had an opportunity of discussing it in London.

I have come to the conclusion (he said) that conditions are arising and legislation is being passed which British capital cannot be expected to understand and for that reason British capital is becoming shy of New Zealand investments. . . . Surely the oversea companies are as much interested in the prosperity of New Zealand as the local bodies themselves. In any event

outside companies have provided large capital and are glad to go on doing so, but if this is the way they are to be treated there is little hope that any more capital will come from that place from which most of it comes, namely, the city of London.

The reaction of the Government to this attack was spirited and rather naïve. Mr. Savage was quite unperturbed. He deprecated making it appear that the Bill was inimical to British interests. "As long as the people of New Zealand stand behind the Government (he said) we will be the Government of New Zealand and we are not going to take instructions from people abroad no matter who they are or what their position."

Another member of the congress (Mr. J. A. Aiton, of the Derbyshire Chambers of Commerce) took occasion when leaving New Zealand to assure his audience that there was no doubt in London as to New Zealand's solvency or her willingness to pay when loans fell due; "but I do say (he added) that any lender would have to consider whether the trend of political thought in this country might lead to the introduction of legislation that would make payment more difficult". The conservative press hailed Lord Elibank's speech as a timely warning to the Government. The *Evening Post* (October 16) considered that he had only done his duty in taking up Mr. Savage's challenge.

In prudence British investors will assume that the powers taken are not without a purpose. The investor cannot be expected to take the risks attendant upon control by a majority vote of competitors in the same industry. That means that his industry may be strait-jacketed, his enterprise hindered and his own efforts to extend industry thwarted. The only countries which have taken a comparable course are those totalitarian states which for economic nationalism or other reasons have accepted regimentation as an economic and social policy.

III. THE BASIC WAGE

THE application of the workers for the fixation of a basic wage to apply throughout New Zealand came before the arbitration court at Wellington on October 19

and the hearing occupied about a fortnight. According to the amended Industrial Conciliation and Arbitration Act the rate to be fixed must be such as would enable an adult married man with a wife and family of three to maintain himself in a condition of fair and reasonable comfort. There was no precedent in New Zealand to go by. In all previous decisions of the courts what is called the "minimum wage" was fixed on the basis, not of the living requirements of the workers, but primarily of economic and financial conditions affecting trade and industry. The cost of living and the living wage thus merely took a place among other relevant considerations. The workers in the present case rested their claim upon this change of ground and asked the court specifically to fix the basic wage at £6 10s. 3d for the adult male worker so circumstanced and £3 10s. for the female worker. In 1920 the Arbitration Court in Australia fixed £5 16s. as the basic wage for a male worker. Prices were then exceptionally high. The New Zealand court declined to follow that precedent at the time on the grounds that the national income could not support such a scale, and moreover that the size of the average family in New Zealand was only 3.57, whereas the Australian computation was made on the basis of a family of 5.

The employers in the case of last October did not suggest any figure, and they seem to have been wise in refraining. They insisted that despite the wording of the Act the court must consider the economic and financial conditions of industry. Their proposal was that a base period should be adopted and the basic wage be calculated for that period on the value of production per head of population. They urged, moreover, that costs in secondary (or manufacturing) industries should be kept sufficiently low to bring the commodities produced within the purchasing power of those engaged in primary industry.

The judgment of the court (delivered by Mr. Justice Page on November 2), fixed the wage at £3 16s. a week for the adult male worker and £1 16s. for the female worker.

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The workers' representative on the court dissented, but only to claim that the rates should be £3 17s. 6d for the male worker and £1 19s. for the female. The judge pointed out that the wage to be fixed was in effect the historic "minimum" rate; that is, it was to be not greater than would be appropriate to the least skilled and least remunerative type of work covered, or likely to be covered, by an award or industrial agreement, and it should necessarily be applicable to every industry in New Zealand to which any award or agreement related. Needless to say, labour was very disappointed at this reduction of its hopes. The official organ of the Labour party (*The Standard*, November 11) said:

Nothing is more absurd than the basic wage. On the 1914 basis the court in 1936 has allowed £1 15s. 11d for food for a week for five people, or 2½d per person per meal, which is 8½d per person a day. This is a coolie standard.

And yet the rate fixed compared favourably with that now obtaining in Australia, where wages generally are higher than here. The basic wage fixed by the Commonwealth court of arbitration, which is for a man with wife and two children, varies from £3 4s. in Tasmania (a cheap state to live in) to £3 10s. in New South Wales. The scales fixed by the industrial tribunals of the states vary from £3 4s. to £3 6s., and the rate for women from £1 13s. to £1 16s. The percentage ratio of the women's wage in New Zealand to the men's is 47·3, as compared with 53 in Australia, 56 in Great Britain, and 57 in the United States. The rates fixed by the New Zealand court compare not unfavourably with the liberal rate agreed upon between the Public Works Department and the New Zealand Workers Union. This rate is 16s. per day (say £4 a week).

Incidentally the court announced that unless there were special reasons it did not intend to advance wages in New Zealand beyond the level of 1931 (which has been fully restored for public servants by the present Government's

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Finance Act, 1936). The actual hourly rates thus arrived at have already been augmented in many cases by the 40-hour-week order, which insists on the same weekly wage for a shorter number of hours.

It will be remembered that the Government signalled its advent to power a year ago by granting what were called Christmas boxes to men on relief works and on sustenance, the total cost of the gift being something like £100,000. This Christmas it has again announced new seasonal largesse on a fairly liberal scale. The old age pension, which is the most widespread of New Zealand's social benefits, stood twelve months ago at the rate of £45 10s. a year. The Labour Government at an early date increased it to £52 a year, and by the Pensions Amendment Bill the field of eligibility was widened in several directions. It is now announced that from the beginning of 1937 the rate will be further increased to £58 10s., that is, an advance of 2s. 6d per week. Simultaneously an increase is being made in the sustenance allowance to men without work, at the rate of 3s. a week for single men and 6s. for married. This will affect about 25,000 workers. In April 1936 the scale of sustenance was raised from 14s. to 17s. per week for a single man and from 44s. to 57s. for a man with wife and family of seven. The new increase will bring it up to £1 a week for a single man and £3 3s. for a married man with wife and seven children. There is also a Christmas bonus for qualified relief beneficiaries, women and single men receiving £1 and married men £2. In announcing these gifts the Minister (Mr. Armstrong) declared again the Government's insistence that work should be done by all who can.

The Government (he said) expects and requires that every able-bodied man who is offered work at standard rates and under reasonable conditions shall accept; failing which he will be regarded as voluntarily unemployed and therefore undeserving of Government assistance in any shape or form.

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IV. THE IMMIGRATION PROBLEM

THE more far-sighted section of the people have been watching with some expectancy for a statement of Government policy on the question of immigration, which has been practically at a standstill for the better part of a decade. In 1926-27 New Zealand received 14,943 immigrants, of whom 11,239 were assisted. In 1930-31 the number of immigrants was 2,610, and more than half of these were paying their own fares. In the five years since then 4,501 persons arrived in the country and of these only 356 received any assistance. In the last ten years there has been an actual loss of population of 2,800, on balance of immigration and emigration. The last Government, while sympathetic to British immigration, conceived that to bring in new people during the depression would merely add to the number of unemployed. The Labour party admits to harbouring the same fear, and seems to have come to the conclusion that while it would like British immigrants it must ask that they should bring capital with them. This policy received some support from the British Empire Chambers of Commerce.

In the last few months three arresting publications * have appeared sounding a warning about the stagnancy of our population. Mr. A. E. Mander shows that the birth rate in New Zealand fell from 23.1 per 1,000 in 1922 to 16.1 per 1,000 in 1935, and that the rate of increase of the population shrank from 2.27 per cent. in 1925 to 0.64 per cent. in 1934. Within nine years the population will be at a standstill. Unless immigration is resorted to we shall never have more than 1,650,000 people in New Zealand.

Mr. J. E. Emlyn Jones, of Cardiff, in moving a resolution at the congress of chambers of commerce calling on the Empire as a whole to co-operate in a scheme of redistribution of population, was even more gloomy than Mr. Mander

* A. E. Mander, *To Alarm New Zealand*; A. Leigh Hunt, *National Suicide, or the Brighter Britain of the South*; Arthur Fraser, *A Case for Immigration*.

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about the future of the Empire population. He stated that if the Dominions did not seize the present opportunity of getting British emigrants it would soon be too late, since experts predicted that in one hundred years from now the population of the British Isles would have shrunk to five or six millions. Great Britain, he said, should provide the men and women, and the Dominions the land and supervision, and thus they would get a balanced population of suitable types of people. The resolution was carried unanimously.

The Labour party have not been averse to immigration in principle, but they believe that improvement of the standard of living is "the common-sense way of increasing the population". On this point even strong conservative organs can be found supporting them. The *New Zealand Herald*, for instance, writing on November 26, says:

It is extremely unlikely that New Zealand will ever again lightly turn her thoughts in that direction (immigration). . . . But even before the Dominion goes so far Government and people should face the fact that to-day, at a time of prosperity, there are still about 50,000 adult males unable to find regular work, not counting adolescents and not counting the thousands engaged on made jobs such as public works. Before that possible solution (immigration) is tested the people will insist that their unemployed countrymen should be given an opportunity to qualify for any vacancies. . . . New Zealand's first duty is to her own.

While conservatism can speak like that one would hardly expect Labour opinion to be more liberal. And yet Labour has shown a definite friendliness towards the discussion. Lord Elibank made a useful contribution. He said:

When we transfer population from one country to another we must transfer capital at the same time. . . . In considering these schemes of migration from the Old Country we must consider whether our migrants will get a square deal and whether our capital which follows them will get a square deal also. I believe we should face up to this position.

A few weeks later Mr. Savage made a considered statement on immigration which indicated that while he did not

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abandon the traditional position that our own people must first be looked after he was not averse to a scheme of Empire co-operation. To the *Evening Post* (December 2) he said :

There was a time when we believed that trade followed the flag. Now we know that it follows investment. . . . If people come here from Britain the job has to come with them. We cannot have them struggling with those here now for the jobs that are going. That means that if we are going to put people from abroad on the land they will have to have the wherewithal to maintain themselves. . . . There are a number of people in Britain who are used to hard work and used to striking out for themselves, but they are without money. If those people come to New Zealand with the necessary capital places will be found for them; but it is not the intention of the Government to borrow money to bring people to the country and settle them at high rates of interest. There will be no return to the system of nominated immigration as we knew it.

Mr. Nash is discussing this problem with the British Government in preparation for the Imperial Conference. Meanwhile the Speaker of the House of Representatives (Mr. W. E. Barnard) has opened a campaign in the country strongly urging the necessity of tackling the problem. He insists that those who look upon immigrants only as possible competitors are overlooking that they are also consumers and that secondary industries can be developed only to the extent that the extra production can be consumed.

V. LOCAL GOVERNMENT REFORM

DURING the recess country interests will have time to consider the Local Body Bill, a permissive measure to simplify our system of local government. It was read a first time on the motion of the Minister of Internal Affairs (Mr. W. E. Parry) on October 31. Owing to the sporadic nature of settlement in New Zealand and the strong local patriotism that grew up from it, our little population of one-and-a-half million people supports more than 700 local bodies. In addition to boroughs and counties there are

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many inferior authorities, including town, river and road boards, rabbit boards, power boards, hospital and harbour boards, drainage and water supply boards. The Bill proposes still to recognise the right of people in a locality to organise themselves, but it must be into larger and fewer local governing units. They may initiate their own schemes of amalgamation; but if they fail, or if their schemes are unacceptable, then the Government will have power to act. All schemes will be considered by a local government commission, which will proceed on the assumption that amalgamation is desirable, so that every local body will have to prove its claim to survive.

In this measure the Government has shown both courage and tact. No doubt the enjoyment of an unchallenged majority in both Houses has emboldened it to tackle a question three previous Governments recognised but consistently shirked. Possibly Labour will suffer less than the Right by the loss of support due to the dethroning of many leaders in local government as the result of the extinction of their councils; but it will not entirely escape repercussions due to loss of employment by clerical and technical workers, if not also by labourers, which will almost certainly follow the amalgamation of neighbouring councils. Still, it is doing a distasteful task in the most agreeable manner—by leaving it to the local bodies to commit suicide. Historically-minded people reflect that the first approach by a timid Government to extinguishing the provinces of New Zealand in 1875 was also by means of a permissive Act. In the following year the Government felt strong enough to exterminate the provinces lock, stock and barrel.

VI. POLITICAL PARTIES

THE only by-election since the Labour Government took office was that in Manukau on September 30. Mr. W. J. Jordan, who is now High Commissioner in London, had held that seat very strongly since 1922. At

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the 1935 general election he polled 70·12 per cent. of the total number of votes cast. Mr. A. G. Osborne, who has now kept the seat for Labour, polled 68·1 per cent. It was announced by the chairman of the Labour party (Mr. Clyde Carr, M.P.) that the overtures of the New Zealand Communist party for an alliance with Labour in the formation of a popular front had been rejected. Mr. Carr said that the Labour party, judging the Communists by their past record, had no hesitation in turning down the application.

The Opposition parties have at last come more closely together. Though the United (Liberal) and Reform (Conservative) parties formed a coalition in 1931, they continued to maintain their party organisations, each no doubt secretly hoping that the time would come when it could regain office independently of the other. These organisations have now disappeared entirely, the two parties coming together on a common platform under the title of the National party. The parliamentary wing of the new party met on the last day of the session and elected as leader the Hon. Adam Hamilton, M.P., who was one of the most successful Ministers in the last Government and an outstanding Opposition debater in the sessions of this year. Mr. Forbes gracefully retired from the leadership, and the other candidate, Mr. C. A. Wilkinson, formerly one of the independent wing of the Right, did not call for a vote. Mr. Hamilton says that he understands clearly that the Opposition cannot hope to appeal to the country merely as being opposed to the Labour Government. They must adopt a positive attitude and express the political thought of the Liberals and Conservatives.

New Zealand,
December 1936.

THE KING AND HIS PEOPLES

THE coronation is over. Not only in the Abbey, but throughout the Empire, enthusiastic crowds hailed their "undoubted King". The historic formula of the Recognition has never rung more true at a King's coronation. King George VI ascended his throne, in unparalleled circumstances, by the heart-rending but deliberate choice of the whole British Commonwealth of Nations. There has been no uprush of republicanism. The modern kingly tradition has, if anything, grown more precious to us because it had seemed, for a little, to be in peril. The memory of that sharp December week of testing did not mar the "willingness and joy" of the people's acclamation. Nevertheless, because of that memory many minds have brought to the coronation ceremonies, not only emotional fervour, but also appraising reflection. We have thought of kingship as well as of the King. We have not quite taken it all for granted; we have asked ourselves in concrete and unaccustomed ways what the King should be and should do under the conditions of to-day.

Because of recent memories, again, men and women everywhere have given more than a passing thought to the nature and meaning of the coronation observances. The ceremonies have been more than a mere exciting and memorable pageant, at which men stand as spectators: they have been in a real sense a sacramental act in which the whole people joined. Indeed, so far have people been from heedlessness that many have fallen into an opposite error, and have attributed to the coronation an even juridical significance, which it does not in truth possess. Both the King's title and his powers are derived at last

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entirely from the law, and to neither does the coronation add anything. Uncrowned, our monarch is every inch a lawful king. His coronation validates and authorises nothing. In the great dramatic act of the coronation ritual, however, the spiritual ties between the King and his peoples are drawn closer, because they become more consciously apprehended. Thus the significance of the coronation is religious and symbolic, not juridical. In the most solemn sacrament of the Christian Church, the King consecrates his kingship; his peoples, by their representatives assembled, consecrate their loyalty in the ancient act of homage.

I. PAGEANTRY AND EMPIRE

THE coronation of a king and queen, with its wealth of historic symbol, is the greatest, as it is the most significant, of the ceremonies of monarchy. It comes as a fitting climax to the recent series of royal pageants which have stimulated, without surfeiting, the imagination of the Empire. Even the economic importance of such celebrations is not inconsiderable; but the political effect of the pageants, joyous or solemn, of the past three years can scarcely be over-estimated. A great empire, no doubt, does not live by pageantry alone. Without pageantry, however, it could scarcely live at all. So at any rate Cromwell appears to have found, so at any rate the elaborately organised stagecraft of twentieth-century dictators most eloquently proclaims. That the British taxpayer should without complaint meet the cost of all the elaborate preparation and the wide-flung generous hospitality of this coronation is an indication, not of avidity for entertainment, but of sure political instinct and a wide imperial vision. To have given the visitors from overseas a position of special favour, by comparison with those who live in the United Kingdom, is an expression of the mother-spirit that will not be without its effect upon the generation that has experienced it. To-day, what is more, scientific

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inventions have immeasurably enlarged the area within which the effect of any great public ceremonial is felt. The low-priced illustrated newspapers, and still more the cinema and the radio, have enabled literally millions of the King's subjects, at the very ends of the earth though they may be, to share at something uncommonly like first-hand in the thrill of even the greatest occasions of state.

In the century that has elapsed since Queen Victoria came to the throne there has been a rapid evaporation of the feudal spirit the world over, not least in Great Britain and the overseas Dominions. But during that hundred years the prestige of British monarchy has grown absolutely as well as relatively, as the Sovereign has come into contact with an ever-increasing proportion of the people. In the magnificent pageantry of the coronation of King George VI and Queen Elizabeth, monarchy has entered every town and village, almost every home. Such popularity has its exacting side. Under the conditions of to-day the royal family are the most public of all public personages, and scarcely the most personal of their personal affairs are a matter of public indifference. Here, too, the change that has taken place in a century is vast. Six months of a George IV, under contemporary conditions, would probably discredit the monarchy beyond preservation. But the jealous popularity of to-day has its inspiring side as well. A commonwealth of peoples whose only legal link is their king is an audacious political experiment. For the success of that experiment, it is of incalculable importance that science has made the King visible, audible, personal, to his peoples. In the pageantry that centres upon the Crown, the very spirit of Empire lives.

II. THE KING'S PEOPLES

TURNING from the King to the peoples at whose head he is set, the changes witnessed by the past hundred years are again dramatic. In 1837, the Second British

Empire indeed existed, the result of half-a-century of conquest mainly at French expense. But it was an empire of tiny settlements, and it was an empire without vision. At the accession of Queen Victoria, Canada was the only considerable white settlement overseas that appeared to have any prospects. In Australia, settlement outside Sydney and its environs was still in its precarious beginnings. In New Zealand the Maori wars were still being fought. Cape Colony and Natal had just witnessed the Great Trek; Africa as a whole was unappropriated; India was still in the hands of John Company. The whole empire was one fiscal unit, and the constitutional system throughout was based on central control. When, in her coronation oath, Queen Victoria promised to govern according to law and custom "this Kingdom of England and the dominions thereto belonging", the formula which had been prescribed for William and Mary still reflected perfectly the character of her empire. Paralysed by the wars and by economic crises, the governing classes of Great Britain had invented no new technique of colonial administration since the collapse of the First Empire. In the first year of the young Queen's reign the old colonial system had, in Canada, again brought a free European population to the point of revolt. Ominously enough, the Patriotic Association in New South Wales threatened to follow its example.

The first great wave of nineteenth-century English liberalism luckily reached the Colonial Office just in time. Presented in 1839, the Durham Report adumbrated a new doctrine of responsible government for the colonies, a doctrine upon which the Third Empire was founded, and which proved flexible enough to make possible a rapid and unparalleled imperial expansion. Colonies became Dominions, and the Dominions took their place among the nations. Autonomy swiftly replaced central control, the co-operation of equals replaced the exercise of authority by Great Britain—a development aptly symbolised by the

use of the new term "British Commonwealth of Nations", instead of the traditional "British Empire". Though the United Kingdom retained its primacy of wealth, power, and prestige, that primacy was now a matter of "stature", not "status", in relation at least to Canada, Australia, New Zealand, South Africa, and the Irish Free State. After ten years of imperial constitution-making, it was not surprising that for King George VI the ancient coronation oath was revised. What His Majesty was required to swear was to govern

the peoples of Great Britain, Ireland, Canada, Australia, New Zealand, and the Union of South Africa, of your possessions and the other territories to any of them belonging or pertaining, and of your Empire of India, according to their respective laws and customs.

In these words is unobtrusively epitomised a great chapter in imperial constitutional history. As other links of empire have been removed, attention has more and more been concentrated upon the Crown, as the point of unity in diversity, the symbol of that free association which is the essence of the Commonwealth. In the new coronation oath, Dominion status is expressed in personal terms. "British possessions" have become "the King's peoples". Nor indeed is the evolution by any means complete. The new special reference to India is no doubt suggestive of that far-seeing attempt, now in full progress, to make over the *quondam* empire of the Moguls in the image of British parliamentary democracy. There may be other candidates for Dominion status as time goes on—other communities emerging from the older category of "British possessions" into the happy circle of "the King's peoples".

III. A MULTIPLE KINGSHIP

THE political evolution of the King's peoples has produced accompanying and remarkable changes in the King's own legal relation to them.

The Statute of Westminster brought the Act of Settlement within the ambit of Dominion legislative powers, and the Imperial and Dominion legislation concerning the succession last December was so drafted as to make it clear that in the Free State at any rate, and perhaps in the Union too, the statutory title of King George VI rests solely upon Dominion law. This fact puts an end to the controversies about what is (rather misleadingly) spoken of as "the divisibility of the Crown". Indeed, as the legislation worked out, it chanced that for a day or two Edward VIII was King in some parts of the Empire and George VI in others, and allegiance was temporarily due to two different Sovereigns. But this was only a temporary episode, with no permanent political significance. The common allegiance to the Crown, in which historically the unity of the Empire is expressed, would obviously be at an end if the succession of the centuries through one Sovereign were broken. In order to avoid chaos and the disruption of the Commonwealth, it was agreed in 1931, and the agreement was recorded in the preamble of the Statute of Westminster, that alterations of the succession should not be made otherwise than by agreement among all the members of the Commonwealth. At the abdication of King Edward VIII, this convention was faithfully observed.* The episode did make clear beyond doubt the multiple capacity in which the King now acts. But it also expressed and emphasised the will to unity of the whole Commonwealth. With the single alteration necessitated by the abdication of King Edward VIII, the throne descended, without question or difference of opinion, as determined in 1701.

Reverence for the heritage of the past, pride in the achievements of the unitary Empire of the nineteenth century—neither requires us to look to the future with misgiving. The Third British Empire closely resembled the conditions for which liberal American opinion before the

* See THE ROUND TABLE, No. 106, March 1937, pp. 247-257.

Revolution had pleaded in vain. The post-Statute-of-Westminster Empire seems to go farther back still into history, and to resemble most nearly, in some of its aspects at least, the state of affairs that existed in the seventeenth century, when England and Scotland were united under the Stuart kings. This relation is usually spoken of, rather slightly, as a "mere personal union", and certainly the history of Anglo-Scottish relations in the seventeenth century does not afford a very encouraging precedent. But the analogy, happily, breaks down. England and Scotland had had no experience of mutual forbearance and co-operation—indeed, quite the reverse; communications were poor and there were no institutions for securing common action; because the union was a new thing the Crown had no tradition as the symbol of the association of the two countries; and, in fact, the King through whose person they were linked turned out to be an element of discord, not a point of unity.

By contrast, the British Commonwealth of Nations presents all the conditions for a different and happier fate. Nevertheless, the seventeenth-century history of the Anglo-Scottish union has at least a twofold significance for the present. First, the essential thing in maintaining the vitality of any "free association" is to foster in all its members a clear vision of the common purposes for which the unity of the association is desirable and desired—common purposes which will embrace both ends and means. The Imperial Conference now in session will serve the future well if it concentrates on such things, and is able to formulate for the nations of the Commonwealth something of their collective function in the world. Secondly, the unhappy Anglo-Scottish story of the Stuarts throws up into sharp relief the importance to the King's peoples of the King's person and character. The importance of the integrity of the Crown to-day is truly, as Mr. Baldwin reminded the nation last December, "beyond all question far greater than it has ever been". The dissolution of the

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older legal links of Empire throws greater emphasis than ever before on the surviving personal link, the King.

IV. THE RÔLE OF KINGSHIP

EXACTLY what is it, then, that the King's peoples expect him to do to-day? What is the King's rôle in the post-war democracies of the British Commonwealth? Over a large portion of the field, an answer can be given that would command very general agreement, but one vital matter is still in some controversy. Confident statement either way is very difficult; for although precedent may be a most dangerous guide, we are in the sphere not of formulated law but of usage and convention, in which precedent is the obvious basis of inference. The general tendency of the monarchy since the revolution of 1688 is plain enough: it is uniformly in the direction of eliminating from government the personal will of the Sovereign, and substituting for it an official will, determined by a Ministry responsible through the House of Commons to the people. So far so good. Everyone agrees. But exactly how far has the process now gone? One after another of the ancient prerogatives has become subject, by law or by convention, to the rule that it will be exercised only upon the advice of Ministers. But are there now any "personal" prerogatives left—any powers that the King is entitled to exercise in his own personal discretion, according to his own personal view of what the country needs, even despite the advice of his Ministers? So far as concerns the ordinary events of politics, it is agreed that there are none; that the King is in the normal course expected to reign, not to govern or rule; that he may influence and discuss, advise and even delay, but in the end not personally decide: the responsibility for actual decision will lie with his Ministers. Indeed, it is a pity, in the more politically advanced communities of the Empire at any rate, that the language habitually used about monarchy on public

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occasions is drawn so extensively from the sixteenth century. In the normal course of politics, personal rule is obsolete, and it is to misconceive loyalty to go on speaking of a twentieth-century monarch as though he were King Henry VIII.

At this point, however, agreement ends. Conservative constitutional observers insist that in great emergencies the "reserve" powers of the King may be invoked, and that to save the constitution, or to give effect to the will of the nation as against that of the Ministry or even the House of Commons of the day, the King may act in his own discretion. This may be called the "safety-valve" theory of monarchy. In 1913, for example, Unionist leaders such as Balfour and Bonar Law, supported by constitutional lawyers of the weight of Anson and Dicey, contended that it was the King's right and duty, in the circumstances that prevailed, to force a dissolution of Parliament in order to test the opinion of the country in relation to the Liberal Government's Irish policy. The issues, from the Conservative point of view, have been well put thus:

The personal responsibility would be terrible, the risk to the prestige of the Throne incalculable, but might it not be right to face that risk rather than the calamity of a mutinous army and a war between citizens? *

Similarly the dismissal of his Ministers by the Governor of New South Wales in 1932 was widely applauded as being the only course that could have avoided civil disturbance in the state.

Radical thinkers, on the other hand, incline generally to the view that the convention that in the last resort the King must accept Ministerial advice has now become universal, and that under no circumstances should the monarchy be regarded as an independent source of political authority.

Without attempting any dogmatic resolution of these disputed issues, one may assert one or two uncontroverted points. In the first place, the usages of the constitution

* John Buchan's *The King's Grace* (1935), p. 77.

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have moved in the last generation still farther in the direction of emphasising the non-partisan character of the Crown, and of removing to the farthest confines of politics the occasions for any possible personal intervention by the King. A Sovereign to-day who took the letters of Queen Victoria as his constitutional guide would very frequently find himself confronted with political crises. Even the most recent precedents must be scrutinised jealously. In the second place, illustrations drawn from Dominion experience may suggest false analogies. In the Dominions the representative of the Crown holds his office for a short period only, and is easily removed at any time. An error of judgment in a crisis has consequences far less serious to his office than would be the case with the King in the United Kingdom, where the attempt to dissociate the office of King from the person of the occupant for the time being is much more difficult, and where a false step by the individual on some great occasion may have consequences of indefinite duration.

In the third place, the attribution to the King of a personal discretion to be used in great emergencies postulates in the wearer of the Crown exceptional qualities of penetrative analysis, objectivity, firmness, and level judgment. Hereditary succession has manifold advantages, not least that the future Sovereign may undergo from early childhood a training appropriate for his eventual task. The Empire was fortunate beyond estimate in having, during the long reign of George V, a King whose temperament, character, ability, and judgment were well proportioned to meet critical situations. But there can be no guarantee of the invariable maintenance of such qualities. Not every King or Queen is tempered after the same fashion, or is equally fitted to interpret, when passions run high, the long-term will of the nation. To give effect to the will of the people must in the last analysis be the object of all political power; that is the fundamental principle of political democracy.

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From this area of disputed authority, however, we may profitably turn to the agreed functions of kingship. Indeed we have dwelt at such length upon the points of controversy only because in the minds of many the continued survival of a personal authority in the monarch would threaten his position even within what may be called the area of complete agreement. For the supreme function of kingship to-day is to personify the nation, as distinct from any one party or any one class. To do this is rendered far easier by the immense longevity and continuity of the British monarchy. No party, no parliament, created the kingship. It comes down to us from our dim beginnings and, with the one seventeenth-century exception, our political contests have assumed the existence of the monarchy and decided merely the conditions under which the kingly office should descend and be exercised.

The representative function of kingship becomes both more difficult and more significant with the emergence of class-conscious politics, and with the threat to political democracy as a system of government that comes from the dictatorships in the one-party state. The King personifies a wider loyalty, within which political disputes may lose some of their bitterness, and even the extreme partisan display something of forbearance and the spirit of accommodation. This aspect of kingship has been eloquently stated by the present Governor-General of Canada.*

The King is of no class, being above classes; he is as much akin to the worker in the mine and to the labourer in the field as to the highest nobility. He can have no party bias, for his only bias is towards the whole people. He cannot initiate policies, though he creates the atmosphere that makes policies feasible. . . . Pinnacled above all, he is yet closer to the national consciousness than even the most famous Minister. His duty is not to act but to *be*, to represent the ultimate sanctities of the land which endure behind passing fevers and bewilderments. . . . [The monarchy] is the mystical indivisible centre of national union. It is the point around which coheres the nation's sense

* *The King's Grace*, pp. 12 and 13.

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of a continuing personality . . . the symbol of their past achievement and their future hope.

So long as the King fulfils these functions it would be hard indeed for party-worship and führer-worship to take firm root. "The importance of the integrity of the British monarchy," said Mr. Baldwin in the speech already quoted, "is, beyond all question, greater than it has ever been, being, as it is, not only the last link of empire that is left, but the guarantee in this country, as long as it exists in that integrity, against many evils that have affected and afflicted other countries". In more direct language, the kingship is one of the most potent influences to-day for the preservation of political democracy in each of the countries of the Commonwealth. Of course, in order to discharge these high functions, the King must possess the affection and respect of all classes. Just because he is the king of the whole people, it is peculiarly important that the King, in his own character and life, should represent and personify the moral tradition which his peoples, throughout the Commonwealth, have inherited as a vital part of their common culture.

This representative character of the King's office is the key also to his function in relation to the peoples of the Commonwealth as a whole. Here, too, as within each of his communities separately, he represents, personifies, symbolises, in his own person makes visible, real and comprehensible, the whole as against the parts. Though between the nations of the Commonwealth almost all the questions are at issue that vex international life generally, nevertheless in their loyalty to the one King these nations are united. The King is king of each of his peoples: but he is also king of them all. By his very existence, he makes it easier for his subjects everywhere to see their own nation against the august background of a wider international community, to which also their loyalty is due. In a world disintegrated by the claims of nationality, this kingship—older than even the Parliament at Westminster—

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is the last surviving, but the still continuing, organ of a unity that transcends nationality and is deeper than any alliance.

Throughout the whole of the Commonwealth, the doings of the King and Queen and the royal family are "news", read and discussed with keen personal interest. Stories of the visits of members of the royal family to a Dominion are treasured and have a brisk currency. Indeed for very many plain citizens the King and his family are the real and only centre of their active interest and pride in the Empire. The King has also his personal representatives in the Dominions, and by fulfilling the same kind of function as His Majesty a popular Governor-General or Governor can do much to express the spirit of the whole imperial community. But, as things are, the King's representatives will probably do this less and less, and in any case their office can never have anything approaching the glamour of royalty itself. The Empire must rely more and more upon the King's own person. Nor is it easy to imagine any head of the state in Great Britain, other than a king, who could satisfactorily unite the whole Commonwealth in his person. Someone nominated by the political party in office in Great Britain for the time being, someone elected by popular vote in Great Britain—call him by whatever title, give him whatever legal status, and invest him with whatever dignity—could not symbolise the whole Commonwealth, and could represent Great Britain alone.

In describing the King's function in relation to his peoples individually and collectively, we have spoken frequently of "the whole Commonwealth". There is, however, a correction to be made. What has been written has not at all accurately described the King's present relation to his people of Ireland; to be precise, to his people of the Irish Free State. That relation, as modified by the nationality enactment of 1935, by the constitutional amendments and by the succession legislation of December last, was summed up in the last number of

THE ROUND TABLE * with "the Irish republican kingdom" for rubric. The new Irish constitution,† published at the beginning of May, does not seem to make that description inappropriate. In general, it may be said that nobody in the rest of the Commonwealth would wish to insist on strict compliance with the constitutional forms customary in the other Dominions as the price of the Free State's membership of this free association of equal nations. There are some constitutional novelties in the new documents, to be sure; but flexibility and adaptability in constitutional forms have been among the characteristics of the British peoples throughout their history. Not conformity in the formalities, but co-operation in the things that matter, is the real test of membership in the British Commonwealth of Nations. If the Free State severs its association with the rest of us, it will be by its own act alone.

V. LINES OF DEVELOPMENT

IF the King is to be able effectively to discharge the vital representative functions that his office has come to require, his life and work must be reviewed in relation to the demands that his peoples make upon him. On the one hand the strain of his task—physical, mental, and emotional—threatens to become intolerable. On the other hand, he will need to come into closer touch with his peoples outside the United Kingdom. Some revision will probably be necessary all round.

In connection with the coronation, one useful piece of revision has already been carried out, which makes clear the existing position, and at the same time removes misunderstandings. There are said to be some twenty millions of Roman Catholics among the King's subjects, mainly outside the United Kingdom. In a few communities they are in the great majority, in many more they form a substantial and fairly coherent minority. Roman Catholics will

* No. 106, March 1937, pp. 348-356.

† See below, p. 388.

generally agree that the maintenance of the Protestant succession is a reasonable principle. But the terms in which ever since 1689 the coronation oath has been framed have suggested to many of them a sectarian bias: an impression sharpened by memories of George III's fantastic scruples. The King has hitherto been asked: "Will you, to the utmost of your power, maintain the Protestant reformed religion established by law?" Now there is no religion "established by law" outside England and Scotland. For the coronation of King George VI the oath was accordingly amended so that the King's promise was simply "to maintain *in the United Kingdom*" the established Protestant religion—episcopal in England and presbyterian in Scotland. Thus expressed, the oath has clearly no relation at all to the oversea Dominions, as the Prime Minister of Australia—himself a Roman Catholic—explained. In the United Kingdom itself, the King's pledge is indeed a part of his representative character, and his personal religious connection is no bar to the fullest loyalty in any part of the Commonwealth.

To bring the King into closer touch with the life of his peoples in the Dominions clearly requires some provision for royal visits overseas. Only the tiniest proportion of the inhabitants of the Dominions can expect to visit the Mother Country themselves. Broadcasts, indeed, may do something to bring His Majesty into personal touch with his subjects abroad: the Empire's response to the messages of King George V showed that. But the eye is at least as important politically as the ear. Nobody who has marked the effect upon imperial sentiment of the visits of royal princes in the present century can doubt the immense value of visits from a reigning Sovereign. It may be recalled that only once in this century has any part of the overseas Empire been visited by a king in office—on the occasion of the coronation durbar at Delhi in 1911. The strain of oversea travelling, in the conditions that almost inevitably apply to royalty, is very heavy, and what is

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possible would necessarily vary as between one Sovereign and another. A beginning might be made, however, at intervals of perhaps a couple of years, with a visit to one Dominion at a time. The strain of such journeys could be sensibly lessened by the provision of more suitable accommodation. If a warship is essential, for reasons of speed, of tradition, and of ceremonial dignity, it could at least be set aside as a royal vessel, and suitably reconditioned amidst ships, with good provision for offices and a civil staff.

In the Dominion itself, what is suggested here is that the visit should be not so much a sight-seeing tour as a temporary resumption, in person, of the governmental functions ordinarily performed in the Dominion by His Majesty's representatives. (Only the constitution of the Union, it may be remarked, already provides for such a contingency.) The King could, perhaps, open a Parliament (or Parliaments), and in general would carry out the same kind of duties as he performs when he is in the United Kingdom. There would, of course, be some frantic local jealousies at the inevitable omissions from such a programme; but they would be insignificant on any long view.

Such visits would of course require a great reduction of the burden of kingship in the United Kingdom. There would have to be some easily-worked provision for the discharge of the King's United Kingdom functions by deputy during his absences. A review of the position is in any case essential, for the burden of the King's official duties as the head of the Government in the United Kingdom has become almost insupportable by a conscientious monarch. The number of governmental acts that require the King's personal participation could probably be reduced by mere administrative arrangement, without legal change. The practice of giving the Royal Assent to Bills by commission might properly afford a precedent for similar action in other directions. If it is understood that it is the King's duty to make himself fully acquainted with the

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now terrifying mass of Cabinet papers that is circulated daily, the understanding should be revised. In the interest of the King himself, it may be wise to examine courageously the practical aspects of the relations between the King and his Cabinet, in the light of the fact that government must be in his name and not upon his authority. A king in slavery to his desk is not what his peoples need. In general it might be possible to emphasise the imperial rather than the local functions of the King, even in the United Kingdom. The Regency Bill * does indeed make provision for carrying on the royal duties in the case both of incapacity and of absence from the United Kingdom. It might even be found possible to go further, and to provide for some continuous exercise of certain of the King's duties by deputy in the United Kingdom, even while the King is present there, with the object of setting the King himself as free as possible for action in his imperial capacity, as the symbol of the free association of the members of the British Commonwealth of Nations.

Finally, with an eye to the growing egalitarianism of social life, not only in the Dominions, but also in the United Kingdom, the ceremonial side of the monarchy should be scrutinised afresh. Nice judgment is required. Monarchy requires its ceremonial: too little is as injurious as too much. Changes in a sound direction have already been taking place; but perhaps further modernisation and simplification would be possible. The rigorous etiquette of Court dress is being relaxed, though persons who choose the available alternatives to the traditional vestments will scarcely yet feel at their ease. Thousands of ordinary people draw, from what they see, a possibly exaggerated impression of the extent to which the Crown is identified with a small wealthy and exclusive social circle. Quite small matters, such as the extent and nature of the escort provided for their Majesties in the streets, need some consideration. The wish of King Edward VIII to simplify

* See THE ROUND TABLE, No. 106, March 1937, p. 257.

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all royal ceremonial awoke a sympathetic response in very many quarters, and the ground thus entered could usefully be more thoroughly explored. The suggestion in the last number of *THE ROUND TABLE* that in selecting the King's household and personal staff some thought should be given to knowledge of the Dominions may here be made again. In every direction the opportunity should be taken of a new reign to scrutinise established traditions and routines. The King must to-day be not merely "the people's King". He must be the King of all his peoples.

THE PROBLEM OF GERMANY

IT is becoming steadily clearer that the main obstruction to the settlement of the world to-day is what may be called the German problem. There are, indeed, other difficult problems, notably in the Far East and in the Mediterranean zone, but not only is the problem of Germany the most serious in itself: if it cannot be solved it may lead to a crisis in which the risk is not merely local war but world war. If Germany, through some internal or external adjustment, could be reconciled to her neighbours and to Europe, the fever of rearmament would almost certainly die down, the threat of world war through the marshalling of two great alliance systems would begin to disappear, the Far Eastern and Mediterranean problems would themselves become much easier to handle, and the world would probably find the League of Nations an adequate instrument for the settlement of still outstanding problems. It is the purpose of this article to try to assess what the German problem is.

I. THE INDICTMENT

THERE are, speaking broadly, two views about national-socialist Germany. According to the one, the Germans are different from other Europeans. They are fundamentally domineering and aggressive. They submit readily to political dictatorship at home, and have no hesitation about establishing their own dictatorship over others abroad, if they can. From the earliest times the Germans have manifested a streak of arrogance and brutality which comes rapidly to the top whenever they gain power. Even in the days of Tacitus the Roman commanders reported that the Germans would be content with nothing



less than the domination of Europe; that, while the Gauls, the Britons, the Spaniards, and other races would respond to generous treatment, the Germans mistook it for weakness and used it as an opportunity for fresh demands. The Germans, in short, respect nothing but force. Force, therefore, is the only weapon that can be successfully employed against them. If they are to be kept quiet they have to be overawed.

In more recent times, according to this view, this characteristic has become incarnate in the Prussians. The rest of the Germans—the Saxons, the Bavarians, the Rhinelanders—have become civilised, lovers of art and literature and music. Civilised as they may be, however, they have never learnt the art of politics or how to resist the brutal violence of Prussia. Frederick the Great made Prussia the most powerful state in the German world. Bismarck, by excluding Austria, created the empire of Prussia in Germany. National-socialism, according to this view, is Prussianism incarnate, intensified by the dogmatic racialism that its Austro-German leader imbibed on the frontier between Slav and Teuton. Prussia, moreover, has done more than learn how to apply violence: it has made violence the creed of a new religion. While the teachings of Machiavelli are the cynical counsels of a sophisticated man of affairs, who saw that the world is not what the simple-minded believe, but is largely controlled by cunning, deceit, and force, the German doctrine, expressed in its most absolute form in Hegel's identification of the ideal with the Prussian state and in the writings of Nietzsche, makes violence an end to be worshipped in itself. It is might itself that is right: it is power that makes its own laws. Thus the greatest nation is the nation best equipped to use force—through the blind obedience of its citizens to the state, through discipline and organisation for purposes of war, and through the ability of its rulers, when the opportunity comes, to strike ruthlessly and decisively at every rival Power.

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All these characteristics of the religion of force, according to this view, have reached their climax in national-socialist Germany. The gospel of national-socialism is Herr Hitler's book *Mein Kampf*, and this book is interpreted to mean that the objective of his policy is to create a German power that will be able to dominate all Europe, shrinking from no subterfuge or violence as the means whereby this goal should be attained. The instrument of that policy is the totalitarian state, in which all power is concentrated in the hands of the Fuehrer and the party leaders, every form of political opposition is ruthlessly suppressed, and education, propaganda and the press are mobilised and controlled, to produce blind credulity and obedience in every citizen. The totalitarian state not only enrolls every citizen in some highly disciplined category of service, such as the labour corps, or the army, or the women's service units, but also takes effective control of production, distribution, and exchange, and organises them in the service of war. It is not afraid to challenge both the universities and the Christian churches, by expelling professors or clerics who are unwilling to obey, and by suppressing forms of education that may compromise its own control; nor does it shrink from drilling all youth, both male and female, in youth organisations which, in practice, substitute the worship of the German state and the German race for the older loyalties to truth, justice, and the Christian God. The logical outcome of national-socialism, indeed, is to be found in Ludendorff's recent book, *The Nation in Arms*, in which he sets forth the doctrine of a madman, that the sole end of man is war. He describes how it is possible by propaganda, organisation, and the ruthless use of the police to prepare for that total war which, in his view, it is the main object of the totalitarian state to begin without warning and to win by the shattering completeness of its offensive and the matchless courage of its soldiers.

THE DEFENCE

II. THE DEFENCE

THAT is one interpretation of Germany. Here is the other. If Germany, throughout her history, has been a military nation, that has been because the existence of the German people depended upon it. Situated on the great central European plain, without natural frontiers, confronted by the glacier-like pressure of the Slavs on the east, and on the west by the constant efforts of France to keep her weak by exploiting her internal divisions, Germany has in fact been the battlefield of Europe. During the wars of religion her population fell from 30 millions to 7 millions through war and famine. Only when Germany has been united under a strong leader has she known prosperity and peace. For centuries the unification of Germany was delayed, partly by pursuit of the will o' the wisp of the Holy Roman Empire, and partly by the policy of dividing Germany that was first formulated by Richelieu. At a time when feudalism was consolidating into national kingship in the west, and the beginnings of the Russian Czardom were being established in the east, the Holy Roman Emperors were selling immunities and independence to their feudal subordinates, in order to obtain the means to prosecute their claims to authority as Emperor against the Popes in Italy and their rivals in Germany itself. As a result, at the time of the French Revolution and Napoleon, Germany consisted of 300 mostly petty sovereignties. After Napoleon had passed, the German confederation still consisted of twenty-three sovereignties. It was the impotence of the German confederation that drew from Bismarck the famous dictum that the German problem could be solved only "by blood and iron". Eventually, by means of blood and iron, he established the German Empire in 1871 at the price of throwing the Habsburgs outside it.

Though he made concessions to democracy by introducing a Reichstag based on universal suffrage, Bismarck

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established Germany fundamentally as a military state; for, situated as she was, she could exist only as a military state. The army, and not natural geographical features, was her frontier to both east and west. After Bismarck's fall, Germany, having won her position in Europe, began to seek one in the outside world also. She built a great navy to enforce respect for her claims as against England and France. But, however shortsighted the Kaiser may have been in building so vast a fleet, and however provocative Germany's *Macht* diplomacy may have been before the world war, it is patently untrue to say that Germany bears sole guilt for that catastrophe. She certainly did not assassinate the Archduke Franz Ferdinand, and it was the mobilisation of the Russian army that finally destroyed all hope of a peaceful settlement. The fundamental cause of the war was the anarchy of Europe itself, which had not even a Concert of the great Powers. Yet the framers of the peace settlement excused themselves with the theory of Germany's sole war guilt. An impossible burden of reparations was placed upon her. Her colonies were taken away. She lost one-seventh of her European territory and all her foreign investments. She was, moreover, permanently disarmed, and compelled to leave her western frontier demilitarised and exposed to a threat at the Ruhr by France.

Defeat, however, enabled the people of Germany to overthrow Kaiserdom and the dominant Prussian tradition. Germany wholeheartedly joined the company of democratic nations. Yet, in its battle to discredit the adherents of the old régime, the republic was given little help by the former Allies. On the contrary, their acts played into the hands of the enemies of the republic. Not only were the terms of the peace tremendously severe, but in 1922 M. Poincaré, pleading a technical default in reparations, invaded the Ruhr against the protests of Great Britain—an act that did more harm to Germany than the loss of the war itself, and gave its real strength to the national-socialist

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movement and justification to the doctrine that force alone counted in Europe. The Locarno settlement, which followed, improved international relations in Europe and gave an opportunity for a real settlement. But the opportunity was not seized. The reparation claims were maintained for another five years. Apart from the scaling down of reparation annuities and the slight advancement of the evacuation of the Rhineland, no attempt was made at a revision of the treaty settlement. The Locarno treaties themselves could not be the foundation of a lasting peace, because they maintained the unilateral disarmament and demilitarisation provisions of the Treaty of Versailles, and provided for no disarmament by France and her military allies. Then came the depression, which ended reparations but also led to the rapid overthrow of the republic by Adolf Hitler. The next turning-point was the rejection by France, under M. Barthou, of the German offers to be content with an army of 300,000 men and a moderate air force. Finally, through acts that violated the Treaty of Versailles but were capable of moral justification, Hitler recovered for Germany full "equality" among the nations by rearmament and by remilitarising the Rhineland.

On this view, if Germany is a military nation and has no illusions about the part that force plays in world affairs, it is not because of any special wickedness in the German people, but partly because of the conditions imposed upon her by history and geography, and partly because of the continuous humiliations she suffered at the hands of France and her allies for fifteen years after the war. Only by recovering her military strength and discipline and an authoritarian government has she been able to escape from the unilateral discrimination of Versailles. In this light, national-socialism is at heart a temporary movement of compensation for the inferiority complex from which Germany has suffered by being made an outcast among the nations since 1918. It has its good features in the discipline, physical training, national self-confidence, unity and order

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it has given to the German people. It has its bad features in the persecution of minorities and the constant emphasis on blind obedience to authority rather than the capacity of the individual to think for himself. If this view is correct, the road to a settlement with Germany is to recognise that her status in the world must be that to which a nation of her power and culture is justly entitled. We should therefore adopt the friendly attitude that will do most to enable the moderate forces within her once more to prevail, and will take away from the extremists their principal argument for huge armaments. Then, according to this view, Germany will settle down to the good-neighbour policy implicit in the League of Nations.

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AMID these conflicting opinions it is not easy to form a clear judgment. But neither of the two interpretations set forth above would seem to be the whole truth. On the one hand, the first interpretation disregards the profound effect on Germany of her experiences during the last twenty years, and of the Nazi revolution itself. The old Prussia was a monarchical, feudal, and military despotism, trained in the traditions of Frederick the Great. The new Germany is essentially a popular Germany. The arrogance of officer and official has disappeared. Hitler's power derives from his hold on the masses. That hold has been tested at regular intervals by plebiscites which—whatever allowance may be made for intimidation, for the disfranchisement of Jews and others, and even for possible exaggeration in the official returns—have recorded overwhelming support for the Fuehrer and his policy. The socialist aspect of national-socialism is a reality, not so much in the technical sense of nationalisation of land and industry, as in the sense that the purpose of the régime is to benefit all Germans and not an exclusive caste.

On the other hand, much as a great many Germans may

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dislike the secret police methods and other repressive aspects of the new régime, modern Germany as a whole certainly does not believe in the virtues of democracy as she has experienced it hitherto. The democratic system is inseparably connected in German minds with the period of humiliation and disaster after 1918. It proved unable to recover for Germany "equality" or freedom to arm herself and manage her own internal affairs as she pleased. It is associated with that undisciplined personal licence which expressed itself in the moral degeneracy of sections of post-war Germany, with the multiplication of political parties in the Reichstag and the consequent instability of government, and with the inflation of 1923 and the subsequent deflation, which exposed the people to exploitation by profiteers, among them Jewish profiteers. From this point of view, national-socialism, as a movement through which citizens dedicate themselves to the service of the community—the German *Volk*—is a healthy corrective to the excessive and selfish individualism of the democratic and capitalist era.

All this does not make national-socialist Germany any less formidable. If the purpose of the movement is to develop a healthy, disciplined, public-spirited Germany, possessed of equal rights with all other great nations, it is also imbued with the idea that the glorified state, imposing universal discipline, is the method whereby its ideals will be realised, and that power is the mark of greatness and the road to achievement. Modern Germany is not militaristic in the old imperialist sense of the word. Her people do not want war for its own sake. But she is strongly military and will not shrink from the use of her tremendous power if she thinks that is the only way to secure her legitimate rights. Further, the dictatorial form of government, with its control of the press, its suppression of contrary opinions, and its national regimentation, gives to those at the head of affairs a freedom of decision and initiative, and a menacing power of propaganda, unknown

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in democracies where a free public opinion ultimately controls policy through a free press, free elections, and a free parliament.

IV. AT THE BRINK OF A PRECIPICE

THERE is no doubt that the process of the recovery of "equality" by Germany is now entering its inevitable second stage. The first stage was the shaking off of the shackles of Versailles. During this stage the principal obstacle was France, who regarded such unilateral discriminations against Germany as the only method of ensuring her own security and the stability of the post-war European settlement. In her effort to rid herself of those discriminations, Germany was able, in effect, to rely upon the support of Great Britain. It was British sympathy for Germany's claim to equality that saved Hitler's re-introduction of conscription and re-occupation of the Rhineland from producing more than diplomatic explosions. Germany, however, now that she is free from the restraints of Versailles and is recovering her strength, is beginning to demand "equality" in a more expansive sense of the word—the kind of position in the world that she thinks appropriate to a great Power, compared with that of other great Powers. She is once more asking for her place in the sun. That is a complex demand. It relates to the position in eastern Europe; it raises the colonial question; it has its economic side; and it concerns, more generally, Germany's status and influence in the counsels of the nations.

There is nothing wicked or malignant in this demand in itself. The severity of the Versailles settlement and the repudiation of the thesis of sole war-guilt made its emergence eventually certain. But it is highly inconvenient and disturbing to more fortunately situated nations, and it is very dangerous in face of the inherent difficulty of peaceful treaty revision, on any considerable scale, especially revision of territorial frontiers. Moreover, it

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tends to bring not only France but also Great Britain into the picture as the obstacle to what Germany regards as her legitimate right.

The answer of France to Germany's repudiation of the unilateral military discrimination of Versailles was to reject Hitler's offers to be content with moderate rearmament, to add Russia to her eastern European allies, to bring Italy into the ill-fated "Stresa front", and later to secure from Great Britain, in replacement of Locarno, a new guarantee against unprovoked aggression in the West. Her hope was to form a military combination of sufficient strength to maintain the *status quo* and to deter even an armed Germany from attempting to modify it by force or *Machtpolitik*. This combination, however, has proved of doubtful worth. Russia is 500 miles from the German frontier, and her army is probably of little value outside her own borders. And Italy, largely thanks to the Abyssinian episode, has practically gone over to the German side.

But the strength or weakness of the French system is not the whole story. Recently many of the German leaders, who have hitherto been extremely cordial in their attitude towards Great Britain, have begun to feel that ultimately it is the British Empire that stands in the way of a solution of Germany's difficulties and the meeting of her legitimate claims. Germany is acutely aware of the disproportionate territorial place she occupies in the wider world. Almost every other great Power has either, like Russia or the United States, far larger resources within its own borders, or colonial possessions to exploit, like Great Britain, France, Italy, Japan, or even smaller Powers—Holland, Belgium, and Portugal. None of these Powers—naturally enough from their own point of view—is ready to hand over any of its colonies to Germany.

At the same time, Germany feels that there are adjustments to be made in Europe itself. Danzig and Memel are German cities. The Austrian people, she complains, are not allowed to decide their relations with Germany

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for themselves. The Germans in Czechoslovakia and Poland are still, in their own view, treated as oppressed minorities, very differently from the manner in which British minorities are treated in countries they inhabit overseas. No doubt the first obstacle to the solution of these questions in a manner satisfactory to the new high-spirited Germany is France and her eastern allies, with Russia in support. But the unwillingness of that combination to make concessions is reinforced by the belief that Great Britain tacitly stands behind the *status quo* both in Europe and in the colonial sphere. Great Britain, therefore, in Germany's present mood, is beginning to appear to her once more as the ultimate obstacle that prevents her from getting what she regards as her just rights.

Of course it is easy to produce a score of arguments on the other side. The extreme racialism of the national-socialist movement, its treatment of the Jews and of its own internal opponents, are alone almost a sufficient counterweight, in many people's eyes, to Germany's claims to control fresh territories and their inhabitants. But the serious fact is that we are witnessing the reappearance of the dilemma that confronted European statesmen, particularly British statesmen, at the beginning of this century—a dilemma that led eventually to the pre-war alliance system and the world war.

In some ways the situation is less dangerous than the equivalent situation in 1904. Germany was then intent on building a navy to rival the British navy. She has now accepted, for the time being at least, a ratio of 35 per cent. Pre-war Germany was violently imperialist, and as such suspicious of and hostile to Great Britain. Modern Germany, on the contrary, is at heart extremely friendly towards Great Britain. Friendship with England is a first article in Hitler's creed, and the friendliness of the mass of the people towards the English, whom they regard as a kindred race and their only friend since the war, is manifest to every visitor. The German people are not to-day jealous

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of or hostile to the British Empire or resentful of its rearmament. They regard it as a bulwark of stability and of civilisation in the world.

In some ways, however, the problem to be solved is more difficult than before the war. As a result of Versailles, Germany occupies a far smaller place in the world than she did in 1914. The loss of her colonies, her foreign investments, and one-seventh of her European territory is the more seriously felt because economic nationalism is everywhere stronger than in 1914. It is more difficult for Germany—as it is for every other country—to purchase by exports to the outside world the supplies she cannot produce within her own boundaries. Moreover, the armaments race is already far more intense than it was in 1914, and Germany is better equipped than ever before, physically, psychologically, and governmentally, to use force to achieve what she believes to be her legitimate ends.

There is the dilemma that confronts the statesmanship of the world. The errors of the Versailles settlement and the post-war treatment of Germany have come home to roost. Modern Germany is nationalist, not imperialist, and is quite prepared to recognise the rights of other nations and their title to live. She does not want war, for she knows what modern war means. Her people, indeed, are opposed to war. But Germany is dissatisfied, and she is determined sooner or later to get what she believes to be her rights. The national-socialist revolution and its aftermath during the last five years have profoundly alarmed all her neighbours. They suspect Germany's intentions. They suspect her methods. They do not know what her ultimate demands may be. To the natural selfish reluctance to give anything away is added the belief that concessions now would be only Danegeld. They feel that they must rearm and stand together to resist their own destruction and the spreading of an anti-social creed.

A reconciliation between the German and non-German points of view is not impossible, if common sense and

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goodwill can prevail on both sides. If Germany really accepts the national independence of the true nationalities of eastern Europe, just as Great Britain accepts the independence of the Dominions, it ought not to be impossible to transform the eastern European situation so as to satisfy Germany's legitimate desires. And, provided the strategic and the economic aspects of the colonial problem can be kept separate, a solution may perhaps be found which would be out of the question if great territorial changes were necessary. The first condition of relaxed tension and a cessation of armament competition is that the whole problem, and the tremendous dangers it involves, should be far more seriously considered than has yet been the case. Nothing but good could come from personal contacts between responsible leaders. The difficulties in the way of a settlement are clearly very great, but precisely because they are great they can be surmounted only when relations of understanding and confidence exist between principals on both sides.

Not until a full explanation of motives and viewpoints has taken place will it be possible to arrive at conclusions about the future. If an agreed settlement proves to be possible the world will move into smooth waters and the League will revive. If an agreed settlement is not possible, we shall at least know whether the obstacle lies with Germany or with her neighbours or with ourselves. We shall be in a better position to judge whether our right policy is a refusal to join either side in a new European alliance system, and an attempt to isolate any European war, if it comes, by preserving neutrality alongside the United States, or whether peace can better be defended by our undertaking precise obligations against aggression in Europe. Public opinion in the Empire—this at least is clear—will be reluctant to enter into any such commitments until a fresh attempt has been made, in all sincerity, to reach a just and agreed settlement.

EMPIRE TRADE AND WORLD TRADE

I. THE ROAD TO FREER TRADE

BY the time this article is read, the immediate future of Bimperial trade arrangements will probably have been decided by the assembled statesmen of Great Britain, the Dominions, and India. If, therefore, the problem of Empire trade to-day were merely a question of revising the details of the Ottawa agreements, this moment would be either too late or too soon to discuss it in THE ROUND TABLE. But that is only one corner of a complicated pattern. The real issue is the contribution the British Commonwealth is to make to the future of world trade. The need for tackling that issue is urgent; the opportunity is ripe. The revival of international trade lags behind internal recovery all over the world. Few countries are more damagingly affected by this than Great Britain, and with her the nations that rely upon her purchasing power. To some extent, no doubt, the check to international trade is a lasting one; barriers have been imposed, not only for economic but also for political and strategic reasons. Hence no complete solution is possible that does not include a political settlement and a relaxation of the fear of war. Yet one of the causes of political tension is economic difficulty, and a lowering of trade barriers is a necessary step in the approach to political settlement. This imposes a special responsibility on economically powerful nations like Great Britain and the United States; for in the advance towards freer trade conditions they can—and must—move a pace ahead of countries whose sharper need has driven them to adopt abnormal methods of economic defence.

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The opportunity for such an advance arises, fundamentally, out of the rise in prices and the revival of national economies. Cheap money, government spending policies, the amazing elasticity of the capitalist system, the inflation of the price of gold, the many-legged scramble towards currency realignment—these and other forces have checked and reversed the vicious revolution of unemployment, bad trade, and low prices. Experiments can now be made, and risks be taken, that were unthinkable five years ago. Governments that were then preoccupied with saving their currencies from collapse and with finding almost any means, sound or unsound, of stemming unemployment are now concerned with entirely different economic problems. They are exercised over the dangerous possibilities of the boom; they are wondering how the active demand for labour can be diverted from inflating costs in the more prosperous industries (including those making armaments) into sponging up the reserves of chronically idle labour in the less prosperous trades and areas.

In the international field a number of developments have prepared the way for a further and wider effort. They include the three-Power monetary agreement * and moves made by the Oslo group, by Germany, and by the United States. It is the purpose of this article to examine the more important of these signposts on the road to freer world trade.

II. THE GOLD BLOC SIGNPOST

IT is one of the paradoxes of practical economics since the slump that over-valuation of currencies, though obviously associated with internal depression, has not been associated with declining balances of external trade. On the contrary, it is countries like Great Britain and the United States, which stole a march on the gold bloc in monetary policy, that have seen their imports rising faster than their exports. Protection by tariffs and quotas was a successful

* See THE ROUND TABLE, No. 105, December 1936, pp. 39-53.

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element in the deflationary defence of gold bloc economies. Hence the ending of the gold bloc brought about a new paradox: in order to compensate for the protective and price-raising effect of the cheapening of their currencies, it was necessary for France and her monetary associates to lower their barriers against imports; yet experience showed that the internal reflation rendered possible by devaluation would itself serve to expand imports and possibly to retard exports. Weight and counterweight would be thrown into the same pan of the scales. For this reason, devaluation offered a unique opportunity for a lowering of barriers outside as well as inside the gold bloc. The three Governments that signed the declaration of September 26 agreed that the success of the new monetary policy was linked with the development of international trade; in particular, they attached the greatest importance to the taking of action without delay to relax progressively the existing system of quotas and exchange controls, with a view to their abolition.

So far, the practical response has been rather disappointing. France and the other gold bloc countries, including Italy, lowered certain of their barriers to imports at the time of devaluation, largely with the object of checking the expected rise in internal prices. The United States and the Oslo Powers have persisted with their respective commercial policies, designed to further world trade. There have been other isolated developments, such as the relaxation of the quota system in Turkey. On the whole, however, there has been little to show. British policy has been, at least on the surface, curiously inert. On April 13 Mr. Neville Chamberlain told a questioner in the House of Commons that the Government were "not at present contemplating" negotiations with the United States and France for the conclusion of an economic agreement "covering a rather wider field and of a more permanent nature" than the currency understanding. Replying to a deputation three weeks earlier, the Prime Minister had claimed that the main obstacle to the development of

international trade was the existence of exchange controls and of quota restrictions on industrial goods. In this regard the British Government was innocent. British tariffs, said Mr. Baldwin, had been imposed to prevent the increase of unemployment and to protect the standard of living in this country. He frankly resigned the initiative for a liberation of trade to countries that had developed their protective systems to a greater degree than had the United Kingdom.

In these somewhat stagnant marshes the spring of liberal energy that gushed when the three-Power agreement was signed has trickled away. A fresh channel, however, though perhaps a narrow one, was cut in April when M. van Zeeland accepted a joint Anglo-French invitation to "examine the possibilities of bringing about a relaxation of obstacles to international trade".

Meanwhile, the double loading of one side of the scales had had a striking effect upon France's external trade. In the first nine months of 1936, her imports had averaged 1,937 million francs a month, and her exports 1,182 millions. The adverse balance was thus 755 million francs a month. In the first five months after devaluation, while her exports increased to a monthly average of 1,657 million francs, her imports averaged 2,993 millions and the monthly adverse balance rose to 1,342 millions. Whether France can make up this extra deficit of nearly 600 million francs a month by means of higher tourist receipts and other invisible earnings, and by attracting the permanent return of capital, has yet to be shown. What is already clear is that the fall of the franc, instead of giving France the equivalent of added protection and an export subsidy, has greatly increased the value of her purchases abroad, while her exports, expressed in sterling, have remained almost constant.

France's internal economic changes, which have helped to bring this about, are none of the affair of her neighbours. But the political consequences of any deterioration of her economic position cannot be ignored. There seems no apparent alternative at the moment to the Popular Front

Government, whose régime has coincided with a period of cordial and fruitful collaboration between France and Great Britain, especially over the Spanish war. Its collapse through financial and economic difficulties might possibly produce chaos in France, than which there could be no worse danger for European peace. This is, perhaps, a side issue, but it reinforces the hope that M. van Zeeland's mission will yield practical results, which will further the stability and prosperity of the democracies.

III. THE OSLO SIGNPOST

IN the far-off days when "tariff truce" was the *mot d'ordre* in discussions of international commercial relations, the smaller countries of northern Europe—Belgium, Denmark, Finland, Luxembourg, the Netherlands, Norway, and Sweden—met together at Oslo. The result was the signature of an agreement, which went into force in February 1932, whereby each of the parties undertook not to increase its tariff for a period of one year without due notification of the increase to the other parties, who could then make representations and negotiate an equitable compromise. Not long after the Oslo convention had gone into force, three of its signatories, the Netherlands, Belgium, and Luxembourg (who was in customs union with Belgium), took a more positive step. They did so after conversations with the other Oslo Powers, but the latter preferred to postpone action until economic conditions were more settled; they had not long previously allowed their currencies to follow sterling on its downward course. In June 1932 the three countries mentioned signed the Convention of Ouchy-Lausanne, the key clause of which provided for the progressive reduction of tariffs on the trade passing between them. Such tariffs would be cut by 10 per cent. of their amount per annum until they had fallen to one-half their former level, subject to a minimum of 4 per cent. *ad valorem* on semi-manufactures and 8 per cent. on fully manufactured articles.

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The attitude of Great Britain and other countries towards this convention was obviously vital, since they could nullify it by insisting upon their most-favoured-nation rights. This question was taken up by the Commercial Relations Committee of the Ottawa Conference. Attention had been drawn, said its report,

to recent tendencies in foreign countries to conclude regional agreements between themselves for the mutual accord of preferences which were designed as being exclusive, and not to be extended to countries which were not parties to, or did not adhere to the agreements. On this point, there was a general agreement that foreign countries which had existing treaty obligations to grant most-favoured-nation treatment to the products of particular parts of the Commonwealth could not be allowed to override such obligations by regional agreements of the character in question. . . . The Committee recognised that the fact that rights are accorded by most-favoured-nation treatment does not preclude a foreign country from seeking the consent of the various Governments of the British Commonwealth to the waiver of their rights in particular cases.

The Ottawa Conference in effect agreed that group preferential arrangements designed to lower barriers to trade were a valuable exception to the most-favoured-nation rule. For it recorded the policy of the several Commonwealth Governments that treaties with foreign countries should not be allowed to interfere with imperial preference (that is to say, preference should override most-favoured-nation undertakings); and it declared that the easier flow of trade within the Empire, resulting from the Ottawa preferential agreements, would stimulate and increase the trade of the world. In contradiction of this theory, Mr. Baldwin told the deputation mentioned above that the creation of a low-tariff group was dangerous, because it would involve discrimination against non-participating countries, and might lead to retaliation and tariff wars. It would mean an end to the general application of most-favoured-nation treatment, to which the Government attached special importance.

Lately, the Oslo Powers have again come together to

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discuss possibilities of improving international trade. Their expert delegates met at the Hague and Brussels in March and April this year, and produced a new draft multilateral agreement. Since 1930 their economic and monetary policies had taken divergent courses in the face of depression. The Scandinavian currencies followed and overtook the depreciation of sterling; Belgium, after four years of deflation, went off the gold standard in 1935, the Netherlands not until September 1936. Belgium-Luxembourg and the Netherlands had adopted import quotas, Denmark a system of exchange control. The Scandinavian countries had all made special commercial treaties with Great Britain while linked with her in the sterling bloc.

The Oslo Powers taken together actually do more trade with Great Britain than they do among themselves, as the following table shows. Moreover, Great Britain's share, especially in their imports, has been rising.

*Trade of the Oslo Powers * with each other, the United Kingdom, and Germany, 1929 and 1935*

(in millions of pre-1933 gold dollars)

	Other Oslo countries.		United Kingdom.		Germany.	
	1929.	1935.	1929.	1935.	1929.	1935.
Imports . . .	\$565	\$220	\$458	\$210	\$908	\$265
% of total imports . . .	16.2	16.7	13.1	16.0	26.0	20.2
Exports . . .	\$492	\$193	\$806	\$307	\$498	\$159
% of total exports . . .	16.6	17.1	27.2	27.2	16.8	14.0
Aggregate . . .	\$1057	\$413	\$1264	\$517	\$1406	\$424
% of total trade . . .	16.4	16.9	19.6	21.1	21.8	17.3

* Belgium-Luxembourg, Finland, the Netherlands, Norway, and Sweden.

These figures make manifest the vital importance, to the group of low or moderate tariff countries of northern Europe, of their trade relations with the United Kingdom and with Germany. It is convenient, therefore, to examine in the next section the economic relations of Germany with the rest of the world.

IV. THE GERMAN SIGNPOST

THE crisis of 1929 and after imposed a complete reorganisation upon Germany's external trade. Since 1924, it had been adjusted to a large inflow of foreign capital—twice as great in the aggregate as the reparations that Germany paid in the same period. The rising rate of interest, the growing hesitation of foreign investors, and the superior attractions of the Wall Street boom dried up this stream before the depression seriously affected other European countries or the United States. In 1929, Germany managed to strike a balance between imports and exports, but without any margin to pay dividends and interest on the money she had borrowed, as well as reparations. Her short-term indebtedness piled up, and the panic crisis of 1931 drained her of gold and credit abroad. The standstill agreement of 1931 on short-term debts was followed two years later by a partial—now almost complete—embargo on the transfer of long-term debt service into foreign currencies. Germany has gradually installed a system of currency control extending to the most minute details of international traffic—trade, transport, finance, and tourism. She has used the system of blocked marks of many kinds (which of course stand at a large discount compared with free exchange) to subsidise exports, and occasionally to redeem her indebtedness on the cheap. She has also instituted a general system of export subsidies, financed by a levy on internal industry.

The course of her trade from 1929 onwards is shown in the following table.

		<i>(in billions of Reichsmarks)</i>							
		1929.	1930.	1931.	1932.	1933.	1934.	1935.	1936.
Retained im-	ports	13.4	10.4	6.7	4.7	4.2	4.4	4.1	4.2
Domestic ex-	ports	13.4	12.0	9.6	5.7	4.8	4.1	4.2	4.7
Credit balance		—	1.6	2.9	1.0	0.6	—0.3	0.1	0.5

While imports have been kept fairly stable since 1931, exports fell steadily till 1934, and have since recovered. The improvement in exports is being more than maintained in 1937, but the extra foreign exchange is being consumed by the higher prices of imported raw materials. Self-sufficiency—the Four-Year Plan to make Germany independent of the outside world for her vital needs—was Herr Hitler's answer to the problem of Germany's trade balance. However successful this effort might be after a long period of experiment and capital development, it had barely begun when the rise in prices, combined with a bad crop year at home, undid everything already accomplished in economy of imports. Germany has had to adopt, for the time being, a different attitude in order to overcome her present difficulties.

That seems to be the significance of Dr. Schacht's visit to Brussels and other foreign capitals in April, and of the feelers he has been putting out towards a fresh commercial understanding between Germany and her neighbours. They will be only prudent if they approach with caution proposals that may be only a temporary means to an eventual end which is the very opposite of what they desire. It is the struggle for national self-sufficiency that is depressing the standard of life everywhere, and building up the conditions in which war and dictatorship flourish. Dr. Schacht may speak to-day with one voice, Herr Hitler to-morrow with another. Yet suspicion of Germany's ultimate intentions ought not to distract us from examining the realities of her economic position. While an economic settlement from which Germany stood aside would be no less valuable in itself than was the three-Power currency agreement of last year, an economic settlement in which Germany took part would be far more valuable still.

Some of Germany's difficulties are of her own creation. She has spent on the material for armaments resources that she might have spent on raising the standards of her people, on improving the efficiency of her industry, or even

on paying her debts. Anti-semitism and other aspects of Nazi policy have injured the goodwill of foreign traders and consumers. The deliberately chosen monetary policy of the Reichsbank has saddled Germany with an over-valued currency which handicaps her exports and makes it essential to barricade her economy behind a ring-fence of control over finance and trade. Nevertheless, it is well to bear in mind the reasons for that policy: a bitter memory of post-war inflation, an almost complete absence of gold reserves, a huge external debt which falls in terms of local money with every relative fall in the foreign currencies in which it is expressed, the prospect of a gigantic flight of capital—foreign, Jewish, and German—if the barriers to its movement were taken down. Any liberation of German exchange control can only be by slow degrees. And one pre-requisite is necessary before even a first step can be taken—fresh capital to provide monetary reserves and a margin for withstanding any deficit on the balance of payments. There are plenty of economic and financial reasons against a loan to Germany at the present time, but they are subordinate to the political reasons. Germany is an object of suspicion rather than confidence, and until that is changed she is incapable of making a successful appeal to the money markets of the world. The purely financial objections to lending to Germany could not be overcome unless the loan were guaranteed internationally. Which of Germany's neighbours is prepared to offer such a guarantee in the present state of European politics? In a word, the problem of Germany's relations with the rest of the world is fundamentally a political problem, and her participation in an all-round economic settlement can come about only as part of an all-round political settlement.

V. THE AMERICAN SIGNPOST

THE new phase in American commercial policy dates from the passage of the Reciprocal Trade Agreements Act in June 1934. The Act authorises the President to negotiate

agreements for mutual benefit in trade, and for that purpose to alter United States tariffs, subject to certain limitations, by not more than 50 per cent. of their existing amount. The operation of this Act is associated with the much older American commercial policy of according unconditional most-favoured-nation treatment to all countries that do not discriminate against American goods. The majority of the treaties so far negotiated under the Act of 1934 are with tropical or semi-tropical countries, or northern timber-producers, exporting mainly raw materials and foodstuffs of a kind not grown in the United States and already entering duty free or over very low tariffs. Four treaties, however, have been concluded with industrial European nations—Belgium, France, the Netherlands, and Switzerland—which, like Great Britain, buy more from the United States than they sell to her, and export goods of a class largely competitive with her own.

The treaties do not indicate any great willingness on the part of the United States to allow greater freedom of entry to industrial products. In the French treaty, duties on 71 articles imported from France were cut, affecting roughly one-third of French exports to the United States; but the most notable items on the list were wines and brandy, Roquefort cheese and perfumes, rather than industrial products proper. Some of the articles concerned were not being produced in the United States in spite of high protection. In return, France cut duties on motor-car chassis, fruits, cash registers, machinery, and tyres, *inter alia*, and granted larger import quotas for other articles, including American specialities like typewriters and refrigerators. Switzerland received from the United States lower duties on watch movements, certain special textiles and machinery items, and a number of other high-valued manufactures of great importance in her trade. On the other hand, the Netherlands obtained practically no concessions on manufactured products, the chief United States imports covered in the treaty being cheeses, herrings,

bulbs and seeds, and colonial products from the Netherlands empire. The advantages given to these countries have been neither insignificant nor relatively less than the advantages they in turn have provided for American exports; but they afford little direct encouragement to the hope that the United States is prepared to offer, in exchange for equivalent terms, a much wider market for British exports, most of which compete with American industry and now have to overcome very high tariffs in the United States.

The agreement with Canada is much the most important of the American trade agreements.* Canada's chief concessions were to place United States goods under the intermediate instead of the general tariff, and to promise to abolish special customs valuations and other arbitrary increases of protection. She also conceded certain specific reductions in tariff rates. In return, the United States lowered her tariff on 13 per cent. of imports from Canada, and on a further 50 per cent. guaranteed the continuance of free entry. Here again, however, a hint has been given of the limits set by internal conditions upon the Administration's capacity to reduce tariff barriers. Strictly limited though they are, the concessions made to Canada on agricultural products have aroused vigorous protest among American farmers.†

The Roosevelt Administration lays great stress on its most-favoured-nation policy. It justly claims that this assists the general downward movement of tariffs by securing to all America's customers (save those that discriminate against her in their own tariff and quota systems) the same advantages as are accorded to any one of them by bilateral pacts under the Reciprocal Trade Agreements Act. A contrast is frequently drawn by American critics between this system and British commercial policy. As far

* A full account of it appeared in *THE ROUND TABLE* for March 1936, No. 102, pp. 385-92.

† See *The Hull Trade Program*, by David H. Popper. Published by the Foreign Policy Association, New York.

as the principle goes, the criticism is entirely unfounded—barring imperial preference, which in effect is equally part of American policy. Great Britain has as many most-favoured-nation treaties as the United States. The accusation, however, has more substance when it is directed against the spirit in which the principle is applied. There is a good deal in the charge that discrimination between different foreign countries has crept into Great Britain's quota system for agricultural imports, under the various bilateral trade agreements she has signed with Argentina, the Scandinavian countries and others. Indeed, the liberal purpose of the most-favoured-nation clause and the restrictive purpose of import quotas can never be easy bed-fellows. However impartially adjusted, quotas based on past quantities of trade cannot fail to be discriminatory against efficient and expanding producers. The abandonment of quota restriction—the British Government has frequently denounced it when applied by other countries—and the substitution of straight tariffs, combined where necessary with direct aid to the consumption of home products, would be a sound first step towards a more liberal trade policy on the part of Great Britain. It would certainly be welcomed by the Dominions, who since 1932 have strenuously opposed the principle of restriction of efficient primary production.

A second charge against British commercial policy, by contrast with that of the United States, is that it has countenanced arrangements with debtor countries under which the proceeds of their net exports to Great Britain are earmarked for the satisfaction of British creditors. Great Britain has in fact entered into a number of clearing arrangements with this purpose. The policy can hardly be justified on purely commercial grounds, since experience shows that the usual effect of clearing systems is to diminish the total volume of trade passing. The defence must therefore be sought in financial grounds. Creditors have had a very raw deal during the slump, and if governmental

protective policy is justified for industry it must have some excuse for finance, especially when debtor countries refuse to pay even though well able to do so. In many cases the trader and creditor have been the same; for the debts with which the clearing agreements are chiefly or wholly concerned are those arising out of past exports. Nevertheless, the system of clearings must be recognised as in principle an obstacle to freer trade, and therefore in the long run to financial security; for only in the deep waters of enlarged international trade can a vessel of so deep a draught as existing international indebtedness be floated, in whatever direction the current of trade may be setting. It must also be remembered that arguments about the rights of creditors are not readily accepted in the United States, where, as in Great Britain, an enormous volume of private foreign investment has had to be written off, and where the question of war debts still rankles.

Practically every thinking person in Great Britain would like to see the war-debt question settled. Practically no thinking person in Great Britain believes that it is possible to pay the full instalments due under the Baldwin-Mellon agreement, augmented as they now are by arrears in suspense. Opinions as to how much it is practicable to pay vary widely. Some would like to see a composition for a lump sum, to be raised by the British Government in American loan markets and treated henceforward as an ordinary item of the National Debt. Some would accept a scale of annuities based on the principle that the whole amount of the debt should be repaid, but without interest at any period, past or future, and possibly adjusted according to changes in the price-level. Others believe that a reasonable settlement would be the payment of annuities admittedly only "tokens" but nevertheless substantial—say, £10,000,000 a year. But the nature of a practicable war-debt settlement depends not only on what can be accepted by British public opinion—which, it must be confessed, rates the American attitude no more highly

than American opinion rates the British attitude—nor only on what can be raised by taxation or loan under an already strained budget, but also on two factors in the control of the United States herself. The first is the willingness of Congress to accept any reasonable settlement at all; if Congress insists on its full sixteen ounces of flesh, it is probably better to leave matters as they are.* The second is the willingness of the United States to rectify her balance of payments in order to take payment in goods. This is not necessarily a bilateral problem; the important thing is not so much that the United States should expand her imports from Great Britain as that she should expand her imports as a whole. She has raised up one of the world's highest tariff barriers and has deliberately under-valued her currency. Fortunately, in President Roosevelt, Mr. Cordell Hull, and Mr. Wallace she has a group of leaders who have turned their faces against isolationism in economic life. The task that faces Great Britain and others of her neighbours is to make the most of the opportunity thus offered.

VI. THE COMMONWEALTH'S RESPONSIBILITY

THIS cursory survey of the economic position and policies of a number of Powers with whom, it has been urged, the British Empire ought to seek closer trading relations on a basis of freer trade all round has suggested two main conclusions. First, the economic conjuncture of the time, and the express anxiety of countries that formerly stood for an opposite policy to improve their trade relations with the world, create a more favourable opportunity for tackling the problem of world trade than has existed for the past eight or nine years, possibly much longer. Secondly, while there is reason to believe that such professions of economic liberalism sometimes outrun practical capabilities, the reluctance of Great Britain herself to take a lead in negotiations towards freer trade prevents

* See the article by an American correspondent below, p. 605.

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these professions from being put to the test, and suggests to a good many observers, however falsely, that her policy is a major obstacle to progress. That this is an exaggerated view is clear from two facts: first, that the British tariff remains moderate compared with those of a great many foreign countries, including some of the countries held up to us to-day as examples of liberalism; second, that British imports have been increasing far more rapidly than British exports—largely, of course, as the counterpart of increased earnings from shipping and foreign investments.

Perhaps the British Government's chief difficulty in seeking agreements with foreign countries for a mutual lowering of trade barriers is the fact that many of the countries with which it has special reason to do so are leading competitors in our market with the Dominions and colonies, to whom we are pledged to give preferential treatment. This certainly applies to the United States, Argentina, and the Scandinavian countries; even France competes with the Dominions in wines and a number of other articles. This is not the place to argue once again the general issue of imperial preference, which is closely bound up with historical, strategic, and political questions, and cannot be considered on the economic plane alone. It is significant that in her recent reciprocal trade treaty with Cuba, the United States granted lower preferential duties on sugar which were not extended to other countries, the most-favoured-nation principle notwithstanding, on the ground of her special historical and economic relations with the Cuban republic. No foreign country has denounced imperial preference in principle. The practical issues concern the details of its operation.

Granted the acceptance of imperial preference, the problem of its relation to Britain's foreign trade can be expressed in two broad questions. First, how far is preference actually and directly responsible for the interruption of her trade with foreign countries since 1931? Between 1930 and 1936, United Kingdom imports from

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foreign countries fell by 30 per cent., from £740 million to £515 million; in the same interval, United Kingdom imports from the Empire rose by nearly 10 per cent., from £304 million to £332½ million. (On the export side, the figures were relatively more favourable to foreign trade, since exports to foreign countries fell by less than £100 million, while exports to Empire countries fell by £32 million.) How far, then, was imperial preference the direct cause of this diversion? The second question concerns the future rather than the past. Assuming that the economic advantage of preference lies in the development of freer trade relations over an area specially suited for profitable mutual trade, is the British Empire, either from the point of view of the United Kingdom or from that of the Dominions and colonies, a sufficient unit, or the best unit, for such a development?

In assessing the effect of British imperial preference on foreign trade, we are under two serious handicaps. First, there is the difficulty of distinguishing direct from indirect responsibility. There can be little doubt that the Ottawa agreements were the signal for a further raising of tariff and quota barriers by foreign countries. We cannot tell, however, what would have been the course of events abroad had imperial preference not come into operation, or whether foreign countries might not have reacted similarly to a British protective policy of a less preferential kind. The second difficulty is that of separating imperial preference from British protectionism. The need for giving preferences to those who already accorded them to us was one of the reasons offered by the Government for imposing the system of protection embodied in the Import Duties Act of 1932. From the start, preference was an integral part of the British protective system, and the implied threat that it might be abandoned after November 1932 unless in the meantime compensatory agreements could be reached with the Dominions was not to be taken too seriously.

In spite of this entanglement, one or two significant facts may be stressed. The big rise in the ratio of imports from the Empire to total imports into the United Kingdom took place between 1931 and 1932, and therefore could not have been due to the extra preferential concessions granted at Ottawa, since they went into force only towards the end of the latter year. In the second place, an examination of detailed import schedules suggests that the diversion of British purchasing power from foreign countries to Empire countries has not been nearly as important an influence upon the course of trade as the curtailment of that purchasing power itself, and its concentration on products such as raw materials and staple foodstuffs which are largely supplied by the overseas Empire. Notable among the commodities concerning which foreign countries chiefly complain of British interference with the natural flow of world trade are meat and dairy products. But in these categories United Kingdom imports from foreign countries have fallen in value since 1931 by nearly six times as much as United Kingdom imports from Empire countries have increased. In other words, British protective policy appears to have been far more serious a check to foreign trade than British preferential policy.

There is good reason to believe, therefore, that a substantial liberation of trade with foreign countries is possible within the existing framework of imperial preference. If that is to result, however, two conditions must be fulfilled. The first is that pledges of imperial preference should not be given in a form that inhibits a reduction of foreign tariffs, but rather in a form that guarantees the maximum freedom of trade within the Empire itself. Especially in long-period pacts like the Ottawa agreements, it clearly hinders freedom of action in seeking freer world trade to promise that preferential margins shall not be less than a certain amount. For in that case, whatever concessions may be offered in exchange by foreign countries, no remission of duty can be made on foreign goods unless a

corresponding remission is made on Empire goods, which is logically impossible when those goods already enter duty free, and difficult when they enter at a level fixed as the minimum protection required by general economic policy. The exchange of this type of pledge for guarantees that the preferential tariff will not be raised above a certain level—sometimes zero—was a valuable feature on Canada's side of the recent pact replacing her Ottawa agreement with the United Kingdom.* It is much to be hoped that new agreements with the other Dominions will follow the same course.

The second condition is that, in part return for the freer entry for their products into the United Kingdom market, the foreign countries concerned should expand their purchases of products from the Dominions and colonies. This seems to be the right path of escape from the error of concentrating too much upon two-way trade, either within the Empire or beyond. It is a condition that applies especially to the United States. If Great Britain is to offer a wider market for American goods, to some extent at the expense of Dominion suppliers, she may justly suggest to the United States that in return the American market for Dominion primary products—for instance, Australian and Canadian dairy products—should be enlarged. The increased purchasing power of the Dominions would redound to the advantage of Great Britain, thus completing the triangle. This brings us to the other main question about imperial preference. Is the British Empire, neither more nor less, the right unit for the promotion of economic inter-dependence—for seeking a larger area of freer trade or a farther-flung protectionist barrier, according to our way of looking at these things?

From either point of view, there is much to suggest that it is not a sufficient unit. Curiously enough, it is British protectionist policy that has brought this conclusion home to many people who might otherwise have denied it. For

* See below, p. 645.

that policy has exposed the limits of Great Britain's capacity to render herself independent of foreign sources of supply and foreign markets, and at the same time it has exposed to the Dominions the danger of relying too exclusively upon a single market that may contract rather than expand in the future. Australian opinion, for instance, has visibly turned towards strengthening the Commonwealth's economic ties with foreign countries, notably in the Far East but also in Europe. Canada's treaty with the United States is another wind-vane pointing in the same direction. Such developments may be regretted by those who regard imperial preference as an end in itself, but will be welcomed by those who regard it as a means to an end—the economic progress of the nations that share in it, not at the expense of other countries but to their advantage. The long-term economic problem of raising the standard of life, the short-term economic problem of spreading recovery more evenly and preventing it from ending in an unhealthy boom, alike require for their solution a general lowering of barriers to international trade. Imperial preference can and should be made one of the paths towards that goal. But it is not the only path, and when Empire trade policy is settled there are other tasks ahead for those in charge of British commercial policy.

CZECHOSLOVAKIA AND ITS MINORITIES

From a Special Correspondent

IT is usual to refer to Czechoslovakia as an artificial creation brought into temporary being by ignorant peace-makers. It is denounced for its ridiculous shape and its many languages; the tyranny of a minority of Czechs over the other nationalities is shown by implication to cry out for German, Hungarian, and even Polish intervention. Czechoslovakia in fact consists of the two ex-Austrian provinces of Bohemia and Moravia to the north and west, together with the two ex-Hungarian provinces of Slovakia and Ruthenia to the south and east.* The country contains about fifteen million inhabitants, nearly ten million Czechoslovaks, and nearly five million people speaking other languages. Thus its minorities comprise about the same proportion of the population as do the minorities in Poland. It is often claimed there is no such thing as a Czechoslovak; that the country is managed by the Czechs, who, alone, form merely half the population; that the two-and-a-quarter to two-and-a-half million Slovaks are as different and as discontented as the rest of the inhabitants. Hence the claim of the republic to be accepted as a political entity that should have been created and that ought to be preserved depends partly upon the extent to which the composite name of Czechoslovakia can be justified.

I. CZECHS AND SLOVAKS

THE relations between Czechs and Slovaks have not always been easy, and it is by no means simple to define them to-day. These people were separated for something

* See map on p. 486.

like one thousand years, from the disintegration of the ancient kingdom of Moravia until the peace settlement of 1919. In that tremendous interval, moreover, they were subjected to widely differing influences. In the period immediately before their union, the Czechs had lived under the more western and liberal administration of Austria, and the Slovaks under the more oriental Hungarian yoke. The Czechs had played an important part in the political life of pre-war Austria, while the Slovaks in Hungary had been systematically neglected or Magyarised. It is illuminating to hear Slovaks describe how in their youth they were not only compelled to attend Hungarian schools, but were even escorted home from school by elder boys who had to insist that only Magyar be spoken *en route*.

Czechoslovak union in 1919 brought together about seven million Czechs, mostly very rationalistic and highly developed politically and industrially, and some two million Slovaks, consisting in the main of a very devout and primitive peasantry. Friction of various kinds was inevitable, but on the whole the Czechoslovak experiment is justifying itself. The appointment of the Slovak, Dr. Hodza, as Prime Minister in 1935 represented a shift of the balance towards a true equilibrium. To-day the younger Slovaks are increasingly ready, and even eager, for jobs in Prague, which is beginning to become their city too. Inter-marriage between Czechs and Slovaks has been occurring on a sufficiently large scale to become a noticeable social factor. It is very difficult to make a precise statement about the relation of the Czech language to the Slovak, partly because, even among so few Slovaks, there is a good deal of local variety in the villages. Slovaks do not use the Czech sound *ř*, but the suggestion, sometimes made by Poles, that Slovak is nearer to Polish than to Czech is untenable. Czech and Slovak are so much alike that a man can easily forget which language he is speaking or reading, and the best Czech newspapers, such as *Lidové Noviny*, are increasingly read in Slovakia. Though Dr.

Benes' *modus vivendi* with the Vatican in 1929 propitiated Slovak religious feeling, the biggest political party in Slovakia is still that of the Clerical Autonomists led by Father Hlinka, which desires complete home rule for Slovakia. It only represents, however, 30 per cent. of the Slovakian electorate, and among the other parties only the Hungarian Opposition sympathises with the autonomy demand.

II. THE HUNGARIAN MINORITY

WHILE the Slovaks undoubtedly remain less western than the Czechs, even the most anti-Czech autonomist among them knows that he does not wish to become Hungarian again. Whereas a Habsburg restoration would perhaps draw the glances of Croatia, Slovakia would not raise her eyes. There are, however, some 700,000 Hungarians living mostly in southern Slovakia * on whose behalf Hungarian revisionist agitation is easier to justify. Yet it is precisely because Hungarian revisionism has so often insisted upon the restitution of all the lands once subject to the Crown of St. Stephen, namely, the whole of Slovakia and Ruthenia, that the Hungarian minority has been regarded with such suspicion and too often treated with intolerance. Even in the predominantly Hungarian villages, for instance, station and post office have mostly displayed nothing but the Slovak language.

During last winter it was constantly alleged in the German, and in a portion of the Hungarian, and even of the British, press that the Czechoslovak persecution of the Hungarian minority, coupled with communist pressure encouraged by the Czech authorities, was driving this minority to desperation and creating a revolutionary situation which might even precipitate international war. Unjust as Czechoslovak administration has sometimes been, the facts do not support these alarming allegations. In the

* 571,988 in Slovakia and 109,472 in Ruthenia, according to the census of 1930.

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first place, about 70 per cent. of the Hungarians in Czechoslovakia are peasants; although some of them resented the settling of Czechoslovak legionaries in five villages in their midst at the end of the war, most of them have some land, and agricultural prices in Czechoslovakia are good. The landless peasants in Hungary itself are in a more revolutionary state of mind. The few big Hungarian landowners intensely resent the loss of the land claimed for redistribution under Czechoslovakia's agrarian reform law, but their entire estates were not confiscated, and they received some compensation for what they lost. In their eyes, however, the reversal of the feudal order of things by the Czechoslovak republic can never be condoned; they frankly complain that patriarchy has been lamentably disturbed, since the Slovak nowadays claims to be, not a menial, but a man.

The Hungarians whose grievances are most serious in Czechoslovakia are the professional classes, crippled as they are by the change in official language, and by the transformation of the one university in Slovakia, that of Bratislava, from a Hungarian into a Slovakian institution. Against this it should be observed that there is a high proportion of Jews in this Magyar middle class, who escape in Czechoslovakia from the anti-Semitic discrimination prevalent in Hungary. Though about 60 per cent. of the Hungarian minority votes for the Opposition cause, it contains no revolutionary material that is not imported—the doctors and lawyers of Bratislava and Košice are unlikely insurrectionists.

As for the legend of communist pressure, it can no doubt be explained largely by the tendency of the rather reactionary Hungarian to regard the whole western attitude of the Czechs, who are genuinely democratic and often anti-clerical, as bolshevik. Russian literature or Russian films are not unnaturally of greater interest to the Czechoslovaks, who can easily understand Russian and have always had pan-Slav literary inclinations, than to most other

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nations. The Magyars, of course, have always been anti-Russian, and it is convenient to have, in communism, a new justification for a traditional attitude. It is true that in the last elections (two years ago), while the Communist party polled only 9 per cent. of the votes in Bohemia and 8.6 per cent. in Moravia, the figures for Slovakia and Ruthenia were 13 per cent. and 25.6 per cent. respectively. Since the population in the latter province is scarcely industrial at all, and three-fifths of it is Ruthenian, Russian or some kindred stock, it is reasonable to infer that one votes communist there partly by way of voting Russian, and also of course as a reaction to great poverty. In Slovakia the size of the communist vote is to some extent merely a protest against the influence of the priests. The police are certainly harsher towards communists in Slovakia and Ruthenia than they are in Bohemia or Moravia. Even in the western provinces they are scarcely indulgent, and bureaucratic influence everywhere tends to have an agrarian, that is to say a conservative, flavour.

III. THE SUDETIC GERMANS

IN addition to the Hungarian minority and the complicated racial diversity of sparsely populated Ruthenia,* there are, of course, the Poles and the Germans of Czechoslovakia. The Poles in Moravia number no more than 80,000. Although Warsaw finds a great deal to condemn in their treatment, a study of the numbers of schools, the size of classes, and so on suggests that Polish, like German, education is not neglected by the republic. The Hungarian statistics are slightly less satisfactory.

Although the Hungarians and Germans often co-operate, the position of the German minority in Czechoslovakia is strikingly different from that of the Hungarians. It is politically stronger, partly because it is a very large minority,

* The whole population of Ruthenia is barely 700,000, *i.e.* very little more than the Hungarian minority alone.

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comprising some 3,300,000 Czechoslovak citizens and 22·15 per cent. of the whole population. It is also politically stronger because, far from being a predominantly agricultural population, the Bohemian and Moravian Germans were highly industrialised long before the war; their business men were prominent in the financial life of central Europe. Although, through the methods of German settlement in the past, the Germans in Czechoslovakia are more scattered than the Hungarians, they also have a different territorial attitude. They have never formed part of any other state, and they inherit from the old Austrian days, when German was the dominant language in Bohemia and Moravia, an even greater sense of being the rightful owners dispossessed. Whereas Slovakia was only a Hungarian province of no particular interest, the Germans in Bohemia took pride in regarding themselves as Bohemians. In Moravia,* racial and linguistic rivalries were—and are to this day—less intense, and compromise more easily prevailed in the closer proximity of mediating Vienna. But the Bohemian Germans regarded Bohemia as a precious area of German soil, in which, however, German settlement had not been sufficiently complete. They therefore believed that to keep the Czechs back and to keep them under was a condition of existence, and that the 'Thirty Years' War provided a timely correction to Czech intemperance.

Such views, combined with a belief in the inevitable inferiority of the Czechs, both socially and culturally, were fostered by the pan-German movement in pre-war Austria, a movement that was particularly strong among the Bohemian Germans and that also supplied the spiritual cradle of Herr Hitler. (He was physically cradled, incidentally, only a little way to the south-west of Bohemia.) In the old days the Bohemian or Sudetic Germans despised Berlin as a *parvenu* city, and looked to Vienna or Dresden as their metropolis, but with the triumph of Hitlerist ideas

* Moravia has only about half the population of Bohemia, which is very densely populated; 30 per cent. of the Bohemians are Germans.

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in Berlin they have suddenly found their Mecca in Prussia. Ceaseless Nazi encouragement to Germans throughout eastern Europe to form a conscious bulwark against the Slav races has crystallised the traditional impulses of the Germans in Czechoslovakia.

A sentimental revolution, which many people would liken to a religious revival, was stimulated among the Sudetic Germans by the period of economic depression that synchronised with the nazification of Germany. The industries of German Bohemia were export industries *par excellence*—glass, porcelain, textiles—which had suffered severely when, at the end of the war, the great customs union provided by the Habsburg empire was transformed into a number of independent and protectionist States. Early in the 'twenties, moreover, Japanese competition began to be disagreeably felt precisely in those industries. The effects of the slump appeared to be the last straw; and owing to the new state of mind economic distress was now widely interpreted as the result of discriminatory persecution of the German minority by the Czech majority.

Now after the war, when the Czechoslovak republic was launched, it was perhaps inevitable that the Germans—like the Hungarians—should suffer, individually and collectively. They had held a privileged position, and the Czechoslovaks were determined to evict usurpers and destroy privilege. Egalitarian principles, combined with human greed and inevitable suspicion of the non-Slav population, caused Germans and Hungarians to lose land and jobs. The new civil service was recruited among the Czechoslovaks themselves, with the justification that they were most familiar with the language of the State. As in every similar situation in contemporary history, a good many abuses occurred, and chauvinist Czech societies in Bohemia were often able to bring pressure to bear against legitimate German claims. Although liberal minority laws had been enacted, and although the German minority

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never lost sight of its language inscribed in public places, incidents like that of the German secondary school at Reichenberg, which was taken over for a few Czech children, while the German boys all had to crowd into one school instead of two, caused very bitter feeling.

When economic depression came along, the greater cheapness of Czech labour often threw German workmen out of work. German propaganda complained of the contemptibly low standard of living among the Czechs, who retaliated by pointing to the importation of cheap Czech labour by German industrialists into the Brůx-Dux lignite district in the earlier industrialisation period, and asked whose fault it was that Czech wages had remained low. When, in 1935, the central government tried to relieve unemployment by launching public works, short-sighted local officials imported Czech workmen into German districts because Czech contractors could make lower tenders than Germans. German bitterness over such incidents scarcely needs to be described. Even after the agreement of February 1937,* this sort of situation is in constant danger of arising, though the Government can afford to be a little more generous than it was two years ago. Early in March of this year the following typical instance was brought to the Government's notice. A tax office was to be built in Hohenelbe near Reichenberg, and tenders were invited. Eight were submitted by Czech builders outside the district, and they varied from 497,000 to 596,000 Czech crowns; the four submitted by local German firms varied from 657,000 to 699,000 crowns.

In the early years of the Czechoslovak republic, the German minority adopted a politically negative attitude. In 1926, however, some German parties decided to become "activists" and co-operate with the Czechs. To-day the three democratic German parties, the Clericals, Small Farmers and Social Democrats, are represented in the

* See below.

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Cabinet.* About a year after Herr Hitler became Chancellor of the German Reich, Konrad Henlein, a gymnastics teacher from Asch, appealed to the Sudetic Germans to form a political union based upon their German race and the leadership principle, and to protest against the activist policy. At first he emphasised his loyalty to the Czechoslovak State, declaring that he wished only to see justice for the Germans within this framework, justice especially in the allocation of state jobs, whether in government offices or on the railways, in the postal service or in the police force.

In the elections of May 1935, Henlein's *Sudetendeutsche Partei* polled just over two-thirds of the German votes, actually 1,249,530 against 610,122 cast for the activist parties, which lost fairly heavily in his favour. In spite of Henlein's moderation it soon became evident that the movement which had sprung up under his banner contained a considerable element of Nazi extremists, and consequently had very close ties with Berlin. The sentiment that animated the *Sudetendeutsche Partei* as a whole gradually revealed itself as a vague but fervent enthusiasm, not so much for Henlein, as for Hitler. This has led to ill-concealed dissensions among the leaders of the party, and has driven Henlein to abandon his original moderation, how unwillingly it is difficult to guess.

Now, the Czechs are very matter-of-fact people, very dogged, unimpressed by show, and conscious of the old anti-feudal traditions of the Bohemian townsmen who followed John Huss. They are convinced that Bohemia belongs to its Slav majority; while they have been accustomed for decades to hearing about Slav inferiority from pan-German enthusiasts, this has served to fortify their natural scepticism. The triumphs of Hitler and Henlein, some Czechs felt, were only to be expected among Germans, but others were genuinely shocked at the recrudescence, in the twentieth century, of so much militarism, and at

* The position of the German activists was explained by Dr. Spina, one of their leaders, in a letter to the *Manchester Guardian* on May 8, 1937.

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the neo-feudal notions of superior racial castes as propounded by the most enthusiastic followers of Adolf Hitler. The Czechs were immensely proud of their first philosopher-president, Thomas Masaryk, who personified the principles of democracy, of tolerance and objective thinking—everything that the Nazis had done their best to destroy. Dr. Benes, Dr. Hodza, and Dr. Krofta, the President, Prime Minister, and Foreign Minister of to-day, are all men of academic distinction. A Czech professor once said to a Polish professor: "So long as we believe in philosophers and you in colonels, it will be hard for us to understand one another," and the Polish colonels are not so far from Masaryk as the Austro-German corporal.

If national-socialist theory was nothing very new to the Czechs, it was new to see it equipped with all the power of the rearming German Reich, and to find that every German minority district had become something of a *terra irredenta* owing to the agitation of perhaps only a few. But where the simple man in Egerland or the Upper Elbe region joined the Henlein movement because one must stick to one's people and be prepared to defend Germanism, the Czechs began to see a traitor in every Henleiner. They began to impose nominated mayors upon the Sudetic towns, where the officials had previously been freely elected. In the process of fortifying the frontiers and preparing for emergencies, Sudetic Germans were pounced upon for possible espionage, or lost their jobs in technical concerns which participated in the process of rearmament. Thus in 1936 Czech-German hostility became intensified, both within the republic and between it and the Reich.

In the autumn, however, the employment situation in the Sudetic districts began to grow very much easier. As early as June Dr. Hodza had begun to discuss with all German parties what administrative steps should be taken to ease the tension; almost immediately Herr Henlein, in a speech at Eger, denounced the Premier's advances. On February 18, 1937, an understanding between Dr. Hodza

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and the activist Germans was nevertheless published. In future the maintenance of all minority rights is to be ensured in practice; an increase in the total number of officials is already making possible the appointment of more Germans without the displacement of Czechs. The February agreement is to apply to all the minorities, German, Hungarian, and Polish alike, and should bring most benefit to the Hungarians, since their rights have, on the whole, been the most neglected. As late as March 13 of this year, one edition of the chief Hungarian newspaper in Czechoslovakia was confiscated for writing that Dr. Hodza, in negotiating with some Hungarian activists, was virtually negotiating merely with his own nominees; this sort of comment had constantly appeared with impunity in the Sudetic German press.

The German activists, whose deputies still represent one third of the Sudetic Germans, have a tremendous interest in seeing that the agreement is carried out. They hope that democratic principles are yet to be saved among men who speak German, and they have been energetically organising meetings to follow up the better employment situation, the guarantee of their rights, and the announcement, in March, of free local elections to be held in the autumn. For the moment they have had some success. But it is impossible to feel certain that the Czech-German situation within the republic is essentially eased. Greater prosperity sometimes leads to greater political intransigence. At Aussig on February 28, Herr Henlein uncompromisingly rejected the agreement of February 18, denying the sincerity of Prague, demanding complete autonomy,* and uttering vague threats about being driven to desperation.

* The peace settlement bound Czechoslovakia to provide Ruthenia with autonomy. Apart from the fact that the primitive state of that province made the obligation almost impracticable for years, recent attempts to realise it have caused great indignation among the Germans and Hungarians, who say: "If the backward Ruthenians have autonomy, how can our right to home rule be denied?" It is on account of their rather hypothetical autonomy that the Ruthenians are not technically a "minority".

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It would be difficult to suppose that he spoke quite independently of Berlin. Sudetic German autonomy is geographically something like nonsense, and would never be willingly conceded by the Czechoslovaks, for whom it would mean loss of control of key frontier districts. Since the German Government knows this extremely well, it appears to be discouraging any moves towards a Czech-German *détente*. While Czech optimists prophesy that the Sudetic Germans must soon become sceptical towards whispered rumours that their rescuers are at hand, continued tension during this summer might yet induce a Sudetic German revolt in Czechoslovakia, with international consequences to follow.

IV. THE REPUBLIC AND ITS NEIGHBOURS

DR. BENES, well known at Geneva for his service to the League, has directed Czechoslovakian foreign policy since the foundation of the republic; now that he is President his influence at the Foreign Office still remains paramount. In recent years his agreement with Russia has undoubtedly aroused more opposition, both at home and abroad, than any other portion of his diplomacy. The Czech-Russian pact of 1935 was actually an answer to the Polish-German *rapprochement* of 1934 and to the failure of the project for an "Eastern Locarno". Purely defensive and fitted into the League framework though it was, it may yet be deplored on account of the suspicion felt towards the Soviet régime by the Governments of Rumania and Yugoslavia, Czechoslovakia's partners in the Little Entente. It certainly provided Nazi Germany with a very serviceable instrument of hostile propaganda. At first the Nazi press declared that Czechoslovakia was being bolshevised, and the effect on the unwilling minorities was gruesomely depicted. Czechoslovakia in fact continued to be governed by a coalition of parties, of which the strongest was that of the conservative Agrarians. There have always been Russian

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influences in the Czechoslovak army, it is true, because White Russians like General Vojzichowski had entered the Czech legions during the war and afterwards remained in the army. In the end even Dr. Goebbels has abandoned the "bolshevik spearhead" story.

The German threat to Czechoslovakia is none the less serious for that. Central Europe suspects that Herr Hitler may soon require a new sensational success, and believes that Czechoslovakia is the most likely victim. German diplomacy has been pressing upon Austria and Hungary, while making advances to Rumania and Yugoslavia. The German press has recently taken up its stand upon the more solid ground of minority hardships. Czechoslovak policy has responded promptly to the rising tide of diplomatic encirclement. First, Czechoslovakia has tremendously increased her military strength. Secondly, she has looked the minority question straight in the face. And lastly, Dr. Benes, bowing gracefully to the views of his political opponents, the Agrarians, has explored the possibility of a diplomatic *détente* with Germany; in order to facilitate such a development, Dr. Krofta has politely hinted to the Russians that Prague regards her relation with Moscow as a purely platonic affair.

What, then, does Czechoslovakia mean for the rest of the world? Should the British Commonwealth, for example, feel any concern for its fate, apart from rights and obligations under the Covenant of the League?

Beyond the two great democracies of the West, constitutional government embodying respect for civic rights is now confined in Europe to the northern fringes of the continent, to Scandinavia and the Low Countries. There are only two exceptions: Switzerland, whose trilingual state has been tested by history, and Czechoslovakia. In all central and eastern Europe it is only in Czechoslovakia that there exists a freely elected parliament where every opinion can be expressed and any criticism of the Government recorded. In Czechoslovakia alone the political

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views or the Jewish descent of a university professor will not injure his career. All States seek to justify their intolerance by appealing to the dangers of sedition and treason, but in general Czechoslovakia interprets those words as the British interpret them, and not in the manner of dictators who dare not distinguish between criticism and treachery.

As for the frontiers of Czechoslovakia, the technical arguments for preserving them very much as they are on the north and west are exceedingly strong. Wholesale revision would not abolish minorities but create new ones. Along the Hungarian frontier in the south, Masaryk himself believed in rectification; but, so long as Magyar revisionism also lays claim to the non-Magyar provinces of pre-war Hungary, Czechoslovakia is unlikely to consider concessions. Masaryk also regarded the racial and linguistic variety of the new State as a trait that should gradually make for greater understanding; he envisaged a political community embracing the advantages of old Austria without its disadvantages, its tolerance without its social inequality, its intellectual achievements without its inefficiency and obscurantism. The State he founded is 18½ years old, and if it has not yet realised all his ideals it still respects them. Yugoslavia and Poland are about as heterogeneous as Czechoslovakia, while Rumania is only four-fifths Rumanian, yet no one of them treats its minorities so well. It is due rather to its freedom than to oppression that the Sudetic German minority is able so thoroughly to inform the world of its grievances. Stretching across the map from Bavaria to the Ukraine, Czechoslovakia provides a Western bridgehead in Eastern Europe.

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AT a moment when public men and others from all parts of the Empire are assembled in unusual numbers in London, when the thoughts of all races within the Realm are being turned to the preservation and development of the loose-knit political and economic entity to which they belong, a book recently published by the Oxford University Press, "The Empire in the World", will be read with special attention. Written by Sir Arthur Willert, Mr. B. K. Long, and Mr. H. V. Hodson, it is a provoking study of the constitutional, economic, and foreign concerns of the Empire. One specially arresting chapter is to be found in the section by Sir Arthur Willert. Discussing problems of foreign policy in relation not only to the United Kingdom but also to the Dominions and colonies, he points out that foreign countries are increasingly employing news as an instrument of national and international policy; and he urges that the peoples of the Empire should insist upon a thorough examination of the organisation available for the exposition of British policies and points of view to the world. As a preliminary to this examination, Sir Arthur describes, with commendable brevity and clearness, the news situation in the world as it is to-day. He writes with authority, as a journalist of wide experience in international affairs, and as former chief of the Press Department of the Foreign Office. What he tells us is startling. In a sentence, it is that, whereas for over half a century British news and British-conveyed news swamped all other intelligence in the international field, and often was without rivals, its ascendancy has been successfully challenged during the last few years in some countries, and in others its very existence is threatened.

I. WAR OVER THE AIR

HERE indeed is a state of affairs that calls for concentrated attention and for swift and vigorous action. The struggle between the nations of the earth is in some respects no less acute and desperate than it was from 1914 to 1918. The weapons only have been changed. Some of the major issues remain; others have been added. The blood of the battlefield and all the other horrors of war settled nothing and achieved nothing. Slaughter of bodies having failed pathetically, subjugation of the mind is adopted as an alternative—and with encouraging results for many who practise it. One result is that foreign news dissemination is being extended and foreign interests are being advanced all over the earth to the material injury of British Commonwealth interests.

For over half a century Reuters agency enjoyed a paramount and apparently unassailable position throughout the world, apart from North and South America, as the carrier and disseminator, not only of British news to the Empire and to foreign countries, but also of foreign news from one country to another. Reuters' position is still supreme, but now no longer unassailed. Havas in France, the Deutsche Nachrichtenbüro in Germany (successor to Wolff since 1933, and commonly known as the D.N.B.), Stefani in Italy, Tass in Russia—these and other agencies are flooding Europe, the Near East, the Far East, Africa, and South America with wireless news services of such abundance that they cannot possibly be ordinary commercial undertakings. They depend for their existence mainly or wholly upon their national treasuries; they are used day by day on behalf of their Governments to spread abroad not only their home news, skilfully so compiled as to present their country to the world in the most favourable light, but also foreign news tendentiously tinctured to serve their country's ends.

For three generations the Far East has been a Reuters

stronghold. Up to the Great War not only British news but practically all foreign news reached Japan, China, and the neighbouring regions only through Reuters. The beneficent effect upon British prestige and British trade was substantial and enduring. Realisation of this after the war fired the Americans to invade what had hitherto been a Reuters, therefore a British, news domain. They gained a footing, but never managed to oust or even to weaken Reuters. They advanced along commercial lines, and, although they properly had the sympathy and support of energetic and growing American business enterprises in the Far East, they were not subsidised or officially inspired. Their competition with Reuters was on the whole a legitimate business competition.

But in recent times the scene has changed. The French and the Germans have established and are maintaining news machinery which could not survive for a month without the backing of their respective Governments, a machinery skilfully conducted to promote French and German political and commercial interests and, directly or indirectly, to injure those of Britain. Japanese and Russian national news services are similarly engaged, and it is nothing but the deserved reputation of Reuters for integrity and efficiency that has enabled Britain so far to hold her own against this array of subsidised rivals. Whether she can continue so to do is another matter.

In the earlier days of modern news distribution, Reuters took the lion's share of the earth, including the whole of the Far East, and left South America to the Havas agency. After the war, however, the frontiers of agency influence were substantially modified. The Far East ceased to be a close preserve of Reuters, and South America of Havas. Both spheres were thrown open to Wolff (now D.N.B.), and to the American agencies, while Reuters was admitted to South America in return for its admission of Havas to the Far East. We have seen what happened in the Far East. The converse, by way of corrective adjustment,

did not take place in South America. The North American news agencies, with the special rates conceded to them by their telegraph corporations in the promotion of United States business in South America, were able to deliver well-edited services in abundant volume to the newspapers of Brazil, Argentina, Chile, and other republics. Reuters, having no such auxiliary aid, and being geographically at a heavy disadvantage compared with its American rivals, could make little or no use of the open door there—the counterpart, as it theoretically was, of the door which it had thrown open in China and Japan. Moreover, the French, after a temporary setback under the first terrific North American onslaught, pulled themselves together, and, by virtue of the same official co-operation as they have had in the Far East, flung into South America a service of news which for all practical purposes has restored French and Havas authority to its former eminence.

II. NEWS IN THE FAR EAST

ON June 14 of last year the following telegram appeared in the Tokyo *Nichi Nichi*:

LONDON, June 12. Great Britain, in the Anglo-Soviet naval talks to-day, agreed on the provisions of the Anglo-Russian treaty permitting Russia to match Japan's fleet in the Pacific and complete in secrecy the Russian Far Eastern fleet, while informing Britain regarding the Russian fleet in Europe.

Russia agreed to renounce her former demands that the Far Eastern fleet be exempted from the tonnage and gun limitations in the Franco-Anglo-American treaty.

It was agreed, however, that in the event of Japan's exceeding the limitations, Russia will be permitted to match Japan without notifying Britain.

It is noteworthy that the agreement implies the British recognition of Russia's defence needs in view of Japan's Far Eastern policy.

The statement, in effect, that Great Britain had agreed to the building up of the Soviet Far Eastern fleet to an equality with that of Japan naturally created the worst impression

in Japanese official and newspaper circles, and was calculated to embarrass the relations between ourselves and our former ally. The report was denied the following day; but in the meantime grave harm had been done.

There is good reason for believing that, while this report bore the caption of Domei, the national news agency of Japan, it originated with one of the foreign agencies already referred to, who day by day hand out to the press and public in the Far East not only news from their own countries but also telegrams from London, or telegrams purporting to have a London origin, containing intelligence which is deliberately biassed or tendentious, where it is not completely incorrect, as in the case quoted above. Its effect is to sow discord and, in particular, to misrepresent Great Britain and the British Empire.

In this connection it is worth noting that voluminous secret instructions issued by the German Propaganda Department to German agents abroad within the last three years describe the action they are to take towards foreign news agencies and foreign newspapers:

The aim of this action is to throw discredit on news agencies which are hostile to us and above all to damage as much as possible the relations between these hostile agencies and important foreign newspapers.

Further:

All disturbance created in the good relations existing between other States is indirectly to the advantage of Germany. All ousting of the news of foreign news agencies is a great gain to Germany.

These extracts speak for themselves. Another example may perhaps be cited of the anti-British twist given by these foreign organisations in their telegraphic despatches on British affairs. The following message was published in Japan, again under the Domei caption, when relations were strained between Great Britain and Italy over the invasion of Abyssinia. It bore the date-line LONDON, June 14 (1936), and ran:

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Increasing likelihood that Britain will abandon sanctions against Italy was seen by well-informed quarters here to-day as the Government manifested a steadily growing desire to keep Premier Benito Mussolini in the League and relieve the prevailing tension in the Mediterranean.

The British general staff, it is understood, is more worried than ever before over the situation of Egypt, Malta, and the Suez Canal, now encircled by Italian troops, while the Duce's fleet is mobilized for action within easy striking distance of the British Mediterranean armada.

With revolt fermenting in Palestine, and discontent rife in Egypt, uneasiness is growing daily all over the Mediterranean, and British soldiers, sailors, and civilians stationed in the area are reported to be speculating as to what move Italy is planning to take next.

The Government, in view of these premonitions of trouble, is believed by informed quarters to be gradually moving away from its previous stand in favour of the maintenance of sanctions, and it is widely expected that the next League meetings at Geneva will mark a definite about-face in Britain's attitude.

With abandonment of sanctions considered a virtual certainty, it is reported that British sales agents are already arriving in Rome in order to resume activity as soon as the League's economic blockade is terminated.

It would be difficult to imagine anything more adroitly designed to expose the British nation to contempt in Asiatic eyes—a nation of shopkeepers, on the one hand disliking and condemning the Italian adventure, on the other hand anxious to do business with Italy; meanwhile the British naval and military authorities are in a state of fuss and fluster the reverse of flattering to our pride and reputation as a great Power.

A further despatch published during the same period, once more with the Domei caption, and dated LONDON, July 9, ran :

The Admiralty's announced decision to recall the bulk of its fleet concentration from the Mediterranean was interpreted among observers here to-day as being tantamount to an admission that the German danger is at present even greater than the Italian menace and consequently requires the return of a large naval force to the North Sea.

Observers emphasized, however, that the Admiralty's decision was also prompted by fear that Italy would incessantly send

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notes to Britain definitely refusing to participate in the Montreux conference and the coming Brussels conference of Locarno Powers unless the British Home Fleet were recalled and Britain cancelled its mutual assistance accords with the Mediterranean States. . . .

Although expressing satisfaction regarding the end of Italo-British tension, influential quarters did not conceal their humiliation over the fact that the presence of a British force in the Mediterranean and Black Sea failed to prevent Premier Benito Mussolini from conquering Abyssinia. These circles declared that the recent events have involved strategical and political repercussions of the utmost importance. It has been proved, they said, that Italian planes and submarines are capable of not only preventing an enemy's approach to the Italian coast, but also severing communications between the eastern and western halves of the Mediterranean, thus making the British stronghold of Malta virtually worthless. It was pointed out that a network of mines and submarine defence could accomplish this task with ease.

On the same day the following telegram was published under the date-line MONTREUX, July 9 :

Fear by Great Britain that the Soviet Union may sign a separate Dardanelles treaty with Turkey if the Montreux conference fails has reportedly led the British delegation here to consider major concessions toward the U.S.S.R.

Observers declared that Great Britain fears most the conclusion of a bilateral Dardanelles agreement between the Soviet Union and Turkey completely banning the British fleet from the Black Sea during times of war.

British fear, British timidity, British weakness, British perplexity, British vacillation : in short, Britain on the down-grade as a world Power—this is the keynote of the foregoing messages, messages characteristic of what is being served up continually for the enlightenment of the millions in Japan and China. Is it to be wondered at that public opinion becomes biassed against us and that we are in danger of falling from our high estate in the eyes of peoples who long have held us in respect ?

Apart from cases such as these, of which many could be cited, the following Havas message, published in the *North China Daily News* on July 14, 1935, provides a typical

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illustration of the derogatory slant given to British news when it is compiled and distributed by foreign agencies :

LONDON, July 12. Despite numerous efforts made since 1931, the number of unemployed in Great Britain is still over 2,100,000. Financial and industrial circles see no particular improvement in the general outlook except in the bettering of international trade, toward which the return of monetary stability would be a valuable contribution.

It is pointed out everywhere, however, that the predicted improvement of French public finances next autumn, through the sweeping reforms of the government, will play an important part in general international monetary recovery.—Havas.

Observe the contrast between the British and the French situations, to the exalting of the French.

It would be mistaken and unjust to suggest that the newspapers in the Far East which publish these messages are necessarily inspired by hostility to Great Britain. The *North China Daily News*, for example, the greatest British-owned newspaper in the Far East, is above suspicion. Its devotion to British ideals does not admit of question. As for the Japanese press, with certain exceptions its inclination, like that of a vast body of the Japanese people, is fundamentally friendly to this country. Nor is there any reason for supposing that the Domei agency is wittingly or wilfully a party to an intrigue or a conspiracy to bring Great Britain into disfavour with the people and press of Japan. Formerly there were two news-collecting and distributing agencies in Japan, the Shimbun Rengo and the Nippon Dempo. In the year 1936 protracted negotiations for the amalgamation of these two agencies were completed, and they became one under the style and title of the Domei Tsushin. Domei to-day stands alone in Japan, without any competing agency, equal or inferior, to serve as a check upon it. The consequent responsibility resting upon Domei as the main channel through which foreign news from the outside world to the newspapers of Japan must pass is heavy. It is not for an outsider to say whether or no Domei is living up to that responsibility. The

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competent and the reliable judges of that in the last analysis will be the Japanese newspapers themselves. They are unlikely to neglect their duty to the public. In the meantime it is fair to assume that Domei is not actuated by any ulterior motive, and that in giving widespread publicity to tendentious French and other services it is influenced by ordinary business considerations, more than by any other.

At Domei's very door are laid down subsidised telegraphic services which in volume and cheapness far surpass anything that Reuters, pursuing its course as an ordinary trading concern, can hope to place at Domei's disposal. The services are abundant in volume, comprehensive in scope, and on the whole not badly compiled and edited. Their price to the Japanese press being a fraction of the cost of an equivalent British service, it is hardly surprising that they find a ready market and a measure of publicity that is gravely prejudicial to British interests, and that makes the British presentation of world news more and more difficult and less and less conspicuous and effective. Amongst the forces contributing to this displacement of British news must be included the services originating in the United States. Cheap transmission rates across the Pacific, and a readiness on the part of the controllers of these services to subordinate ordinary commercial requirements to larger considerations of policy, place the American services in a category second only to the subsidised foreign services as destroyers of the market for British news.

In the circumstances the marvel is, not that the proportion of British news relatively to the whole inflow of news from overseas is steadily shrinking in Japan, but that British-handled news has not disappeared altogether, and that in spite of the growing strength of the subsidised services it has not yet begun to contract in China and other parts of the Far East where the organised control of the news channels has not attained to the level reached in Japan. Thanks to the high reputation which Reuters enjoys for reliability and impartiality, and to the well-founded belief

that politically and financially Reuters is independent, being animated by one motive only, namely, to present the news, whether British or foreign, objectively and dispassionately—thanks to all this the newspapers outside Japan are still willing to pay the relatively heavy subscriptions which Reuters is obliged to charge. They do so in the conviction that they are getting a superior article, as indeed they are. But that does not prevent many of them, as the examples have shown, from printing the tendentious telegrams of Reuters' foreign rivals and thereby fostering the growth of a widespread foreign and anti-British propaganda.

Nor can we count indefinitely upon Reuters' ability to hold the fort in this way. The monopolistic canalisation of news which has adversely affected Great Britain's position in Japan may easily find its counterpart one day in China and elsewhere. When it does, the results will be the same, unless measures are taken without delay to forestall them. In the meantime the situation is bad enough. Anti-British news is gaining a publicity outside Japan, as well as inside, that can only be checked and defeated by the delivery into the Far East of a British service capable of competing successfully with the foreign services in point of volume, comprehensiveness, and price. How this can be accomplished without importing into the British service the defects as well as the economic advantages of its subsidised rivals, the defects of official control or official influence, with all the suspicion and mistrust which they induce—how this can be achieved must be a matter for enquiry and deliberation. But that it can be achieved there is little doubt. It was achieved during the Great War, when Reuters enlarged their services to the world in general without being subjected to official dictation or official control. This freedom enabled them to maintain unimpaired everywhere, except in the enemy countries, their reputation for impartiality and objectivity, and so the better to serve the national and Allied cause.

III. FACT OR SENSATION

THE problem of British publicity in the Far East does not stand alone. It has its counterpart in South America, and it is repeated in some form or another in North Africa, in the Middle East, and on the continent of Europe.

The corollary of the open door in China was the open door in South America. But transmission costs and other conditions were adverse there to anything more than a very limited British service. Here is an extract from a speech delivered by the Prince of Wales after returning from his tour in 1931:

I would like to say a word about the position of the British news services to foreign countries, and I will, for example, take South America, which was the last of the great continents I visited this year. There is no actual shortage of news in South America dealing with events in Great Britain and Ireland, and this country gets a very fair share of the space in the important newspapers, but with the exception of a limited service of news sent to Argentina by Reuters, and except for a few special messages by their own representatives to a few papers, all news sent from England to Latin America is transmitted by non-British agencies. What is the result of this? The result is that by the time this news reaches the Latin American reader he sees us and our affairs through spectacles which are neither ours nor those of his own country. I most sincerely hope that some means can be found to increase the volume of purely British news to South America, and I commend this particular matter to the attention of this Association.

In consequence of the Prince's personal intervention, a sustained effort was made to remedy the deficiency to which he drew attention, and some time later, in another public speech, His Royal Highness was able to say:

I took the opportunity on my return last May to express my views in this country, and I emphasized the importance of supplying the great South American continent with fuller and more accurate reports of what is going on here. Reuters have now established a daily news service to South America, and as regards Argentina I am very grateful to my friend Jorge Mitre, of *La Nacion*, and to the *Buenos Aires Herald* for co-operating most heartily in this scheme.

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But, alas, in spite of a heavy financial sacrifice by Reuters, persisted in for nearly three years, the experiment in the end had to be abandoned; to-day South America is little better off in the matter of British news, and world news carried through British channels, than it was ten years ago. On the other hand, thanks to the French official facilities it enjoys, the Havas agency transmits to South America some fifteen thousand words a day of world intelligence, which includes British news as seen through French eyes. The Havas telegram quoted earlier in this article from the *North China Daily News* provides a fair idea of the risk to which this exposes British prestige.

It is not necessary to impute base motives to Havas. It is enough that the agency should be an honourable exponent, as undoubtedly it is, of French policy and a sympathetic interpreter of the French point of view. But its very zeal and efficiency in that rôle must render Havas unsuitable as a provider and editor of British news in any foreign land. Within the last few weeks the Secretary of the British Chamber of Commerce at Sao Paulo in Brazil, referring in the *Daily Telegraph* to the Italian propagandists who in the Levant and elsewhere "are assiduously spreading the doctrine that Britain is 'on the run' everywhere, and that the Empire will shortly break up", drew attention, as many have before him, to the highly unsatisfactory British news situation in South America. He said:

News of Britain and things British comes, for the most part, to the South American countries *via* non-British press agencies, whose news, to say the least, is often biased.

In Brazil, for example, the only British news service is a partial one picked up from the air by one newspaper in this city. All other foreign news in Brazil is received from American and French agencies, who, naturally, are not interested in presenting facts favourable to British prestige, but are more concerned with serving up news of a sensational nature (not infrequently detrimental to British interests).

For years the British Chambers of Commerce have urged the need for British news services, inaugurated, if necessary, with official backing in their early stages.

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Of news of a sensational nature, detrimental to British interests, a typical example was provided at the time of the Invergordon trouble. That episode was seized upon by at least one American agency distributing a big service in South America. It presented to its clientele throughout the continent a flaring narrative which magnified out of all proportion what had happened and which could only leave the average reader under the impression that the British navy was rotten with unrest and the spirit of mutiny rampant. One need not attribute to the men responsible for this narrative any hatred of England or any desire to hurt us abroad. They probably were animated by nothing worse than an excited impulse to produce "a colourful story" and "to play up the high lights". But in doing so they were undoubtedly guilty of misrepresenting grossly this country and equally grossly misleading the people of South America. None could condemn this more readily than responsible Americans. Within the past few weeks the United States Ambassador in London, himself an important newspaper proprietor, spoke at a public luncheon of the unfortunate fact that newspapers were often propagandists of evil. Their disposition "to play up to what is sensational instead of sound and usual, and what is remarkable and extraordinary instead of what is the habit of the people, is one of the things that tend to mislead the American public about Great Britain and the British public about the United States". The evil here rightly condemned by His Excellency was the evil inherent in the telegrams to South America about the Invergordon trouble.

The American services in South America, however, are not so prejudicial to Great Britain as the French. The not unnatural disposition of Havas day by day and week by week is to give to the people of South America, no less than to the people of the Far East and of the continent of Europe wherever the Havas service circulates, the French aspect of international politics, and to wrest from the British

the function that hitherto Reuters have in the main fulfilled as the international supplier of world news. Its growing activity in this respect has excited the misgivings even of Americans, and within the last few years both President Roosevelt and the Secretary of State have commented adversely upon the character of the French news services in South America.

Much might be said about the French, German, Italian, and Russian wireless services in Egypt, the Levant, Afghanistan, and elsewhere, all of them working to Great Britain's disadvantage and designed to supplant or discredit British news and British influence. Still more might be said about the growth and the effect of these services on the continent of Europe. Both Havas and the D.N.B., by means of their subsidised wireless broadcasts, are supplying newspapers of all nationalities in Europe at nominal, not to say derisory, rates, services embodying, not only their own national news, but also news from the rest of the world, most of which they have acquired from Reuters but which in the process of relaying loses its Reuter complexion and takes on that of the distributing agency. The scope for mischief here can easily be seen. That it does not escape attention is clear from an article by a Norwegian journalist of standing, Mr. Henry Røsoch, who, writing in the Oslo *Aftenposten* as recently as April 24 last, remarked upon the growth of the D.N.B. and Havas services to the detriment of Reuters, and struck a note of warning. In Mr. Røsoch's opinion, the Reuter agency, which, to use his own words, has "pumped more material into the international news stream than any of its rivals, now works with great and ever-growing difficulty, and month by month it is harder for news from British sources, and news of British affairs, to find their way into that news stream".

That is the conclusion reached by a detached observer, one, presumably, more friendly than otherwise towards this country. It is a conclusion compatible with the facts, and it is one that we cannot ignore with impunity.

THE DOMINIONS AND IMPERIAL DEFENCE

EDITOR'S NOTE

The British rearmament programme, and the manifest dangers abroad, have brought defence once more into the front rank of British Commonwealth problems. This article consists of two essays contributed through the ROUND TABLE groups in Canada and South Africa respectively.

THE CANADIAN DEFENCE DILEMMA

I

ONE of the by-products of world rearmament has been the discovery by eleven million Canadians that their country has not yet evolved a foreign policy on which it can base a rationally planned defence programme capable of commanding the united support of its citizens.

It is no secret that the Canadian Parliament, in voting this year's defence appropriations of \$35,000,000, did so reluctantly. The estimates initially submitted to the Cabinet called for an outlay of some \$50,000,000 on army, navy, and air services. A number of the Ministers, notably the Middle Westerners, criticised the proposed expenditure so vigorously that the Cabinet itself cut the total by 30 per cent. When the reduced estimates reached the House, the Government discovered that a majority of its own supporters opposed them, a few openly, the remainder privately. So hostile was the feeling that the Prime Minister summoned a special caucus, and is said to have told his followers that they would have to vote for his estimates or take the consequences.

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In the House itself, debate was marked by evasion and an atmosphere of unreality. The Conservatives remained silent. Government spokesmen struggled verbosely to convince the House that there was nothing in the programme to indicate that Canadian participation in another European war was contemplated. The Defence Minister, Mr. Mackenzie, gave warning of the danger of hit-and-run raids by sea and air, but neglected to specify whence they would come or why. The Minister of Justice, Mr. Lapointe, advanced the surprising thesis that the proposed armament—bombers, fighters, mine-sweepers—would serve to protect the country against its communists. Again and again, Mr. King, with one eye on French Canada, asserted that there were no “commitments” involving Canada in the United Kingdom’s plans for Empire defence. “What we are doing,” he said, “is for the defence of Canada, and of Canada only”. To which he added: “But I hope that will not be construed to mean that we are not thereby making some contribution to the defence of all English-speaking countries and all democracies”—a qualification that takes in considerable territory not included in the original Confederation pact. Only the Socialists admitted—and decried—the obvious fact that the Dominion was providing itself with the nucleus of a martial establishment able to serve as a Canadian contribution to Empire defence in an Empire war, should such a war eventuate.

In the end, only twenty-two members in a House of two hundred and forty-five voted against the estimates, but no informed Canadian was deceived into a belief that the extent of the majority indicated the real opinion of either the House or the country. The truth is that on the defence issue, as on the larger issue of foreign policy, both mind and feeling in Canada are in a state of chaos; so much so that were a war crisis to arise to-morrow the unity of the Dominion would be threatened. Slowly, reluctantly, the country is arming, but there is no united conviction either upon the necessity for armaments or upon the purpose for

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which they are intended. As elsewhere, of course, the purpose is commonly labelled “defence”. But defence of what? Canadian territorial integrity? Canadian trade? Canadian neutrality? The Commonwealth? The colonial empire? Democracy? Collective security?

As a people, Canadians have not yet found the compellingly convincing answer. Hence the tendency toward evasion, toward obliquity, a tendency that must be extremely irritating to other members of the Commonwealth. And hence the danger to national unity that constantly beclouds Ottawa’s approach to the question of Empire defence.

At one extreme of opinion are the avowed imperialists; at the other, the confessed nationalists. Both groups accept the concept of a sovereign Canadian State within the Commonwealth, but their interpretations of the meaning of that concept exhibit fundamental differences. The imperialist places the emphasis on the Commonwealth relationship. He advocates a common Empire front in foreign affairs and accepts the idea of automatic Canadian participation in an Empire war, with its corollary, the integration of Canadian and imperial defence. The Dominion, he says, is in real danger of attack and cannot defend itself unaided; close co-operation with Great Britain in defence, therefore, is merely enlightened self-interest.

The nationalist, on the other hand, emphasises the sovereignty of the Canadian State. He may not be wholly isolationist in his thinking, but his view is essentially that of the North American. Canadian defence policy, he agrees, should be based on Canadian self-interest, but Canadian self-interest may or may not coincide with Great Britain’s self-interest. Where there is conflict, the former should take precedence. He minimises the danger of unprovoked attack on Canadian territory and emphasises the value of the Dominion’s geographic position and its contiguity to the United States as defence factors. Suitable measures should be taken for the protection of the

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country's coastal areas; but a policy that contemplated military adventure overseas would in the long run merely invite retaliatory attacks on the Dominion. The Empire, he will add, is a thoroughly unnatural defence unit.

What the relative strengths of the two opinions are, no one can say with authority. Both groups are vocal, but neither, as yet, is organised politically, the cleavage cutting across existing party lines. The ultimate appeal, of course, will lie with the great mass of Canadians who, at the moment, either do not think about defence at all or do not know what to think. Nor will thinking alone settle the question; for it is pre-eminently one in which an all-important part will be played by feeling, particularly if a crisis should actually arise.

II

ANY realistic appraisal of the influences that play upon the Canadian must commence with the cardinal factor of geography. Despite his experience in the last war, the fact that he is a northern North American makes it difficult for him to think of defence in terms of martial equipment. Subconsciously he is aware that his geographical position is his strongest protection. One North Pole, two oceans and a friendly State, which has announced its intention to protect its neighbourhood against aggression, are comforting neighbours in the pre-war world of 1937. Furthermore, the Canadian, whether French or English-speaking, knows nothing of the population pressures, the racial hatreds, the deep-seated economic stresses of the European's existence. He knows something of conflict, but the conflict of man against Nature, not of people against people. Such a man finds it difficult to understand the armed rivalries of Europe, and it is not unnatural that he should tend to isolate himself from that which he does not understand.

On the other hand, his history has made him a man

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curiously divided against himself. The French Canadian has achieved a purely Canadian point of view—hence the preponderant “nationalism” of Quebec; but not so his English-speaking compatriot. Examine the latter's history, and two basic trends become apparent. One is an almost straight-line progress toward the evolution of a North American nation; the other, the extraordinary pertinacity with which he alone, among all the peoples of the two Americas, has clung to political connection with the parent stem.

It is not easy to explain two such apparently conflicting tendencies, but one obvious reason is the dominant rôle played by the economic self-interest of the individual Canadian in his attempt at nation-building. No society, however, can achieve vital being on the basis of self-interest alone. It is a truism that in every man there is something that impels him to seek a non-selfish, and if need be sacrificial, relationship with the world external to himself. And the Canadian, not having achieved a compelling consciousness of a common national purpose, has turned to what may be termed British-ness for satisfaction of that deep-rooted desire for loyalty to something external to himself.

That dualism explains much that is peculiar in Canadian life. It explains Mr. Bennett of the Ottawa Conference and Mr. Bennett of 1937. It explains the Canadian manufacturer who tries to choke Lancashire one minute and wraps himself in the flag that flies over Lancashire the next. It also helps to explain the cleavage between nationalism and imperialism.

This thesis, however, must be examined in the light of the changing composition of the Canadian population. In the early days of settlement, almost all English-speaking Canadians had personal or family contact with the Motherland. To-day seven out of nine Canadians are native-born. Most of these have had no personal contact with the root traditions. Their experience of life is wholly

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North American. Their self-interest is a North American self-interest. True, one-ninth of the population is British-born, but the influence of this group, though powerful, is at least partly offset by the attitude of the remaining ninth, which is neither native nor British, but foreign-born. Equally significant is racial composition. Canadians of Anglo-Saxon stock now number only 50 per cent. of the population; 30 per cent. is French; 20 per cent. derives from other races. Birth-rate differentials are such that the French proportion will increase. On the basis of the present trend, one leading Canadian authority estimates that the French may constitute 40 per cent. of the total by 1970.

There are evidences, moreover, of the growth of an emotional, as distinct from an economic, Canadianism. In its most rudimentary expression this attitude is simply a reflection of a passionate attachment to the native soil, a love of the homeland, and a willingness to sacrifice self to preserve the homeland's integrity. Despite the continued existence of economic and regional particularisms, most observers agree that Canadians have already reached this stage in their evolution as a people. The British Columbian will defend the soil of Nova Scotia, not because of his British-ness, but because he is a Canadian. This, as a matter of fact, is the one point on which the defence views of imperialist and nationalist converge. At the moment it is the one premise on which it is possible to base a defence programme that will not strain national unity.

III

WHEN one turns from emotional to economic factors the pattern becomes less obscure. The total business capital employed in Canada is approximately \$18,500,000,000. Of this amount it is estimated that 62½ per cent. is owned in Canada, 22 per cent. in the United States, 15 per cent. in Great Britain, and ½ per cent.

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in other countries, the total non-Canadian capital being \$6,800,000,000. Canadian investments abroad are valued at \$2,027,000,000, of which sum \$1,254,000,000 is placed in the United States, \$109,000,000 in Great Britain, and \$664,000,000 in other countries. These figures indicate that so far as capital commitments are concerned the balance of interest lies with the United States rather than with the United Kingdom.

External trade (combined imports and exports for the year ended January 1937) is distributed as follows: United States 47 per cent., other foreign countries 13 per cent.; United Kingdom 31½ per cent., rest of the Empire 8½ per cent. These figures are used by both imperialists and nationalists to justify their respective positions, but again it is obvious that Canadian interest is a divided interest.

Divergence along economic lines also becomes apparent when one examines the reasons for the common desire of Canada and Great Britain for the maintenance of the political *status quo*. It is true that both countries have a vested interest in peace, if for no other reason than that both desire undisturbed possession of territory. But their territories are not coterminous. Canada is not a direct beneficiary of British economic and political control of the Empire's colonial areas. To put the matter bluntly, loss of British control over Kenya or the Malay States, for instance, would probably make little difference to the economic well-being of Canadians. Similarly it would be difficult to argue that Canada stands to gain by reason of the Union's suzerainty over South-West Africa.

It is arguable, moreover—and the nationalist so argues—that the Dominion's greatest risk of becoming involved in war lies in close association with Great Britain. Historically, since the days when both French and English fought the Indian, there never has been a purely Canadian war—that is, a war fought by Canada and originating solely in North American causes. Looking to the future, the nationalist argues that Great Britain's imperial interests

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manifestly involve the risk of international friction on many specific issues of no direct concern to the Dominion. Further, it is difficult—the nationalist says, impossible—for Canada to secure effective voice in the determination of British foreign policy, which, in turn, determines the question of peace or war.

It should be remembered, also, that there is no likelihood of Canadians' gaining anything by way of wealth or territory from even a successful Empire war. The territory under the control of Empire member States was considerably augmented as a result of the last war. Canada acquired only her war debt; and the cost of war still looms large in the minds of imperialists and nationalists alike. To date, Canadians have paid \$4,700,000,000 on their world war bill, and they are still paying at the rate of \$158,000,000 a year.

IV

THE above is by no means a complete catalogue of the arguments in the nationalist's repertoire, but it will suffice to indicate that British-ness among the Canadians has a good deal to contend with. Nevertheless, it remains a potent force, not only in the life of the Dominion generally, but also in the current response to the defence problem. In fact, with the collapse of the hope of a genuine League collectivism there have been unmistakable evidences of a recrudescence of British, as distinct from Canadian, feeling among groups which until recently displayed ardent emotional attachment to the League ideal. One now hears a good deal about the Commonwealth's being the only league that can guarantee the world's peace.

Undoubtedly the strongest appeal that the imperialist view offers to Canadian self-interest is derived from the obvious fact that so long as Great Britain is committed to defence of the Dominion it would be difficult, if not impossible, for any European Power to launch a major attack against its shores. The force of this argument, however,

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is modified by the degree to which belief persists in the efficacy of the geographic factor. As yet there is no evidence of acceptance by the great mass of Canadians of the idea that a serious attempt at conquest of Dominion territory is likely; and there still is general scepticism towards the suggestion that military technique has developed to the point at which such an assault would be feasible. Moreover, the translation of this risk into actuality might well foster a continental solidarity, since it would be of vital consequence to North America as a whole.

Fundamental importance attaches, of course, to cultural and ideological factors; but in view of the confusion of trends, not only in Canada, but also elsewhere, too much reliance cannot be placed on these as a source of unity either within the Dominion itself or between the Dominion and Great Britain. At the moment, for instance, French Canada shows signs of combining a sympathy for Italian fascism with a positive antipathy for both communism and German nazism. So far as intra-Commonwealth relations are concerned, much depends on the relative tempos of social and political changes in Canada and Great Britain. If the latter, for example, were to swing sharply to the Left and embrace militant socialism, while the Dominion retained a capitalist economy, the shock to the British-ness of many of the most ardent Canadian imperialists would be severe.

Another obviously vital factor is the degree to which the interests of Great Britain run parallel to those of the United States. One of the cardinal assumptions of any rational Canadian defence policy is that armed conflict with the United States would put the Dominion in an untenable defence position. It follows that Canadian adherence to imperial foreign policy can never be unqualified whenever that policy impinges on the interests of the United States. Even from the purely British point of view this is probably a blessing in disguise, but the

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Canadian's consciousness of his position in this respect adds still another element to the complex that gives rise to the Canadian defence dilemma.

Canada, April 1937.

SOUTH AFRICA AND DEFENCE

I

FOR South Africa, as for Great Britain and the other members of the Commonwealth, the events of the past two years have made national defence a problem of primary importance. The steadily growing tension in Europe, the tragic failure of the ideal of collective security, the reversion of the Powers of Europe to a scarcely veiled system of power politics—these are the circumstances that have compelled Great Britain to proceed, at enormous cost, from disarmament to rearmament, and that make it necessary for the Dominions, not only to reckon out their contribution to the collective security of the Commonwealth, but also to plan each individually for its own protection. For the contraction of space and the new totalitarian concept of warfare involve the expansion of the area of conflict and compel the belief that in a future war, to a far greater degree than in the last one, the whole world, not Europe and its near neighbours alone, will be the battlefield. Protected though they still may be to some extent by their remoteness, the Dominions are bound to face the possibility that, instead of defending themselves by supporting a thrust in Europe, they may have to meet in their own territories an attack aimed by a land-hungry aggressor. These considerations apply to all the Dominions in one degree or another, but with especial force to South Africa.

The Union's conception of its national and international position has undergone great changes in the past few years. The Status Act of 1934 marked in an emphatic manner the acceptance by the majority of South Africans of the

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independent nationhood bestowed by the Statute of Westminster. A certain pride was felt in the attainment of this goal, together with sincere satisfaction that an ever-present political wrangle could at last be considered settled. These feelings have in the last few years passed into history, and have given place to a growing realisation of the responsibilities attaching to the privilege of independence: a nation that will not or cannot defend itself may not rightly be called independent. To the extreme Nationalist minority, independence connotes a policy of isolation and "Little-South-Africanism", of drawing a magic circle of neutrality round our frontiers and burying our independent heads in the sand. To the present Government, however, and to the majority that supports it, independence seems to demand the organisation of all our resources both human and material for the protection of our territories. Against an imperialist aggressor no declarations of neutrality will afford much protection to the mineral wealth of the Rand or the Cape's strategic gateway to the East. When a nation melts its wedding-rings to provide the sinews of war, when air fleets and submarine bases make the Mediterranean a more than doubtful link in the communications between West and East, the Rand and the Cape take a front seat on the international stage, and South Africa must look to her defences at both extremities.

II

SIDE by side, however, with this realisation that we must be prepared to defend our "Naboth's vineyard", goes the growing apprehension that the Union's responsibilities do not end at the Limpopo, that South Africa's defence means rather the defence of southern Africa, that, to imitate Mr. Baldwin's phrase about the Rhine, our frontier lies upon the Equator. South of this line lie British, French, Belgian, Portuguese territories: among these is no threat of war, no dispute as to title or boundaries. The Union and part at least of Kenya, Tanganyika, and the Rhodesias

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afford territories in which a white population can make its home. It is, as General Hertzog significantly observed at the recent African transport conference, the business of those whose homes or interests lie in southern Africa to ensure that its peace is not shattered by the impact of European disputes. The Union contains some 60 per cent. of the white population of the African continent, and it is coming to be realised that if southern Africa is to organise itself in defence of its peace and its white populations, the leadership may well devolve upon the largest white independent State. One can see here the germ of what might be called a Monroe doctrine for southern Africa; and, although the isolationism that is still a strong factor in South African politics prevents at present any open admission of such possibilities, it is not inconceivable that for the sake, not of Great Britain, but of her own existence, the Union may find her forces fighting in a future war, as in the last, in Africa beyond her own frontiers.

South-West Africa, for instance, is not Union territory, but its defence in time of war follows inevitably from the Union Government's recent declaration of policy in regard to the mandated territory.* An attempt by a strong European Power to seize Angola or Mozambique would be a threat to the safety of the Union and the Rhodesias, which the Governments of these territories might have to meet with a common defensive policy. Or again, the Italian seizure of Abyssinia, and the threat of a new era of imperialist conquest based on black levies, provoked serious words of warning from the Union's representative in London and Geneva as to the dangers of upheaval and unrest in Africa, dangers that compel the Union to look anxiously northwards beyond its frontiers. Briefly, the Union to-day, in considering its defensive position, is bound to consider it not less as a leading African State than as a member of the British Commonwealth.

This duality of interests accounts in part for South

* See THE ROUND TABLE, No. 106, March 1937, pp. 445-447.

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Africa's equivocal attitude towards the forthcoming Imperial Conference. At this Conference defence is one of the main questions for discussion: the Union delegation, however, does not include the Minister for Defence, and the Union Government has made it known that, whilst not averse from the discussion of general matters affecting defence, it will not be in a position "to come to any decision on any matter of principle affecting the Union". This somewhat vague and hesitant attitude towards imperial defence is the product mainly of three factors. In the first place, the dual interests referred to above tend to hold South Africa back from whole-hearted commitment to a rigid scheme of imperial defence, which may or may not altogether coincide in the future with the development of her interests as an African State. Second, and extremely important for an understanding of the Union's attitude, is the fact that South Africa's relations with Great Britain, though cordial and co-operative, are not based upon the same unquestioning attachment to a mother country as are those of New Zealand, for example, or Australia. World collective security based on the League could have been regarded, until recent events impaired this ideal, as the most potent force linking the Union to British policy; but now that circumstances are involving Great Britain more deeply in the power politics of Europe it is the more limited bond of common interests between the two countries that moves into first place; and it is conceivable, though not probable, that these interests may diverge.

In the past few years the growth of a national consciousness, of the idea of "South Africa first", has progressed so far—and not among extremists only—that the Union Government dare not, even if it would, commit itself definitely to any combined scheme of defence that could be represented as serving the interests primarily of Great Britain and her possessions, or even the interests of the Commonwealth as a whole in preference to those of the Union. The Union is prepared in its own interests to

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allow its defence plans to dovetail into a wider scheme of Commonwealth defence, to form a passive rather than an active link in the chain of imperial defence: it will allow the wider scheme to include the smaller, but is not prepared openly to adapt the smaller to fit the wider. Lamentable though this attitude may be, the fact remains that South Africa's nationhood has not yet outgrown the narrowness of nationalism, and that her leaders, whatever their desire for fuller co-operation, must move cautiously on the path of imperial defence, lest they move too fast for those who follow and shy at every step. This consideration leads on to the third factor in the Union's present hesitations, the general election that is due next year. The influence of the Malanite party is far from waning, and there is reason to anticipate increased Nationalist representation in the next Parliament. Particularly in the present circumstances, therefore, it is beyond reason to expect the Government to provide the Opposition with the weapons that active co-operation in imperial defence would afford for use in the backveld.

III

IF, however, South Africa's part in imperial defence remains for the present a passive one, if her rôle as the "big brother" of southern Africa has not yet emerged far out of the realm of political speculation, there is no doubt that in plans for the defence of her own territories she is embarking upon a phase of considerable activity. Up to 1934 the depression, the absence of serious international alarms, and the prevailing disarmament idealism, reduced the defence force to a condition almost moribund. In the past two years, however, there has been money to spend, the growing threat of war to reckon with, and in the person of Mr. Pirow a Defence Minister whose vigorous personality has no time for make-believe, and whose thoroughness does not mean to leave the nation's security unplanned. There are, indeed, some who fear that Mr.

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Pirow's somewhat Teutonic outlook may, if unchecked, tend towards an undemocratic, semi-fascist, regimentation of the nation for purposes not wholly military; for the present, however, the renewed activity of the Defence Department goes by no means further than what is generally admitted to be essential, a comprehensive scheme to enable us, at any rate on land, to stand on our own feet in time of war. The Government is making defence a matter of primary importance, the formulation of strategic plans is engaging the attention of the general staff, and active progress is being made with the enlargement and revitalisation of the permanent and reserve forces. Details of what is being planned and done remain prudently locked within the departmental archives, and Ministerial pronouncements confine themselves to reassuring generalities. It is possible, however, here to indicate the main lines upon which the defence of the Union is being planned. Three factors must in the future contribute the main part of our security—the British fleet, the air arm, and a small but highly mechanised land force.

Reliance upon the British navy for the protection of our coasts is a fundamental assumption of our defence policy. The Union (including South-West Africa) has some four thousand miles of coast-line to protect and possesses no warships; it has been the deliberate policy of successive Governments since the war, under agreement with the British Government, to rely, on the naval side, entirely on the British fleet. Under the agreement made in 1922 by General Smuts and Mr. Winston Churchill, Simonstown harbour is recognised as a British naval base, and the land and air forces of the Union are pledged to its defence for Great Britain in time of war. This obligation was specifically reaffirmed by Mr. Pirow in the plainest language in a speech at Simonstown on April 2 this year. On several occasions, too, in recent years the Prime Minister has referred in unequivocal terms to the Union's reliance upon Great Britain as her best friend, and during the present

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session he has reminded Nationalist members, who stung him to speech with complaints about the inclusion in the opening-of-Parliament ceremonies of the admiral commanding the Africa station, that apart from ordinary courtesy South Africa could not but acknowledge the debt she owes to a force whose mere existence saves the Union taxpayer millions of pounds a year.

The Defence Department is now making every effort to render its co-operation with British naval forces as effective as possible. The increase and modernisation of coastal defence batteries in the Cape peninsula and at important points round our coasts are proceeding apace. A beginning has already been made with the Government's £6,000,000 scheme for the Table Bay harbour extension, a scheme which, though specifically not intended to provide a naval base for the fleet, is bound none the less to be one of great strategic as well as commercial importance. Finally, as a key to the Cape's defences, Robben Island, at the entrance to Table Bay, is to become a strong military defensive position equipped with long-range heavy guns. Further, it is intended to secure the most efficient co-operation possible between the air force and the naval forces. Recent manœuvres at Singapore emphasised the impregnability against sea and air attack of a land base protected by close and efficient co-operation between ships and aeroplanes.

British ships are thus an integral part of the Union's defence plans; and the plain fact remains that, whatever theoretical right of neutrality the Union may possess, no deliberate aggressor will trouble his head about the niceties of the Statute of Westminster; it is inconceivable that South Africa should find herself involved in war without finding Great Britain at her side. Whatever the show of reluctance, reticence, and independence demanded by internal politics, the cost of translating the theory of neutrality into practice is the cost of building a battle fleet of our own. South Africa will continue to assert her freedom of action up to the moment of having to pay

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for it, and will then proceed to base her defence as before upon the British fleet.

IV

AGAINST an enemy once landed, however, and in defence against an overland attack, South Africa must rely entirely on herself. There are here certain considerable difficulties to face. The area to be defended is wide, the population and its man-power are small; communications, owing to the conformation of the country, are not easy; the railways, which in South Africa even more than in most countries are the national life-lines, are easily cut. From these considerations follow certain conclusions. In the first place, the active defence forces are bound to be small and must be therefore proportionately the more efficient in training and equipment. Efficiency to-day means mechanisation, and plans provide for a striking force of some 56,000 men technically efficient, with machine-gun equipment, and including rifle grenade, trench mortar, and anti-tank specialists, supported by mechanised artillery; a force capable of directing a vigorous and decisive blow at any threatened point. This force will be composed of the Permanent Force, as a nucleus, together with 24 battalions of the Active Citizen Force and 25,000 quickly mobilisable Active Citizen Force reserves; beyond these will be a national reserve of 100,000 riflemen, whilst behind the lines the use of native labour for non-combatant duties would enable the combatant force to make the most of its numbers. But striking power demands mobility. A start has at last been made with a national road system, and transport by the railways, slow, sparse, and vulnerable, may be supplemented in case of need by motor transport and in some cases air transport. A crushing blow swiftly struck must replace, as the first means of defence, the guerilla tactics of Boer war days.

Finally it is recognised that, in directing and supporting such a blow, the air force must play a vital part, with

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scouting planes, troop-carriers, and bombers. Plans provide for the support of the land force by a force of some 500 to 600 interceptor-fighters and bombers. And it is in the direction of air force expansion that progress is to-day most noticeable. As far as the training and re-organisation of the land force are concerned it is impossible, without access to confidential information, to say how much progress has yet been made from planning to execution. But it is no secret that in air force expansion considerable activity prevails. All Permanent Force officers are required to qualify in a flying course; the Government quite recently announced a scheme to provide for the civilian training of 1000 pilots in the next five years; and early this year the Defence Department revealed its purchase from the British Government, at a purely nominal price, of 100 only slightly obsolescent aeroplanes, with the promise of facilities for the future purchase of an adequate number of the most modern machines. It is natural, indeed, that as a vital factor in both sea and land defence the air arm should receive the first attention.

If, in conclusion, we consider the material resources of the Union in time of war the picture is reassuring. The Government early this year announced its intention of compiling, with the assistance of producers and manufacturers, an estimate of the national resources that could be mobilised and adapted for war purposes. In almost all war essentials the Union can make itself self-supporting. There is no question of its capacity to feed itself; it possesses an unlimited supply of coal, iron, copper, and other essential minerals, an already considerably developed explosives industry, and in the comparatively recent iron and steel plant in Pretoria the nucleus of a war-time armaments industry. It can clothe itself with its abundant wool, and, if necessary, produce cotton in the low-veld areas. There are three main deficiencies. Rubber is entirely lacking, a difficulty that can be met only by provident accumulation. Oil is available only in trifling quantities,

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though this deficiency may possibly be remedied to some extent by the production of lubricant from the indigenous castor-oil plant, whilst as far as motor-fuel is concerned benzol derived as a by-product from the steel-works is already in use, and alcohol, a by-product of the sugar industry, is also used in combination with petrol as a satisfactory fuel mixture. Thirdly, for the present and inevitably for some time to come, the Union must depend for its heavy armament and big guns, and for aeroplane and motor engines, on the more highly developed industries overseas. It would be possible to expand and adapt the existing steel plant within reasonable time, but only for the making of shells, bombs, small arms ammunition, and the lighter types of war requirements. Even with these limitations, however, the Union is, from the point of view of material resources in war-time, favourably situated in comparison with some other and greater nations.

To sum up: South Africa is more keenly alive to-day than ever before to both the responsibilities and the dangers of her new-found status, and this sense of national importance is impelling her to prepare herself, as far as her resources go, to shoulder the one and meet the other. Her material and financial resources are large in proportion to the population, whilst the geographical features that increase the problems of defence increase no less the difficulties of attack. Protecting her from without, in the diplomatic and naval spheres, stands Great Britain; and though, while it remains safe to talk independence, the extremist minority take full advantage of the opportunity, if the wheel of politics should eventually place them in power their ingenuity and common sense would help them to discover good reasons for continuing, "for the preservation of South Africa's independence," the policy of co-operation which at present they condemn as serving chiefly the imperialist interests of "a foreign State".

Union of South Africa,

April 1937.

PREPAREDNESS IN NORTHERN EUROPE

From A Correspondent

I. FEARS AND FANCIES IN THE FAR NORTH

MUCH publicity has recently been given in both the British and the Scandinavian press to the alleged war danger threatening northern Europe.*

Some weeks ago a London evening paper put before its readers a hair-raising picture of military preparations in what has always been considered one of the world's most peaceful and safest corners. As on many previous occasions, mysterious "phantom flyers" were reported to have been seen over the furthestmost polar districts of the Scandinavian peninsula; a foreign submarine had been spotted slipping out of a Norwegian fjord; Germany's war chief, Field-Marshal von Blomberg, had been discovered on a secret cruise along the coast of Norway; the Soviet Government was planning something particularly sinister at Murmansk harbour; while Scandinavian experts were holding secret meetings to work out a line of action suitable to the circumstances.† These "revelations" were taken almost verbatim from an article that had appeared in one of the monthly reviews, in which the author—quoting extensively but incompletely from certain Scandinavian papers—had given a

* See the map on p. 486 above.

† For information on Murmansk, see a series of articles by Mr. H. P. Smolka in *The Times*, November 3, 4, 5 and 6, 1936.

His book, *40,000 Against the Arctic*, from which they were extracted, contains no evidence of Russian aggressive plans in the polar regions; on the contrary, the development of Murmansk would seem to destroy any motive for a push towards the northern ports of Norway.

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somewhat startling account of the alleged "Storm Over Northern Europe". The same author had shortly before published in England an article called "Denmark's Military Plight". Taken together, these contributions might have conveyed the impression that something very serious and very sinister was afoot in the Scandinavian area. It is just as well, therefore, to state at the outset that the authority of some of the Swedish and Norwegian papers that were quoted is no higher than that of the more notorious sensation-mongering publications in Great Britain. Moreover, nothing is more misleading than half-truths.

That the countries of northern Europe have felt themselves intimately affected by the many changes that have taken place in the post-war world is true enough, and that they should seek to make the necessary adjustments in their own position is only normal. In analysing these developments, however, it is essential to differentiate between the real and the imaginary issues, as well as between the purely domestic and the international aspects of the questions with which Sweden, Norway, Denmark, and Finland are at present confronted.

The tradition of neutrality is so firmly established in northern Europe that the very suggestion of a war danger there sounds almost unbelievable. Sweden and Norway have managed to keep out of war since the days of Napoleon, and Denmark since her conflict with Prussia in 1864. Moreover, the Scandinavian countries have been among the staunchest supporters of the League of Nations since its inception, and have spared no efforts to contribute as best they could to the pacification and stabilisation of post-war Europe—sometimes even at the price of subordinating their own immediate national interests or aspirations, if by that means the common good could be advanced. That such a policy was not dictated by detached idealism alone, even though that factor should by no means be underestimated when dealing with Scandinavia, but also

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by a realisation of the value of peace and prosperity to their national well-being is only to their credit, since it shows the extent of their shrewdness and practical perception. Sweden, Norway, and Denmark are probably the only countries in the world that have actually carried the principle of unilateral and unconditional disarmament into practical effect, and have reduced their military forces to the very minimum compatible with their dignity. The case of Finland is somewhat different, since she can legitimately claim the need of a relatively strong defence force. If it is further realised that for a number of years the countries of northern Europe have been most successfully and effectively governed by socialists and liberals, whose genuine pacifism and profound abhorrence of exaggerated political and economic nationalism are an established fact, it will seem all the more strange that preparation for a possible—or, as some of their citizens consider, unavoidable—war should be looming so largely in their national life and their international relations to-day.

Yet there can be no doubt that not only in political, military, and business circles, but actually throughout Scandinavia, there is a strong and growing feeling of apprehension as to how a clash between Russia and Germany, or in fact any European conflagration, would affect them. It is over the answer to that hypothetical question, however, that opinions differ so vastly—not only regarding the scope of the possible complications, but also regarding the measures that such potentialities demand or justify to-day.

Unless these issues are seen against their historical background they cannot be judged in a true perspective. Before the war there were four Baltic States—two large ones and two small ones: the Russian and the German Empires, and the kingdoms of Sweden and Denmark. To-day there are ten sovereign States bordering on the Baltic Sea: in addition to the four mentioned above, there are also Finland, Estonia, Latvia, Lithuania, Poland,

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and the Free City of Danzig. All the new countries have been carved out of former Russian or German territory. The two Scandinavian States have also been affected by the post-war settlement. Denmark was given a slice of formerly German territory in North Schleswig, while Sweden hoped but failed to get the Åland Islands, previously in Russian possession and attributed by the League of Nations to the republic of Finland. Although the plebiscite in North Schleswig was conducted on impeccable lines, and its outcome merely meant the handing back of territory that a few score years before had belonged to the Danes, no German Government has accepted this settlement as final. Since the advent of Herr Hitler the danger on this score has naturally become more acute; but it existed before 1933.

The blow to Sweden's ambitions in not getting the Åland Islands was somewhat mitigated by the fact that, through the establishment of Finland as an independent republic, Russia—her hereditary enemy since time immemorial—ceased to be a close and uncomfortable neighbour. But even though there is no longer a common frontier between Sweden and Russia, the old Russian bogey is still kept alive among the Swedes by active German propaganda. For over a hundred years, and with astonishing perseverance, an attempt has been made to persuade the Swedes and the Norwegians that Russia covets a part of their country in order to gain access to the open sea. Though no evidence has ever been produced of any such aggressive intentions on the part either of the empire of the Tsars or of the Union of Soviet Socialist Republics, there are still many people in Scandinavia who firmly believe in "the Russian danger". The periodically recurring scares about "phantom flyers" in the distant north are one of the many aspects of this national *idée fixe*. In 1934, for instance, there were two outbreaks of the "phantom flyers" mania. Skippers and peasants somewhere near the Polar Circle reported

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that night after night they saw mysterious aeroplanes flying over them, and these were at once taken to be spies of the Soviet Government. Yielding to the pressure of public opinion, which was considerably whipped up by sensational press campaigns, the Swedish Government sent experts to conduct extensive enquiries and researches. The sum of 12,667 kronor was spent on this enterprise and nothing whatsoever was found. In more recent times, in view of the renewal of rumours about mysterious night flights, the Government again took active steps. The most up-to-date radio sound-detectors were installed, and once again the result has been nil. Involuntarily one thinks of the Loch Ness Monster, with its similar genius for being seen by almost anybody except those best qualified to establish its identity, or in fact its existence.

Assuming, however, that people are flying by night over Sweden's and Norway's polar regions, it does not necessarily follow that these aviators are Soviet spies or that they represent a serious military threat. They may, for instance, be smugglers, since bootlegging is practised on a large scale in northern and north-eastern Europe; or again they may be irresponsible young Russian pilots who venture on their practice flights beyond the frontier of their own country. Whichever it may be, it is patently unsafe to attach much importance to these "phantom flyers", about whom nothing precise is really known.

But from an internal political angle these, as well as various other, real or imaginary dangers all have their value. For many years the Opposition, that is to say the bourgeois, parties in Scandinavia have found it increasingly difficult to establish any platform on which they could effectively challenge or fight the socialists and liberals in power. These Governments of the Left, whether by good luck or good management—it seems to have been a judicious mixture of both—have been so successful and, on the whole, so cautious and moderate that no adequate issue on which an appeal to the electorate could be made

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has offered itself for a long time. Under the circumstances it could hardly be wondered at that in all the three Scandinavian countries the question of national defence was eagerly seized by the Opposition parties and converted into a far more vital issue than circumstances would appear to justify. Without a realisation of the fact that the problem of military and economic preparation for a possible war, in which northern Europe might be directly or indirectly involved, is rather a domestic than an international issue, the importance it has acquired would be hard to understand.

It must further be realised that in all three Scandinavian countries the socialist Cabinets agree with the Opposition on the principle of preparation for military or other emergencies, and the only question is really the scope and the extent of these preparations. The parties of the Left are as firmly convinced as the parties of the Right that their country must be defended against foreign aggression, and there is no conflict between their pacifist ideals and their determination to safeguard their freedom and democracy at all costs. This situation obliges the bourgeois Opposition groups to concentrate their attacks on the methods rather than the principle of national defence, and in their desire to speed up or expand rearmament they may perhaps deservedly incur the charge of over-statement in presenting to the public a picture of the possible dangers and entanglements threatening northern Europe.

There seems to be general agreement on the fact that if a conflict were to arise the following main problems would have to be faced: the military position of Denmark, the neutrality of the Belts, the sales of Swedish iron ore to Germany, and the fortification of the Åland Islands. In view of the setback suffered by the League of Nations, and more especially the tergiversations of British and French foreign policy, the necessity for the northern countries to work out their own solutions and make their own preparations is becoming more and more generally

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recognised. *Scandinavia fara da se* might be these countries' new motto; at least they are considering how they can best look after themselves in a world that seems so full of uncertainties. •

II. THE DEFENCE OF DENMARK

A MERE glance at the map will reveal how extremely vulnerable Denmark is. Consisting as it does of one large peninsula and innumerable islands of different sizes, it has a coastline of 3,500 miles; moreover, it is as flat as a pancake. Its only frontier on land is that with Germany—a dissatisfied and explosive neighbour, who has been fostering trouble across the border with increasing determination. Not only is there a German (which since Hitler's advent to power means Nazi) *irredenta* in Danish North Schleswig, but on the other side of the border are some of Germany's most important war industries and aerodromes.

Denmark is at the invader's mercy from the sea, from the air and from the land. The truth that it cannot defend itself by its own efforts against one of the great Powers has long been generally recognised. Arguments about national defence are not new in Denmark. There was a famous Danish editor and politician called Hørup, whose dictum about armaments "What use are they?" (*Hvad nytte er det?*) dates back something like two score years; and the present Minister of Foreign Affairs, Dr. Munch—who is a fanatical believer in the ideals of the League—would probably agree with him. It is very largely under his influence—not forgetting that of Hr. Stauning himself, Denmark's venerable socialist Prime Minister—that the armed forces of the country have been reduced to their present level. They consist to-day of an army of 8,100 men, a navy with a total tonnage of 17,200 tons, and 85 aeroplanes.

Recognising that, in response to the national desire,

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something must be done, the Government has laid proposals before the Riksdag, the object of which is primarily to countervail the legislation of 1932, which was still aiming at further curtailment. Twenty million kronor* are to be spent over a period of five years on the modernisation and new equipment of the army; of this sum, 10 million kronor are granted extraordinarily, that is, in addition to the normal estimates, which amount to about 26½ million kronor annually for the army alone. The number of trained men will be increased, especially in the infantry, for which 1,100 more recruits will be called up every year. The mechanised forces are also to be increased. The provision of a special anti-aircraft unit for the protection of Copenhagen is peculiarly important, since Denmark's capital is within easy bombing reach of the German frontier. In the navy, more ships and better manning are envisaged. The normal naval estimates will be increased by 1.1 million kronor, and in addition 9 millions will be granted extraordinarily to expedite the construction of new tonnage. This is intended to consist entirely of small vessels: torpedo boats, submarines, minesweepers and minelayers. From the very nature of these plans it will be seen that the authorities have in mind the protection of the Belts; altogether 22.8 million kronor are to be spent on new ships over a period of six years, and 1.5 millions will also be spent on improving coastal defence. In order to make these concessions Hr. Stauning and Dr. Munch must have overcome, not only some deep-rooted convictions, but also a legitimate reluctance to impose new burdens on a country that is already adversely affected by the rise in the price of raw materials, none of which it happens itself to possess.

Under the circumstances, it is hardly surprising that Hr. Stauning should have expressed a certain irritation in his speeches at Lund and Stockholm at the criticisms levelled against Denmark in the other Scandinavian

* There are 22.4 Danish kronor to the pound sterling.

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countries for not going far enough in her rearmament programme. His reluctance to enter into any military arrangements with his fellow Scandinavians, and his sceptical attitude towards the help likely to be received from them if Denmark were to be attacked, can hardly be challenged. There is not very much that Sweden or Norway could do even if they did wish to come to Denmark's rescue, and the chances of Germany's attempting to recapture Schleswig or raiding Denmark in order to obtain control of her food supplies in case of war with somebody else are too problematical to justify any deviation from their present attitude of strict neutrality.

III. SWEDEN AND HER IRON MINES

MOST intelligent Swedes dismiss the fairy-tales of the Russian bogey. But they have evolved a different theory of the threat to their country. In case of a conflict between Russia and Germany, which to some of them appears unavoidable, they do not believe that their traditional neutrality can be maintained. The well-known conservative paper *Svenska Dagbladet* was recently expressing a very widely felt apprehension that the huge sales of Swedish iron ore to Germany would cause Sweden to become involved in a clash, and would be made the object of strong pressure from both Russia and Germany. The former, it is suggested, would attempt to compel Sweden to discontinue her exports of iron ore to Germany, while the latter would be so dependent on these supplies for the pursuit of any war it might be engaged on that an effort at coercing Sweden in the opposite direction would be equally certain. Thus, it is felt, an outbreak of hostilities might result over these iron ore mines.*

Unlike Denmark, Sweden is a country rich in natural resources, among which iron ore is of paramount importance. The deposits are concentrated in two main

* See, for example, *Perhaps We Shall not Have War* by Colonel K. A. Bratt (Stockholm, 1937).

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districts: Bergslagen in the middle of Sweden and Norrland at the northernmost end of the country. It is the latter orefields (especially the two huge deposits of Kiruna and Gellivare, owned by the "Luossavaara-Kirunavaara A.B.",* which is in turn controlled by the famous Grängesberg company) that provide most of the singularly rich ores for export, while the southern districts supply raw material for Sweden's own iron industry.

The state is largely interested in the northern ore-fields and regulates the mining; at present not more than eleven million tons may be mined annually.† In 1929, Germany took nearly eight million tons of this ore, while only just over one million tons were shipped to Great Britain. The sales to both these countries then fell very considerably; but they have been rising steadily since 1932, and last year they amounted to about ten million tons to Germany and nearly 1,340,000 tons to Great Britain. A great effort is being made by the Swedes to increase their sales of iron ore to Great Britain, both for political and for financial reasons. Forward contracts have been made, and in 1937 shipments to the British market are expected to touch the two million tons mark. Even then, Germany will remain by far the largest client, and the dangers inherent in the huge volume of her purchases would still be fundamentally unaffected.

Nearly one-half of all the iron ore imported by Germany in the course of the last five years has come from Sweden; if Germany were to become involved in a war, Sweden might prove the only possible source of supply. Whether these facts are sufficient to justify the fears expressed by *Svenska Dagbladet* and others it is difficult to say. Nor can one prophesy what would be the attitude of the Swedish Government in case of a Russo-German war, or indeed of any war in which Germany were engaged.

* These curious names are of Lapp origin and mean "the salmon mountain" and "the grouse mountain".

† The known deposits in these fields are estimated at over 1,000 million tons.

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Opinion in Sweden is very divided on the question whether supplies could or should be continued in such circumstances.

Moreover, it is a question in which Norway as well as Sweden is involved. Its open seaport of Narvik, quite close to the mines, is the main outlet for these iron ore exports; Luleå on the Baltic, which handles the remainder, is much less convenient. And Norway's defensive position lies somewhere between those of Denmark and Sweden. With a coastline of nearly ten thousand miles it is almost as vulnerable as Denmark; on the other hand its means of defending itself are much greater. There is even less cause to anticipate any aggression than in the other two countries; but, if ever Norway were attacked, the fjords and the mountains would make the enemy's progress more than difficult. A blockade of Norway, for instance, is a technical impossibility, and her fine commercial marine—one of the largest and best in the world—could perform inestimable services in an emergency. Even Norway, however, has decided to spend an additional twelve million kronor* on the improvement of her military preparedness, notably on the expansion of her small army, which at present consists of 5,730 men, with an air force of 96 planes and a navy totalling 23,212 tons.

One thing is certain: the desire of all the three Scandinavian countries to be neutral is so intense that it would probably dominate all other considerations. That does not necessarily mean that they have abandoned their adhesion to the principles of the League. Sweden has gone much further than Denmark or Norway in rearming and preparing for a possible emergency. She is, of course, by far the most prosperous of these countries, and the spending of 170 million kronor† per annum on national defence, which has recently been agreed by the Riksdag, comes comparatively easy to Sweden. Her present armed

* There are 19·9 Norwegian kronor to the pound sterling.

† There are 19·4 Swedish kronor to the pound sterling.

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forces, which consist of an army of 25,000 men, a navy of 85,000 tons with 7,800 men, and 91 planes, is to be considerably expanded and modernised. A "defence staff" with a special chief for the co-ordination of all the defence services has just been created. Another important step has been the appointment of a "state commission for the economic preparation of war", with a number of affiliated organs or sub-commissions. Special attention is being paid to making the country air-minded. The famous industrialist and financier Mr. Axel L. Wenner-Gren has presented the city of Stockholm with some anti-aircraft guns and has recently established a new large aeroplane factory. The great Swedish munition firm of Bofors, in which he is interested, is also co-operating with Finnish groups with a view to helping the development of Finland's armaments.

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MEMORIES of her war of liberation against Russia, and a civil war immediately following that, date back less than twenty years; after such an experience it is hardly surprising that Finland should have deemed it wise to establish a comparatively large defence force, consisting of nearly 30,000 men (not counting the various "volunteer" formations) and a navy of 16,000 tons. Despite the fact that Finnish-Russian relations have greatly improved of late and that Finland has definitely joined the Scandinavian (that is, neutral) group, a further increase in her military strength is considered desirable, and an "eight year plan" has been introduced to that effect. Perhaps the most interesting consequence of this adjustment in Finland's relations with her neighbours on the one hand, and on the other the fear of a German hegemony in the Baltic, is that once again the question of the Åland Islands has come to the fore. As a concession to Sweden, these islands, which are of the utmost strategic importance in the Baltic, were demilitarised by the convention of 1921;

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to-day there are many people even in Sweden who would welcome their refortification as an additional protection for north-European neutrality. In a recent article on the struggle for the supremacy in Scandinavia and the Baltic, the Soviet paper *Pravda* has made some very ominous references to that contingency.

Finally there is the question of the closing of the Belts. That Sweden and Denmark can make it technically impossible for foreign ships to pass into the Baltic is an established fact. Whether they would avail themselves of this possibility would depend entirely on the situation facing them at a given moment, and it is idle to speculate on what they might do. Since Germany has denounced the right of foreign ships to use the Kiel canal, the situation in that respect has reverted to that of 1914—with this difference, however, that in those days there was a strong Russian navy to counterbalance the German one, while to-day there is none.

Such, then, are some of the strategic and political aspects of a possible clash in northern Europe. Despite all their military preparations, Denmark, Norway, Sweden, and Finland with their combined strength could hardly face a real war with Germany or Russia, if either chose to attack them—which does not yet appear at all likely. Moreover, the defence forces of these four countries are much too dislocated to be capable of combining in a joint operation. They could, however, make things very uncomfortable for an aggressor, while the courage of the people of northern Europe and their attachment to their native soil would undoubtedly turn them into formidable fighters. A war against the Scandinavian neutrals could probably not last very long before other countries were constrained to intervene. Great Britain, for instance, could hardly look with equanimity on a military conflagration in that part of the world. The question is therefore one of developing the spiritual and material resources necessary for meeting the first blows—if ever

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they are to come. A far more likely eventuality, however, is that of injury—both political and economic—to the countries of northern Europe by a struggle in which they themselves were not involved. And it is in that domain that the most constructive work is being done at present by Scandinavian experts.

They are studying the possibilities of developing inter-Scandinavian trade and of taking what other steps they can to maintain the high standard of living to which their people are accustomed.* It is significant that their trade with each other rose from 10 per cent. before the war to 27 per cent. in 1918, while to-day it has relapsed to its old proportion, namely, about 10 per cent. The problem is a difficult one, since in many trades these countries are competitors and some of their industries overlap. But the most striking aspect of “the new Scandinavism” is not so much the co-ordination of foreign policy as the strong desire to promote the maximum economic collaboration both in normal times and in case of emergency. The revival of the ideal of the Oslo Convention is a case in point. Yet here, as in so many other instances, the final decision does not rest with the countries of northern Europe. The key to their economic—and largely also to their political and military—problems is not in their own capitals, nor even in Berlin or in Moscow, but in London. Until British foreign and economic policy becomes clearer, the wisest thing they can do is to go on making the preparations and adjustments on which they have already embarked. There is no “storm” over northern Europe. But, as Hr. Sandler—Sweden’s distinguished Foreign Minister—told an interviewer during his recent London visit: “Preparedness, which need not be put to the test now, is better than improvisation dictated by necessity”.

* See pp. 503–505 above.

THE COMING IRISH ELECTION

I. ISSUES AND PARTIES

ON St. Patrick's day Mr. de Valera broadcast two messages to the Irish abroad, which were also clearly intended for home consumption, and may be described as the first salvo in the general election campaign. In his American address he dealt solely with the Government's social programme. Our people, he said, were overwhelmingly Catholic, having the Christian faith and the Christian philosophy of life. Our faith and our reason both made it clear that a solution of the economic problem, which in other countries had been driving men to violence, revolution, and war, was not to be sought along the lines of any sort of state absolutism, whether communist or fascist. The solution must, he said, be based upon a correct appreciation of the relation of the state to the individual. The state's function, in their belief, was to preside like a just father as the dispenser of social justice, and to see that the natural resources of the nation were so distributed among private individuals, and among the various classes, as adequately to secure the common good of all. His Government's social policy was to provide work, as far as possible, for those who were willing and able to work; to secure proper conditions of labour and ensure that the tender age of children and the inadequate strength of women should not be abused; to safeguard the economic rights of the less-favoured classes, and to contribute to the support of the infirm, the widow, the orphan, and the aged; to protect the family and the home, and to establish a greater security of home life by settling as many families as practicable on the land; and finally to prevent an excessive

expansion of cities and urban areas by ruralising industry and distributing it in as small units as possible, without unduly interfering with efficiency or unduly restricting opportunities for development. Such a programme, he said, would not be easy to achieve. It required a will on the part of the entire nation which was not likely to be secured without a great deal more education and direction.

In his talk to Australia he dealt with the position of the Free State in the British Commonwealth. Whilst the other Dominions, he said, were satisfied with their political relations with Great Britain, which were in accord with their historic origin and development, Ireland, as an ancient nation, a motherland, altogether distinct and separate from Great Britain, was in quite a different position; no relationship that failed to take full account of that fact could ever be satisfactory to the Irish people. Having denied the right of Great Britain to partition Ireland or to occupy Free State ports, he claimed that the first step towards really cordial relations between the two countries must be the frank recognition of the liberty of the whole Irish nation. The new Free State constitution would, he believed, secure that liberty as far as the Free State itself was concerned, and that would be a great step forward, but it was only when Northern Ireland came into the Irish state that good relations would be possible with Great Britain. (Like most Irish politicians, he ignores the fact that the real barrier to such a union is not Great Britain, but the difference of religion between the two areas involved—a difference which he himself placed in the forefront of his description of our attitude to questions of social reform.) He added that, as one of the motherlands, the people of Ireland were keenly interested in the fortunes of the young nations of the Commonwealth, who, with the United States, had more in common with us than any other nation. We desired to work closely with them all for the many ideals we held in common.

In spite of this solicitude, neither Mr. de Valera nor any

representatives of his Government will attend the Imperial Conference. From an electioneering point of view it is obviously better tactics for them to remain aloof. In reply to questions in the Dail on March 31, he said it should be obvious to every member of the House that, in the existing circumstances, it would be of no advantage to the Free State to be represented at the Conference. As regards the Coronation he said, on February 24, that our attitude towards the ceremony must be one of detachment and protest while our country was partitioned and while the Coronation service implied discrimination against the religion to which the majority of our people belonged. In fact Mr. de Valera knows quite well that the only conference that really matters from our point of view is one with the British Government, which he can arrange at any time he likes. It is also obvious that the presence of an Irish delegation in London during the Coronation and the Conference might, under existing circumstances, easily lead to an embarrassing situation. If they attended the Coronation, or any official entertainments, their conduct would certainly be severely criticised by their followers in Ireland, and if they did not attend these functions it would probably cause unpleasantness in England. On the whole, therefore, it is probably safer for Mr. de Valera to remain at home. Representatives of the other Dominion Governments will probably be invited to visit Dublin after the Conference in order to discuss any questions that concern their relations with the Free State.

Mr. de Valera's recent conversation with Mr. MacDonald,* however enlightening it may have been to both parties, has apparently had no great practical results. Of the latest edition of the coal-cattle pact much was expected by optimists, but the only fresh concessions to common sense it contained were the removal of the British duty of 20 per cent. on horses imported from the Free State, and of the Free State emergency duties on sugar and subsidiary

* See THE ROUND TABLE, No. 106, March 1937, p. 362.

products of British origin. While this will undoubtedly benefit the Irish horse-breeding industry, which has suffered seriously during recent years through the virtual loss of its principal market, it does not materially alter the existing situation. The Free State Government are still faced with the dilemma that all the foodstuffs consumable by the inhabitants of the Free State can be provided out of five million acres of our arable land, and that the best, and practically the only, customer for the produce of the remaining seven million acres is Great Britain. They are becoming increasingly conscious of this fact. Meanwhile, Mr. de Valera, though loudly proclaiming that no compromise can be considered, continues to pay over the land annuities in the most unsatisfactory way possible.

His recent statements indicate that his appeal for re-election will be based on a request for ratification of the new draft constitution and of the policy of external association with the British Commonwealth,* a continuation and extension of his present economic policy, and promises of further social reforms. On this programme his return to office with an independent majority is virtually certain. The re-emergence of prosperity—in many cases more apparent than real—occasioned by the establishment of many small industries throughout the country, the process of land division among small-holders, the unemployment grants of various kinds, and the ambitious house-building programme, will all help to secure the Government's return. The ordinary man in the street is not really much concerned about such questions as external association or the unity of Ireland, which he is apt to regard as the politician's business, so long as they do not directly affect his material welfare. It is true that conditions are bad in our agricultural slums, such as West Cork, Kerry, and Connemara, but the people in these districts are long used to hardship and thankful for small mercies. They manage to eke out a miserable existence on subsistence farming and the dole, or by

* See THE ROUND TABLE, No. 106, March 1937, pp. 348-356.

obtaining employment on schemes of official relief work such as land drainage and road repair. The thinking minority, of course, realise that the fountain of public finance is not inexhaustible, and that it cannot continue to play indefinitely on the present scale, but their views will not, unfortunately, decide the issue.

There are also a considerable number of people who agree with the view, expressed by Mr. Frank MacDermot in the Dail on March 4, that the public interest is on the whole best served by the Government's remaining in office for another term, for the reason that although the Government have learnt a great deal since they took office, their political education is still incomplete. Moreover, Mr. de Valera is probably the only political leader in the Free State who could, if he wished, make a lasting settlement with Great Britain, and he is undoubtedly the only person who can count on an overwhelming support from public opinion in dealing with the terrorism practised by the I.R.A. It is notorious also that his Government as a whole have learnt the necessity for close and friendly relations with Great Britain. Mr. MacEntee, the Minister for Finance, recently said in a public speech that those who could bring such relations about would render good service, not merely to Britain and Ireland, but to humanity. It also must not be forgotten that the Irish people do not easily change their allegiance, and that every political leader we have had in modern times has enjoyed a life of power of at least ten years. Mr. de Valera is not likely to prove an exception.

For all these reasons he will probably secure the support of a large body of moderate opinion, which will more than make up for the loss of the extreme republican vote he received at the last election. These extremists will find themselves in a dilemma, because if they do not support Mr. de Valera's party they must vote for one of the others, whom they equally detest, or run candidates of their own, which will only display their weakness. In any event it

may be doubted whether they have sufficient funds to contest more than a few seats. Probably they will not vote at all, but will confine their activities to some form of high-sounding resolution, such as that recently passed by the National Association of Old I.R.A., an organisation of retired warriors, which demands that the Government should "immediately re-establish the Republic proclaimed in 1916". Such declarations are the current coin of Irish politics and need not be taken too seriously. The Government have recently shown no inclination to court extremist support, and in fact banned two I.R.A. meetings at Easter.

The election programme of the United Ireland party, which has been rather inaccurately described by Mr. Cosgrave as one of "promise not promises", certainly makes a bold bid for popular support. On this occasion its leaders are clearly determined not to be outbid by Mr. de Valera. It promises a prompt settlement with Great Britain combined with whole-hearted and sincere membership of the Commonwealth; the derating of agricultural land; a 3-per-cent. recovery loan for the farmers; definite planning of industries indigenous to the land; tariffs, subsidies, and loans if necessary; the removal of taxes on raw materials and food; together with family allowances, life assurance benefits, and retiring pensions for industrial workers. At the same time, Mr. de Valera's economic policy is not to be unduly disturbed, government control is to be reduced to a minimum, the school age is to be raised to sixteen, education is to be further endowed, and greater facilities provided for recreation and sport. Finally, the usual pledges are given to resist communism, establish social justice, abolish partition, and reduce taxation! In short, it is a revised version of Mr. de Valera's promised millennium *plus* frank and friendly co-operation with the British Commonwealth, but it does not offer any prospect of relief to the harassed taxpayer. The difference between the two principal parties on economic questions is now one of tactics rather than strategy, because the Fianna

Fail party practically admits that external, namely British, markets are still essential to our economic prosperity.

The Government press, no doubt with its tongue in its cheek, describes the United Ireland programme as an audacious and dishonest attempt to bribe the electorate, and Dr. Ryan, the Minister for Agriculture, alleges that it would increase expenditure by an additional £17 million a year. Although no doubt the settlement of the dispute with England would be of great financial benefit to the country, the carrying out of such a programme would certainly be very costly. One is rather forced to the conclusion that Mr. Cosgrave has outbid the Government for the purpose of raising the stakes rather than winning the game. Mr. de Valera's party indulged in exactly the same tactics in 1932, so they cannot now complain if Mr. Cosgrave follows suit.

It may be doubted, however, whether the United Ireland party would not have been wiser to ignore details and confine themselves to the essentials in which they differ from Fianna Fail, leaving the latter to reap the results of their extravagance and their incapacity to arrive at a settlement with Great Britain. Such a waiting policy, if not immediately successful, would certainly be more likely to bear substantial fruit in the future. In a speech at Cork on April 3 Mr. Cosgrave wisely emphasised that a settlement with Great Britain was the chief feature of his party's policy in the election. That policy was to reconstruct the national economy on a sound and enduring basis devised to secure greater value for agricultural production. They asked for no more and would be satisfied with no less than free entry of their products into Great Britain on equal terms with those of the other members of the Commonwealth. The negotiation of an agreement to that effect was not beyond the ability of an Irish Government, and would bring help and courage to the finest peasantry in the world, now sunk in hardship and misery. Denying that such a settlement implied surrender, he said that Mr. de Valera's

Government, with its coal-cattle pacts, had substituted a system of annual piecemeal surrender for a determined effort to end the whole business. The organisation of Mr. Cosgrave's party is unfortunately not as good as his arguments, and they will find it very difficult to meet the financial strain of a general election.

If their prospects are not bright, those of the Labour party are even worse. Ever since they allied themselves with Fianna Fail their prestige has decreased, and they will be lucky if they retain their present miserable representation. Outside the cities their power is negligible. Their programme, as officially proclaimed, is to secure a more even distribution of wealth under state control, and a share in the direction and control of industry by substituting public utility corporations for limited companies. They strongly, and rightly, repudiate the vague general charge made against them that they favour communism, but they lack intelligent leadership and a clear policy. One reason for their weakness is the defective organisation of the trade union movement, which is a second-rate copy of that in Great Britain and bears little relation to the realities of Irish life. But their principal weakness is the fact that of necessity their policy is primarily social rather than national. Whilst a political showman of Mr. de Valera's ability is able to beat the anti-British drum and at the same time blow the social reform trumpet, he can always secure a larger audience. In the next Dail he will probably be entirely independent of Labour support, and this is all to the good. The number of Dail members will be reduced from 153 to 138, owing to the Revision of Constituencies Act, passed in 1935, and the abolition of university representation in the Lower House.

One serious result of the general election is the announcement by Mr. Frank MacDermot, the Independent member for Roscommon and formerly a Vice-President of the United Ireland party, that he does not intend to seek re-election. He is one of those rare people who place principle

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before party, and it is no exaggeration to say that his speeches have been among the most thoughtful and valuable delivered in the Dail. He has brought to its deliberations a spirit of candid courage and an international outlook on affairs which have been both stimulating and unique. It is to be hoped that his decision does not mean his complete withdrawal from public life. If the new Second Chamber is to be of value it should provide a seat for such a man.

II. THE NEW CONSTITUTION

THE draft of the new constitution, after much delay, was finally published on May 1. It declares that the new Irish state shall be known as Eire, and shall comprise the whole of Ireland, but that "pending its territorial re-integration" its jurisdiction shall extend only to the existing Irish Free State. The new head of the state, to be known as the President, is to be elected by a direct vote of the people and to hold office for seven years. Any citizen over thirty-five years is eligible for election to this office, but he must be nominated by twenty members of the Houses of Parliament or by four county councils. He shall not be a member of either House. His principal functions will be to summon and dissolve the Dail or House of Representatives, to sign and promulgate laws, to exercise the supreme command of the defence forces, to pardon and commute punishment, and, with the approval of the Government, to send messages to the Houses of Parliament on matters of national or public importance. He shall not be answerable to either House for the exercise of the powers and functions of his office; but in the event of his impeachment for treason by two-thirds of the Senate his conduct may be reviewed by the Dail and, if two-thirds of that body declare the charge sustained, he may be removed from office.

The Dail is to be elected by direct adult suffrage under proportional representation as at present. The Senate is to consist of sixty members, eleven of whom will be

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nominated by the Prime Minister. Of the remaining forty-nine, the National and Dublin Universities, who will have no representation in the Dail, will elect three each, and the remainder will be elected from vocational panels by an electorate consisting of candidates for membership of the Dail who received more than five hundred first-preference votes or were returned unopposed at the last general election. The Senate will have power to delay Bills, other than money Bills, for a period of three months, and power to amend legislation, subject to the right of the Dail to reject such amendments.

Any Bill purporting to amend the constitution must be submitted to a referendum and approved by a majority of the people before it becomes law. Any other Bill must be submitted to a referendum if a majority of the Senate and not less than one-third of the Dail petition the President, and if he agrees that a referendum is necessary. A majority of votes at such a referendum, not being less than 35 per cent. of the voters on the register, will be necessary to veto a Bill.

The Prime Minister will be appointed by the President on the nomination of the Dail, and the Government on the nomination of the Prime Minister with the approval of the Dail. The members of the Government must be members of the Dail or Senate, but not more than two may be members of the Senate. Provision is also made for a new body consisting of "elder statesmen", to be called the Council of State, whose duty it will be to aid and counsel the President in relation to the exercise of certain of his powers and functions. It will consist of the Prime Minister, the deputy Prime Minister, the Chief Justice, the President of the High Court, the Chairmen of the Dail and Senate, former holders of any of those offices, and such other persons as may be appointed by the President.

In respect of the judiciary there is little alteration in existing arrangements. The decision of the Supreme Court shall be final and conclusive, and the President

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may, after consultation with the Council of State, refer any Bill to the Supreme Court for a decision upon its constitutional validity. Article 2A of the existing constitution, under which the special military courts function, is not re-enacted, but provision is made for the setting up of special courts where the ordinary courts are inadequate to secure the effective administration of justice and the preservation of public peace and order. A declaration of fundamental rights lays down that the state guarantees the rights of expression of opinion, religious liberty, private ownership, unarmed assembly, and the protection of the family as the basis of social order. Dissolution of marriage is forbidden, nor will a divorce obtained elsewhere be recognised.

The constitution contains no mention of the King or the British Commonwealth, but provides that

for the purpose of the exercise of any executive function of Eire in or in connection with its external relations, the Government may, to such extent and subject to such conditions, if any, as may be determined by law, avail of or adopt any organ, instrument or method of procedure used or adopted for the like purpose by the members of any group or league of nations with which Eire is or becomes associated for the purpose of international co-operation in matters of common concern.

In short, the principle of external association with the British Commonwealth, embodied in the legislation of last December, is to be continued, and the Free State, a republic in all but name, will apparently remain a member of the British Commonwealth and recognise the King for external purposes so long as it pleases its Government to do so.

The draft constitution is to be submitted to the electorate at a plebiscite simultaneously with the general election, and, if approved by a majority, will come into force within six months. In a broadcast address, on the eve of its publication, Mr. de Valera said that no one, he hoped, expected that with its adoption the national goal had been reached. There were many injustices that it could not directly remove: the partition of the country, the British occupation

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of portion of its ports, and the exaction by Great Britain of moneys which they in the Free State held not to be due. Legitimate dissatisfaction with these injustices would remain, and different parties would continue to propose different policies for dealing with them. The constitution as drafted would fit and not pre-judge whatever policies the people decided to adopt with regard to these matters. Within its framework domestic peace could be assured and, in the words of its preamble, "the unity of our country restored, and concord established with other nations". Unfortunately its enactment will, in fact, leave us farther than ever from these essential ends.

III. THE BUDGET AND AFTER

FOR obvious reasons everyone expected Mr. MacEntee to introduce a popular budget, and he did his best to justify such expectations. For the coming year he estimated revenue at £31,741,000 and expenditure at £34,214,000. From the expenditure he deducted £1,970,000 for capital expenditure to be repaid from borrowing (this includes £1,296,000 for half the cost of export bounties and subsidies on agricultural produce due to the economic dispute with Great Britain), and £1,200,000 for over-estimation, making a net expenditure of £31,044,000. Out of the balance thus available he allocated £690,000 to reduction of taxation and other concessions, leaving an estimated surplus of £7,000. The remissions and concessions include fourpence a lb off tea, twopence a lb off butter, a farthing a lb off sugar, sixpence a cwt off imported wheat, £200,000 for widows' and orphans' pensions, £40,000 for pensions to the civil war veterans of the I.R.A., £43,000 for improved postal services and reduced charges, £30,000 for reduced stamp duty on bank notes, and—final mercy—£1,000 for minor income tax concessions. Last year, revenue showed a final surplus of £1,144,523 over expenditure, and in general the returns from duties and taxes greatly exceeded expectations. The

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net state debt now stands at £27,767,000, an increase of £5,737,000 since March 1932, when the present Government took office. This increase has been principally caused by the state's acceptance of half the burden of the land annuities, by the increased grants for housing, and by the additional responsibility incurred by the state for primary school teachers' pensions.

Mr. MacEntee described his budget as proof that, in spite of the British penal duties, the condition of the people had improved steadily, and that by prudent management and careful foresight the Government had increased the national estate, so that to-day "our little community was stronger in will, stouter in heart, and more confident of its future than it was five years ago". But of course this is not the whole truth. The Irish farmer is now paying half his former land annuity to the Free State Government, but he is also paying more than the whole amount of his former land annuity to the British Government by way of penal tariffs; finally, as taxpayer he is paying a considerable portion of the cost of the export bounties and subsidies necessary to maintain his position in the British market, and he is getting poorer prices for his livestock and farm produce into the bargain.

So grossly has the economic situation been mismanaged that quite recently the Government had to import a considerable amount of New Zealand butter to meet an acute shortage here due to over-exportation. This butter was purchased in Great Britain at ninety shillings a cwt and sold here at one hundred and forty-five shillings a cwt. In reducing food taxes Mr. MacEntee has acted wisely; for nothing has made his Government more unpopular than the increased, and rapidly increasing, cost of living, which has created and will continue to create labour unrest and strikes. As Mr. Cosgrave pointed out in the subsequent debate, however, the budget reductions represent a saving of only about sevenpence per week to a family of six. The official cost-of-living figures take no account of the burden

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imposed on consumers by the flood of tariffs, which continues without sign of abatement, although Mr. Lemass, the Minister for Industry and Commerce, recently announced that the Government's present programme of industrial development was nearly complete.

Meanwhile their agricultural policy, which involves the forced production of wheat, is certainly reducing the dependence of the British Isles on imported foodstuffs, at the cost of the Free State taxpayer and consumer. The whole tendency of the Government's policy is to develop industry at the expense of agriculture, and the long-period result will probably be a decline in the Free State population, an increase in the gross output of our agriculture regardless of the cost to the farmer, and therefore a poorer as well as smaller population with an increasing export surplus. We shall go on producing at increasing cost and diminishing profit, while Great Britain continues to protect her own farmers and collect the land annuities at the same time.

The tide of emigration from the Free State to Great Britain has actually quadrupled during the last six years and is still increasing. The demand for Irish labour, particularly female labour, will increase when the population of Great Britain becomes stationary in the near future; this will exert an adverse indirect effect on the true rate of increase in Ireland, because the women who emigrate are practically all potential mothers. Irish labour has always been extremely mobile. It poured across the Atlantic to America during the nineteenth century in spite of many difficulties. The journey to Great Britain is short, no restrictions exist, and the lower cost of living there is attractive. It is therefore difficult to see how this new migratory movement can be stopped without restrictive legislation, which would be highly unpopular and very difficult to enforce. It may well prove to be the Achilles heel of Mr. de Valera's Administration and a difficult problem for his eventual successors.

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IV. REPERCUSSIONS FROM SPAIN

MEANWHILE the Spanish civil war continues to have repercussions in the Irish political arena.* During February the Government introduced a Bill to carry out the agreement arrived at by the London Non-Intervention Committee, to which the Free State was a party, for the purpose of preventing the despatch of volunteers or war material to Spain. The Opposition took this opportunity to demand that the Free State should sever diplomatic relations with the Valencia Government. Their argument was that our national traditions left us no option but to declare that we were wholeheartedly and unmistakably on the side of General Franco, although they have apparently dropped their former proposal that the Free State should recognise his Government. While they admitted that positive intervention of any kind was inexpedient, they contended that it was vital, lest our own people should be misled, that the moral support of the Free State should as far as possible be given to the Burgos Government.

The most vehement attack on the Government during the debate was made by Mr. Patrick Belton, an Independent member, who is President of the Irish Christian Front, and who proposed that the Bill should not be proceeded with until the Free State Government recognised General Franco's Government. Mr. Belton, who is the stormy petrel of Irish politics, has belonged to nearly every party in turn and to none of them for long. The Irish Christian Front is avowedly a non-political body whose ostensible objects are to protect the interests of Christianity in Ireland and to prevent the spread of communism. It has no connection with General O'Duffy's Irish Brigade and has confined its Spanish activities to the supply of ambulances and medical supplies to General Franco's forces. Mr. Belton's speech was, however, strongly

* See THE ROUND TABLE, No. 105, December 1936, p. 162, and No. 106, March 1937, p. 364.

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political in character, and he threatened to mobilise public opinion against the Government on the totally false ground that they were favouring the cause of the Valencia Government. It thoroughly deserved the caustic comment of Mr. Frank MacDermot that such an attitude was tantamount to "cashing in on Christianity"; and certainly on this occasion the Church had every reason to say "Save me from my friends".

Mr. James Dillon put the position of the Opposition more clearly and fairly when he said that they believed that the forced passage of the Non-Intervention Bill at the same time as the return of the Irish Minister to the Valencia Government was bound gravely to misrepresent the moral position of our people, and to suggest to the whole world that here, in a Catholic democratic country, there was grave doubt whether Franco or Caballero was in the right.

Mr. de Valera, replying for the Government, in a lucid and statesmanlike speech, said that he had no doubt whatever that if the Spanish people were left to themselves they would settle the question in the right way. He was strongly in favour of the non-intervention policy; for what we did other nations would do also, and whilst the amount of assistance we could give was relatively small, the harm that could be done by other nations was relatively great. Intervention, he said, would be bad for the Free State, bad for Europe, and bad for Spain. He added that he detested communism, but fascism, if not equally bad, was a desperate alternative. He hoped the Free State would be saved from making a choice between them. Diplomatic relations, he pointed out, did not imply sympathy with the policy of the country with whom they were maintained.

Mr. MacEntee, the Minister for Finance, in a remarkable speech at the close of the debate, stated that in the event of another European war, in which Great Britain was involved, it would be impossible for the Free State Government to guarantee immunity from air attack or to maintain an attitude of neutrality. For these reasons it was, he said, the

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duty of the Government and the Dail to pass the Bill so that they might keep this country out of the Spanish conflict and prevent it from engulfing Europe.

Mr. de Valera has acted very wisely and correctly over this difficult question. A smaller man might have allowed himself to be stampeded by political opportunists, like Mr. Belton and his journalistic allies, who have done their best to embroil the Free State in the Spanish civil war regardless of the consequences. On the contrary, he has honoured our international obligations and loyally adhered to a common policy directed to maintaining peace in Europe in face of the obvious temptation to strike an attitude and proclaim himself more Catholic than the Pope.

On the nomination of the Free State Government ten Irishmen are acting as official observers on the French frontiers and elsewhere on behalf of the Non-Intervention Committee, and the Free State has agreed to contribute its share towards the expenses involved. The Irish Minister to Spain, who at present resides at St. Jean de Luz with those of other nations, is no doubt technically accredited to the Valencia Government, but in practice he is really an observer and an intermediary between the Free State and Spain. The presence of Irish belligerents on both sides in Spain raises questions that demand his constant attention. Already fourteen Irishmen have been killed and thirty wounded fighting for the Valencia Government, whilst several of General O'Duffy's Brigade have perished on the other side. Like many other European nations, we seem to be settling our aggravated domestic quarrels on Spanish soil. If communism ever becomes a force in this individualistic country it will not be defeated on the battle-fields of other countries, but in the slums of our own cities. The best remedy for a disease that has its origin in social discontent is social justice at home and not foolish adventures abroad. Mr. de Valera must be given full credit for realising this fact.

The Irish Free State, May 1937.

AMERICA: AT HOME AND ABROAD

I. THE NINE OLD MEN

ON a sunny February morning this year, the Washington newspaper correspondents were walking in groups past the lovely portico of the White House and into the executive offices of President Roosevelt, for their twice-weekly press conference. At another time it would be interesting to digress into a description of this press conference; for on two occasions each week the Chief Executive of the United States submits himself to a verbal cross-examination, without warning or preparation, from some 125 more or less keen-witted newspaper correspondents from all parts of the United States and a few from abroad.

But the digression will have to wait. A few of the more observant reporters, on this Friday morning in February, noticed several glossy, official motor-cars in the White House drive. Evidently a Cabinet meeting was under way; but the Cabinet doesn't meet in the morning. Evidently, then, some crisis had arisen. The reporters cooled their heels for half an hour in the lobby.

Finally they were admitted into the President's own circular private office, decorated with ship-models and old sea prints, where Mr. Roosevelt surveyed them from behind an enormous desk laden with small images and trinkets like a puppet stage. Without warning, the President began to read a Message to Congress, proposing the "reform" of the judiciary. Then, and then only, did more than two or three intimate associates learn that Mr. Roosevelt was proposing to "pack" the Supreme Court—or to "unpack" it: the phrase is dependent on viewpoint and interpretation.

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Since that sunny morning of February 5, the Supreme Court question has been the dominant public preoccupation of the American people. Quite suddenly, all the emotions of the late and unlamented presidential campaign have returned. The line-up, broadly speaking, between the "haves" and the "have-nots" is once more exposed in this issue. Mr. Roosevelt has the support of some obedient and well-disciplined members of Congress—perhaps half of the Senate, though by no means a comfortable margin, and presumably a larger majority in the House. He has the support of organized labor in both conservative and liberal wings; he has the support of the less conservative farm organizations; he is joined by a number of venturesome lawyers and law teachers; and with him, as in the November election, there appears to be a large number of "common men", who believe the President is their friend, and will trust him against what some of them regard as judicial dominance.

The point of greatest difference from the November campaign is the nature of the opposition. This time the Republicans are keeping very quiet. The opposition to the President's plan in the Senate is led by two formerly loyal Democrats, one of them a well-known liberal, Senator Burton K. Wheeler, of Montana; and of the Democratic total of 76 members in the Senate, some 30 at least are "off the reservation".

President Roosevelt's proposal was typically bold. His Bill empowers him to appoint, until the total number of justices reaches 15, one new justice for each member of the Supreme Court—now fixed at nine—who shall not have resigned within six months of his seventieth birth day. A similar authority to appoint new justices in the lower federal courts, up to a total of 50 justices, is also proposed.

Since there are now six justices, or two-thirds, of the Supreme Court who are over 70, the President's plan would give him authority for a wholesale re-making of what is

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intended constitutionally to be a co-ordinate and independent branch of the government. If none of the present justices resigned voluntarily, there would be a 15-man court. Three of the present nine justices are known as "liberals" and have voted for the flexible interpretation of the constitution that the President seeks. They have supported his measures except in those cases—not a few—in which the New Deal laws were egregiously in violation of the basic law. Thus President Roosevelt's re-made Court would be composed of his six new justices, who would have to be confirmed by majority vote of the Senate, the three "liberals", and the other six members. The six new appointees, plus only two of the present "liberals", would constitute a clear majority to support New Deal legislation—if it is assumed that, after being nominated to the high tribunal for life, they would continue in the convictions they held before appointment.

Looked at from any viewpoint, President Roosevelt's proposal was startling, and to many sincere Americans it seemed brutally destructive of our constitutional system. For a century and a quarter, the Supreme Court has exercised the right to veto acts of Congress on the ground of constitutionality. Broadly, this power has been exerted in two directions: (1) to protect the people against violation of their civil liberties, and (2) in a strict interpretation of the constitution which has held up for years or even decades many useful social and economic reforms. Despite some chafing at the Court's checks in every period of active social reform—as in Theodore Roosevelt's time—nothing has ever been done to alter its authority. Proposals for restricting its power in one way or another have often been made, but always rejected. Indeed, the Supreme Court, as the protector of the sovereign and somewhat mystic constitution, has come close to being the sentimental Sovereign of these United States. An air of sanctity has surrounded the tribunal. Its justices have nearly always been old men, elder statesmen. They have

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embodied the ultimate assertion of a fundamental American principle that curbs must be placed upon democracy. Checks and balances, which run through American government from top to bottom, find their highest expression in the Supreme Court. To lay violent hands on this tribunal, then, was to enter the holy of holies.

Yet there are many people who find much to criticize in many decisions of the Supreme Court. It is a striking fact that witness after witness, appearing to speak against the President's proposal before the Senate Judiciary Committee, has begun by saying : " Of course, I don't agree with some of the recent decisions of the Supreme Court ". Many of these witnesses have advocated even more drastic and permanent reform of the Court than the President proposed—but by the constitutionally established process of amendment, rather than by " court-packing ".

The Court's authority has been greatly weakened by its numerous 5-to-4 decisions on grave questions. When four justices—in most cases the four included the Chief Justice and three of the most eminent jurists on the bench—declared that some act of Congress or a state legislature was constitutional, and only five thought it unconstitutional, the Anglo-Saxon principle of majority rule was placed under grave strain.

Some of these hair-line decisions, as in the outlawry of the New York State minimum-wage-for-women law last year, seemed to be bad law and worse social politics to some of the more conservative outside authorities. When it was recalled that social progress in the United States—during a time of crisis when even democratic government might be at stake—was at the mercy of one man in a group of nine justices of very uneven qualities, citizens might well question the principle of judicial veto. Eminent minority justices on the Court itself did not hesitate publicly to accuse their colleagues of voting in accordance with their " personal economic predilections ". Steadily through 1936 the Supreme Court's prestige was slipping fast.

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Then came President Roosevelt's triumphant re-election. On the week-end after that victory, the President, his Attorney-General—an amiable hack politician, Homer S. Cummings—and two brilliant young brain-trusters, Tom Corcoran and Ben Cohen, set to work to get around the obstacle of the Supreme Court. From this group came the plan for appointing new justices in case those over 70 did not see the light and resign. The plan has all the defects of its cleverness. It is clearly constitutional, and fully within the power of the President if he can persuade Congress to follow his advice. On over half-a-dozen occasions American Presidents and Congresses have altered the size of the Supreme Court, sometimes with political motive. But never have they done so with so deliberate a motive and to such an extent as is now proposed.

For nearly three months, now, the plan has been under the close scrutiny of Congress and the people. The Senate Judiciary Committee has just finished protracted hearings, and in the course of a few weeks will probably report the Bill out to the floor of the Senate, although it is still uncertain whether a recommendation for enactment will be attached. And, as the world knows, even after a measure is out on the Senate floor, it may be delayed infinitely. Before the Norris amendment, which in 1933 ended congressional sessions with fixed dates of adjournment, filibustering was a potent weapon, for Senators could simply talk until the compulsory date of adjournment had come. Now the possibility of talking a Bill to death is not so great, but a powerful minority can block a vote in the Senate indefinitely. Hence the opponents of the Court plan, who have admittedly as many as 40 out of 96 votes, are strong enough to defer action until exhaustion sets in or a compromise supervenes.

A month or two ago it looked as if the President would have his way in the end. He was—and is—displaying a formidable combination of Dutch patience and stubbornness.

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Many a time before, Mr. Roosevelt had conducted a sit-down strike of his own, certain that he could wait longer than Congress. In the present situation he has displayed immense insouciance. He presented his plan to Congress, talked it over in a series of interviews with leading Senators and Representatives, and—went fishing. Meantime, nearly all legislative work has been held up, pending the outcome of the Court fight. Returning to Washington, the President re-studied the budget situation, made recommendations of economy to Congress, and—went fishing again. Had the actors in this crucial drama been limited to the President and Congress, he might well have had his way in a few weeks more.

But suddenly the situation was changed greatly by the Supreme Court itself. The "liberal" minority of the Court changed into a majority. To Justices Brandeis, Cardozo, and Stone, who had supported many New Deal laws, were joined not only Chief Justice Hughes, who had been on this side of the fence before, but also Justice Roberts. And that makes a total of five votes.

The new majority proceeded to hand down several sensationally changed decisions. It is highly unusual for the Supreme Court to reverse itself, save perhaps over some early and confusing decision after a lapse of many years. But within a few weeks, since President Roosevelt's plan has been rocking the country, the Supreme Court has reversed—to all intents and purposes—two decisions on which the ink was not a twelvemonth dry.

The first reversal was of the decision which had thrown out the New York minimum-wage law. That decision, coupled with earlier decisions against federal minimum-wage laws, created the "no-man's-land" within which the Court seemed to say that no government, either state or national, could legislate. The decision was no older than June 1936. But in an historic decision in March 1937, Justice Roberts reversed himself (reversed in a manner of speaking; there is a pretty good legal loophole for him,

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but the public ignores it) and now state minimum-wage laws for women are constitutional.

A fortnight later almost the same thing happened in the Wagner Act decisions. A year before, five members of the Court had declared manufacturing to be of purely local concern, not a part of "interstate commerce", and hence not susceptible of regulation by Congress. But in April 1937 five members of the Court—again by reason of a shift by Justice Roberts—decided that Congress could regulate labor relations in manufacturing and other industries, although intrastate in character, when such control was necessary to protect interstate commerce from obstructions. Other less important decisions of the Court showed the same trend. Before last November's election the New Deal had lost 11 cases in the Supreme Court and won two. Since the election it has won seven cases and lost none. As Dean Dinwoodey, editor of the *United States Law Week*, put it :

A "new" Supreme Court, or at least a "new" majority of the Supreme Court, has made its debut to "save" the judiciary.

This "new" Court has been steadily striking off the shackles it had formerly placed upon social progress. This is commonly regarded as a result of the judicial statesmanship of Chief Justice Hughes, whose major task, as he interprets it, is to preserve the eminence and prestige of the Supreme Court.

There is another important factor. Early New Deal laws were atrociously drawn and hastily enacted. Many of the early defeats in the Supreme Court were not by 5-to-4 majorities, but by 9-to-none. Such cases would not be reversed even by a six-man addition to the bench. Of the 11 cases outlawed by the Supreme Court, six have been reversed in effect by passage of improved legislation which has been upheld by the Court, the need for two or three others has passed, and in one or two cases the illegality was and is patent. In short, the "new" Court is saying : "See ! We are not obstacles to progress, once

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you come to us with soundly drafted legislation." To which President Roosevelt replies: "How do I know that your new decisions will stick? Formerly you created a no-man's-land. Now it is Roberts-land." And he insists on pressing ahead with his Court-enlargement plan.

The situation, protracted and stultifying as it is, remains completely uncertain. Possibly President Roosevelt's grim determination to sit tight—and go fishing—will overcome Congressional resistance. More probably some form of compromise will be reached, when Washington has swung into its tropical summer and Congressmen yearn for home.

One apparent compromise would be for President Roosevelt to cut his prospective judicial appointees from six to two. The Court would not be packed quite so tightly, but the result might be the same. Or, upon intimation that one or two of the present justices would retire voluntarily if the President withdrew his plan, he might do so, and with some of his present friends and foes unite on a constitutional amendment for a fixed retirement age, or some one of the scores of reform proposals that are now being aired.

In any event, we are in the throes of as profound an inner-political crisis as has riven the American scene for many years. It is surprising that President Roosevelt's prestige has not sunk lower than it has with such a proposal in his second term, when presidential standing begins to tail off anyway. But the jaunty Chief Executive seems to be going on as ever, with imperturbable verve. As before, the same people become choleric at the very thought of his doings; the same men-in-the-street say: "Well, maybe Roosevelt's right"; and bewildered Congressmen get serious pains in the neck trying to keep both ears to the ground at once.

II. AMERICA AND THE DEMOCRACIES

SUCH an inordinate amount of space devoted to this single issue is but expressive of its place on the current American scene. There are plenty of other problems

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of no little importance, particularly to other nations. We have had, for instance, just about the busiest season of Anglo-American interchanges since the world war period. It is highly unusual for a British Cabinet Minister to come to Washington, as Mr. Walter Runciman did; no less important were the visits of Mr. Mackenzie King and Lord Tweedsmuir, each opening a different sort of channel with the British peoples. To cap the series, Mr. Norman H. Davis caught a boat for England to talk over various possible forms of American collaboration in the challenging search for a stable peace.

The comings and goings reflected President Roosevelt's willingness—previously recorded in *THE ROUND TABLE*—to do "something" helpful in the current world crisis. It was, however, extremely difficult to find a course of action that American public opinion would support. Facing the British rearmament program, it is no time to talk of disarmament, and Mr. Roosevelt himself plainly and publicly indicated his sympathy with nations forced to arm reluctantly in self-defense. Nor will the outlook for an Anglo-American reciprocal trade agreement be clear until after the Imperial Conference. On the American side, it is almost hopeless to talk of new war debt negotiations, or financial assistance to Germany. The American public, and especially the Congress, would prefer to retain the defaulted debts as an awful warning against new lending, rather than accept payments on anything much short of a 100 per cent. scale. It is surprising that no debtor nation has yet realized this fact, and made an offer of, say, 50 per cent. or 60 per cent., which would certainly be rejected, but would remove from the debtor the obloquy of default.

One thing, however, has been made increasingly clear by everything President Roosevelt has done in the foreign field, and by all these special interchanges with Great Britain. It is that the United States is definitely in sympathy with the democracies. The public parading of these sympathies has—according to reports reaching Washington

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--had a perceptible effect in Berlin, and perhaps less in Rome. The weight of American public opinion and governmental sympathy cannot be ignored, and President Roosevelt misses no opportunity to strike a verbal blow for the democracies. American-German relations are in very prickly shape, far more so than in 1914; and this fact should not escape the Wilhelmstrasse.

The neutrality Bills, having passed both Houses of Congress in variant forms, have been ironed out in the form of somewhat greater flexibility for the President. Instead of making mandatory upon the President a cash-and-carry embargo on all materials consigned to belligerents, the present draft leaves any embargo upon materials entirely optional with the Executive, although the Act authorizes a cash-and-carry embargo at his discretion. In either case, nations with money and ships have nothing to worry about; they can get anything they wish from the United States, except credit.

We have the impression in Washington that the British Government has not been particularly receptive to President Roosevelt's well-meaning though vague willingness to support some peace plan. Mr. Davis, it is the impression here, was not taken very seriously in London. Mr. Runciman certainly held out little tangible prospects for a good, tit-for-tat reciprocal agreement when he was here. In short, it is being said that a conservative Ministry in London is behaving traditionally toward Washington; or at least that it is skeptical, aloof, and unimaginative. Of course, non-partisan observers of American policy find a good deal of justification for the Baldwin Government's attitude. After all, President Roosevelt has behaved impulsively and somewhat irresponsibly toward Europe, and the 1933 experience of the London Economic Conference must have left its mark. Nevertheless, if these past experiences can be subordinated, and Mr. Roosevelt's present co-operative mood recognized and capitalized, it may be of lasting importance to the world.

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If Great Britain misses the opportunity at this juncture to make the most of President Roosevelt's tentatives toward co-operation, American policy may take a different turn. Traditionally, the United States has approached European politics through Great Britain. But a new channel is appearing, and it may be an historic appearance. Early in June, Premier Paul van Zeeland, the American-educated Belgian statesman, is coming to Washington to confer with President Roosevelt. He comes as the leading representative of the Oslo group.

M. van Zeeland offers to the United States--whether he or many others have realized it or not--an entirely new interpreter between America and Europe, and a link not without its merits from the viewpoints of United States public opinion and policy. Opinion here has always suspected the possibility of undue British influence over our diplomacy; the State Department is constantly accused of being Anglophile; people are always saying that the United States will be used to snatch this or that handful of British chestnuts out of the fire. However far-fetched these opinions seem to informed people, they nevertheless exist, and always make Anglo-American diplomacy a somewhat delicate operation.

But the Oslo group--the little Powers, the neutrals, the Scandinavians, the European "good neighbours"--make quite a different picture. There would be no political difficulty involved in contacts with the European neutrals, whose conduct in the late war was apparently not unlike what the United States would like to do itself in the next--with some notable exceptions. And is not the United States the great protagonist of neutrality? Has it not stimulated an "area of neutrality" in the western hemisphere? Why not widen the area by including the European neutrals? In a word, are not the Oslo group policies very similar in fundamentals to latter-day American policy? Particularly, trade policies are similar. So M. van Zeeland's visit should not be ignored. It may be a

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turning-point in American-European relations. Or, of course, it may be just a perfunctory call.

III. BUSINESS AND BUDGETS

THERE remain two other issues of transcendent American interest: labor troubles, business recovery, and possible inflation on the one hand, the national budget on the other. It has been a winter of strikes, made spectacular by the spreading use of the sit-down technique. Strikers have possessed themselves of factories in all parts of the country, and held on until an agreement was reached. The technique has aroused profound misgivings in many quarters. Sit-down strikes are plainly illegal; from the kidnapping of a factory to the kidnapping of an employer is not a long step. Yet there are illegalities on the other side. The Lafollette Committee, a senatorial group investigating various violations of civil liberties, revealed widespread use of espionage, company spies, and labor intimidation in the biggest and most civilized of mass-production industries. It showed certain areas of the nation, such as the important coal-producing Harlan County, Kentucky, where terrorist company policy ruthlessly prevented union organization.

It has been increasingly clear that the United States must make more rapid progress toward sane organization of labor and unquestioned recognition of collective bargaining; then responsibility can be demanded of employers and unions alike. So long as the present anarchy prevails, and collective bargaining is frequently prevented or rendered a farce, use of excessive weapons like the sit-down strike is to be expected. Revelation of these excesses on both sides was important in bringing widening recognition of the right to collective bargaining. Then the Wagner Act decision established the right beyond doubt. Unionization goes on apace. It is to be expected, therefore, that the winter's toll of strikes will decline, that settlements will be

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more rapid. The dramatic and unprecedented agreement between our steel king, Myron C. Taylor of United States Steel Corporation, and the labor king, John L. Lewis of the United Mine Workers and the new labor storm troops—the Committee for Industrial Organization—has set a notable example, and averted the most threatening strike of all.

The strike chapter is not closed, of course. But with every labor victory—and they have been nearly all victories for labor, this winter—the day comes nearer when labor can be asked to accept responsibility for its successes. Even Henry Ford, who declared unending war against unionism a few days before the Supreme Court's Wagner Act decision, sang a mild song two days thereafter. "Why, yes," said Mr. Ford, in effect, "I have always believed in collective bargaining. . . ."

While the strikes have undeniably slowed recovery, of course they have not stopped the upward cycle. Under the double stimulus of greater purchasing power at home and the rearmament boom abroad, American prices are rising sharply, and industrial production mounts apace. The familiar spiral of rising wages and prices is in motion before our eyes. Since February, the armament race has had clearly more perceptible effects here, and wage increases have multiplied. Forward buying is under great impetus. The Federal Reserve Board is doing what it can to prevent inflation by raising the reserve requirements of member banks to their maximum, and by sterilizing gold imports, to a volume already exceeding \$500,000,000.

Monetary authorities would plainly welcome a mild recession through a drop in forward buying, but they are anxious to keep the recession mild by maintaining low interest rates in order to stimulate long-term investment in plant and equipment. Steps toward all these objectives have been taken in recent weeks by the Federal Reserve Board, which has greater power over our economy than at any prior time, and is more alert, under its canny Utah Scotsman, Marriner S. Eccles.

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At the same time, President Roosevelt has begun an "economy drive". In a candid budget message, he recognizes the excessive estimates he gave in January, foresees the possibility of a \$400,000,000 deficit in the next fiscal year when he had announced a balanced budget in January, but states that every effort will be made to attain the balance through economies. No new taxes are contemplated this year, but the nation is warned that at the next session of Congress, in 1938, new taxes will emphatically be in order.

The chief disturbing factor, most provocative of inflationary alarms, is not the fact that the budget is not yet balanced, but the new high level upon which federal expenditures seem to have stabilized themselves. And in the face of a boom—of an ascending spiral of wages and prices—it still seems necessary for the President to recommend straight relief expenditures, exclusive of various collateral projects for the under-privileged, costing no less than \$1,500,000,000 in the coming fiscal year.

In the pre-war years the American budget ran at about \$1,000,000,000 a year. After the war the stable plateau of expenditures was around \$3,000,000,000. Now, in the post-depression period, the "emergency" spending of the early New Deal seems fixed at around \$7,000,000,000. Year by year, as recovery has slowly come, the government's expenditures have risen. In 1933 they amounted to \$5,100,000,000. Next year they were up to \$6,700,000,000. In 1935 they reached \$6,850,000,000. Last year, without counting the soldiers' bonus, they were at \$7,100,000,000. This year they reach \$7,600,000,000, and next year's total is \$7,725,000,000.

This rising curve of expenditure has coincided with better business, decrease of unemployment, doubling of industrial payrolls, and great rises in farm income. Part of it is accounted for by the continuing incubus of relief; part of it is the hang-over of depression operations which are just being finished; but the major part is the expansion of

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regular governmental functions during a mushroom era—the assumption of more and more tasks by the federal authorities. Possibly this growth is inevitable; possibly the United States is spending no more in proportion to its national income than other nations; but citizens are asking from what reservoir will the deficits of the next depression be taken?

Such reflections have produced a considerable economy urge in Congress, which has to fight its way fiercely against special interests and groups, all interested in economy in principle, but struggling tooth-and-claw for their particular subsidy. Whether real economy will be possible has yet to be demonstrated. If not, the broad economic position of the republic will continue to disquiet citizens, but the fact that they are already armed and fighting is a hopeful sign.

Altogether, therefore, these are stirring times in the United States, even as in the rest of the world. But mainly it is internal questions that are preoccupying Americans these days. Except, that is, for the lively interest being shown in the Coronation, of which enough evidence is doubtless visible in London.

Mr. Roosevelt himself, in a message to the *Christian Science Monitor* on that newspaper's coronation issue, put in simple words the serious American's interest in what the President called "the enlargement of understanding between the English-speaking peoples on this historic occasion". He said: "It is a simple statement of fact, but one which cannot be too often affirmed, that the United States and Great Britain have one common concern—the preservation of peace throughout the world. While national means and methods of contributing to a peace more secure and more stable may rightly vary, this common objective stands ever a common inspiration."

United States of America,

April 1937.

CONSTITUTIONAL CRISIS IN INDIA

I. THE RESULTS OF THE ELECTIONS

A FEW days before the inauguration of provincial autonomy on April 1, the Indian National Congress raised a vital constitutional issue which resulted in a refusal by its provincial leaders to form Ministries in the six provinces where they secured elected majorities. This situation has caused grave concern in London, Delhi, and the provincial capitals of British India.

In the recent elections the Congress obtained substantial majorities in Madras, the United Provinces, the Central Provinces, Bihar, and Orissa; in Bombay the party had a majority of only one, but other elements enhanced its strength. In Bengal and in Assam the party formed the largest single group, but did not have a majority over the combined strength of others. In the North-West Frontier Province the Congress emerged as the second largest group, but in the Punjab and Sind its position was weak. Its most notable successes were secured in Madras and the United Provinces, where elements previously regarded as the natural leaders of the people were severely routed. The Justice party of Madras was badly defeated; and the National Agriculturist party in the United Provinces, which was thought to be a serious rival to the Congress, was virtually eliminated.

In the Punjab, the Unionist party gained the success that had been anticipated, and has formed the most stable Ministry in the country. In Bengal the situation was complicated by the variety of parties, which has resulted in the

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formation of a coalition Ministry. In all five provinces where non-Congress elements secured majorities, Ministries have been formed and are functioning under the new constitution; in the remaining six provinces, alternative Ministries had to be drawn from the minority elements in the new legislatures.

The large majorities obtained by the Congress are generally traced to the sentimental regard felt for a movement that originated and fostered nationalist aims, to an elaborate party organisation, and to prevailing discontent with the existing order, which the Congress has adroitly dramatised for political purposes. But the party also sponsored a realistic social and economic electoral programme. This included reforms in the land-tenure system, reductions in land rent and revenue, and a more equitable adjustment of agricultural burdens, giving immediate relief to the peasants. The party promised to deal with the question of agricultural indebtedness, and to improve the lot of industrial workers. Untouchability and other social anachronisms were to be removed, and the treatment of "political prisoners" was to be examined and improved. This programme was wrapped up with a more general policy of seeking to end the constitution and substituting something nearer to Indian aspirations, but there is no doubt that the practical programme of the party made a strong appeal to the less sophisticated electors. The election results proved that the Congress had deep-rooted support in the country; for the new electorate brought to the poll nearly 28,000,000 voters who had never before exercised the franchise. It was clear that these electors were willing to give the Congress an opportunity to carry out its programme in the legislatures.

The party's success brought its leaders face to face with an issue that had long been deferred: the question whether they would assume office if they secured majorities. It was generally recognised that a party which had so long been in opposition would find some difficulty in suddenly transforming its policy into constructive shape. For some months

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there had been indications in the nationalist press that the Congress, in turning to co-operative paths, would ask for some assurance from the Governors in regard to the use of their reserve powers. The Congress leaders have always contended that no responsibility existed in provincial autonomy so long as those powers vested in the Governors. At one time the view was expressed that a written assurance should be obtained from the Governors, but this was condemned, even in the Congress press. The more moderate elements in the party were willing to assume office without any assurance from the Governors, believing that the party's best safeguard lay in the support it had received from the electors. But the Left-wing section proved strong enough to secure the adoption of a demand for an assurance as a condition of the acceptance of office.

II. THE CONGRESS RESOLUTION

THE office-acceptance issue was given concrete form in the middle of March, when the Congress Working Committee and the All-India Congress Committee met in Delhi to decide the question. In the Working Committee, as Pandit Jawaharlal Nehru later confessed, a sharp division of opinion arose. There were, apparently, three conflicting factions: those who advocated unconditional acceptance of office; those who urged acceptance with a condition for a limited period; and those who were entirely opposed to assuming office. The last faction appeared to be stronger than many had supposed it would be, but it was counteracted to some extent by the views of most of the Congress district and provincial committees, which had previously submitted opinions in the main favourable to the acceptance of office. It soon became clear that some compromise would have to be devised, and it is believed to have been at this stage that Mr. Gandhi's advice was sought. Although not himself a member of the Working Committee, Mr. Gandhi attended the meetings, which were held in his

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barijan colony on the outskirts of old Delhi. After twenty hours of private discussion the committee adopted a resolution authorising conditional acceptance of office.

This decision had still to be ratified by the All-India Congress Committee, and it was again evident that opposition to acceptance of office was substantial. Particular objection was taken to a phrase in the Working Committee's resolution which confined the assurance required of provincial Governors to the party's activities "within the constitution". Anything that implied acceptance of the constitution was strongly opposed, and the Working Committee voluntarily amended the phrase, by deleting the words "within the constitution" and substituting "in regard to their constitutional activities". In announcing this alteration, Pandit Nehru said it represented no vital change in intention, but in the light of later events there are many who think it had some influence upon the attitude of the Governors. During the debate on the resolution many of the party's most prominent leaders spoke. They contended that the assurance sought from the Governors did not imply an undertaking on the part of Congress but was meant to put to the test the Government's profession of the reality of provincial autonomy. The resolution was finally carried by 127 votes to 70. A socialist amendment refusing to accept office was defeated, and an amendment to delete the phrase requiring an assurance received only 60 votes.

The main question of acceptance or non-acceptance of office obscured all other clauses in the resolution that was passed, and at the time few attached importance to the preamble. There were many, indeed, who contended that the operative clause of the resolution ran counter to all that preceded it, a view that is not apparently held by Mr. Gandhi and the other leaders of the party. The importance of the resolution as a unitary document was not appreciated, and it is not inconceivable that the *impasse* created later by the Congress refusal to take office derived to some extent from

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the dual interpretation to which it is exposed. The resolution said :

The All-India Congress Committee records its high appreciation of the magnificent response of the country to the call of the Congress during the recent elections and the approval by the electorate of the Congress policy and programme. The Congress entered these elections with its objective of independence and its total rejection of the new constitution and with the demand for a Constituent Assembly to frame India's constitution. The declared Congress policy was to combat the new Act and end it.

The electorate has, in an overwhelming measure, set its seal on this policy and programme, and the new Act, therefore, stands condemned and utterly rejected by the people through the self-same democratic process which had been invoked by the British Government; and the people have further declared that they desire to frame their own constitution based on national independence through the medium of a Constituent Assembly elected by adult franchise.

The Committee, therefore, demands, on behalf of the people of India, that the new constitution be withdrawn.

In the event of the British Government still persisting with the new constitution in defiance of the declared will of the people, the All-India Congress Committee desires to impress upon all Congress members of the Legislatures that their work inside and outside the Legislatures must be based on the fundamental Congress policy of combating the new constitution and seeking to end it, a policy on the basis of which they sought the suffrage of the electorate and won their overwhelming victory in the elections. That policy must inevitably lead to deadlocks with the British Government and bring out still further the inherent antagonism between British imperialism and Indian nationalism, and expose the autocratic and anti-democratic nature of the new constitution.

The All-India Congress Committee endorses and confirms the resolutions of the Working Committee passed at Wardha, on February 27 and 28, 1937, on extra-parliamentary activities of the Congress members of the Legislatures, mass contacts and the Congress policy in the Legislatures, and calls upon all Congress men in the Legislatures and outside to work in accordance with the directions contained in them.

On the pending question of office acceptance and in pursuance of the policy summed up in the foregoing paragraphs, the All-India Congress Committee authorises and permits the acceptance of Ministerial offices in the provinces where the Congress commands a majority in the Legislature, provided that Ministerships shall not be accepted unless the Leader of the Congress party in the Legislature is satisfied and is able to state publicly that the Governor will not use his special powers of interference or set

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aside the advice of the Ministers in regard to their constitutional activities.

The operative clause of the foregoing resolution expressly took cognisance of all that preceded it. In effect, the early part of the resolution about ending the constitution was presumably meant to apply to future action within the Legislatures as well as outside them.

III. THE CONGRESS AND THE GOVERNORS

WHEN the Congress delegates dispersed from Delhi it was not thought anywhere in the country that the resolution they had adopted would result in a refusal by the provincial leaders to form Ministries. The party leaders, indeed, were lauded for their "statesmanlike decision", and the view was commonly held that the assurance sought could readily be granted. Few had analysed the constitutional implications of the condition attached to office acceptance; for everyone believed that in approaching the Governors the Congress leaders expected to obtain merely a general assurance of friendly co-operation with a party that had so long been in opposition that it was virtually treated as an "enemy" by the authorities. Even in official circles the first opinion appeared to be that the demand could be met, and there was an early impression that the Congress had made the way easy for collaboration between the new Ministries and the Governors. The Indian press, almost as one, believed that the resolution implied the acceptance of office. The *Hindu* of Madras and the *Tribune* of Lahore, as well as other prominent nationalist newspapers, took that view. The *Servant of India*, a Liberal weekly, was almost alone in saying it was difficult to see how office-acceptance on the terms laid down was possible unless either the Governors or the Congress leaders were false to the responsibilities of their positions.

The expectation was not fulfilled. When the delegates returned to their provinces the provincial leaders were

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invited by the Governors to discuss the formation of Ministries. From the published accounts of these discussions it was inferred that difficulties had arisen. It appeared that instead of satisfying themselves in a general way as to the Governors' intentions the Congress leaders were asking something much more specific. In a series of similar statements the Governors indicated that what the Congress leaders sought could not be conceded under the Act, since it placed mandatory obligations upon the Governors which they were unable to renounce, even if willing to do so. In view of this interpretation the Congress leaders declined to form Ministries, and political thought throughout the country was thrown into a state of bewilderment.

It became clear for almost the first time that Congress men as a body were willing to assume responsibility, and even the party's own press was surprised at the turn events had taken. Nearly all the pro-Congress newspapers were inclined to place the blame for the deadlock on the authorities, although some of them recognised that it was legally impossible for the Governors to give the assurance wanted. Some effort was made to analyse what had caused the divergence between the view that prevailed in Delhi and the outcome of the negotiations in the provincial capitals. An opinion emerged that the upper hierarchy of the party had stiffened its attitude after the resolution had been endorsed by the All-India Committee, and that the manner in which the demand was presented to the Governors was not the manner in which the committee had anticipated it would be presented. The British-owned press was severely critical of the Congress leaders; and the Moslem press, hostile to a demand for assurances from the first, was appeased by the fact that it had not been met.

Liberals generally contended that the demand implied an abrogation of the Act. Chief among the spokesmen of this view was Sir Tej Bahadur Sapru, whose long association with the Round Table Conferences in London gave his opinion authority. He stated that the interpretation

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of the Act by the Governors was right and that they could not contract themselves out of their statutory responsibilities. He admitted that the statute did not prevent the growth of conventions, but conventions emerged from practice, and practice in this case meant working the constitution. The Congress press became violently hostile to any suggestions that Congress men sought to violate the Act, and the controversy thus created elicited a statement from Mr. Gandhi.

In that statement Mr. Gandhi claimed to be the sole author of the conditional clause in the Congress resolution, and insisted that the condition was not intended to abrogate the Act. He pointed out that the Congress policy was to secure not an amendment of the Act but the absolute ending of it. The object of that section of the Congress which believed in office-acceptance was to utilise office to strengthen the party's hold on the electorate, pending the creation of a situation that would transfer all power to the people. Mr. Gandhi felt that this object could not be secured unless there was a gentlemanly understanding between the Governors and their Congress Ministers that they would not use their powers of interference so long as Ministers acted within the constitution. Not to do so would be to court an almost immediate deadlock after assuming office. Mr. Gandhi argued that there was nothing extra-constitutional in such an undertaking by the Governors. He contended that the Congress formula asked for nothing more than British Ministers had previously said was intended, namely, that "ordinarily the Governors would not use their admittedly large powers of interference".

This statement unified the Congress ranks. Its moderation implied that Congress still sought some way out of the difficulty, and inclined many to think that the party did not in reality desire to lay down a condition which made the acceptance of office impossible. There arose a widespread demand that the Viceroy should send for Mr. Gandhi in order that the issue might be resolved. Before the Congress

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passed its Delhi resolution, Lord Linlithgow had indicated in a public speech that all representatives of the Crown in India would extend the most cordial collaboration to provincial Ministries of whatever political colour. The claim was now made in the Indian press that the opportunity had arisen for the Viceroy to justify his statement.

IV. LORD LOTHIAN'S CONTRIBUTION

MEANWHILE the appointed day for the inauguration of provincial autonomy had arrived, and the constitutional changes evolved after years of negotiations went into force. There was widespread regret that the Congress was not assuming its due share of the new responsibilities that had devolved upon Indians. The fact that the party had indicated its willingness to assume office was generally regarded as a vindication of the reforms, implying that the measure of advance in the provinces was substantial enough to bring about a change of policy on the part of those who had long been non-co-operators. But the situation on April 1 was far from satisfactory. The Congress had ordered the observance of a *bartal*, and the circumstances in which the reforms were born contributed to its success.

The Governors in the meantime had invited other elected representatives to form Ministries, and although faced with early difficulties these were set up. The alternative Ministries were even more heartily condemned in the Congress press than the Governors' failure to give an assurance, and doubts were cast upon their legality. Thus the range of the controversy was widened, and the general political situation seemed to be deteriorating. It became clear that Congress was recovering its national prestige and was emerging from the eclipse in which it had been shrouded for the past six years. The press was full of criticism of what was called the "Whitehall mentality". The Viceroy maintained a discreet silence, although the British-owned

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press at places as far apart as Madras and Lucknow was urging negotiations with Mr. Gandhi.

The controversy was exceptionally bitter when Lord Lothian's first letter on the crisis appeared in *The Times*.* The letter was given much prominence in the press, but it received singularly little editorial comment. It was accepted as a faithful interpretation of constitutional theory, but the Congress was in no mood to accept the purely legal aspects of the issue. Lord Lothian's reasoned review showing that safeguards had been no barrier to constitutional progress in other countries did not meet an answering response from Indians, although some were sobered in their views by so expert an opinion.

It was his second letter to *The Times* † that brought Lord Lothian prominently into the controversy. In this letter he showed that a Governor's use of his reserve powers must inevitably be affected by the popular support his Ministers had behind them. The Congress press seized upon this as implying that all differences arising between a Governor and his Ministers would be submitted to the electors for decision, a policy Lord Lothian never adumbrated.‡ Even Pandit Nehru was satisfied

* April 6, 1937.

† April 13, 1937.

‡ The relevant passage of his letter actually read: "The discretion which the Governor has to exercise is whether his special responsibility will be better discharged by accepting or rejecting the advice of his Ministry, when attempts at agreement have failed. His decision, as all past history shows, largely depends on whether the majority in the Legislature is united and resolute and on whether it can count on the support of the electorate in the event of a dissolution. If it is, the Governor has usually decided not to provoke a constitutional crisis from which there is no solution save the suspension of the normal functioning of the constitution. That is why responsible government has always led to self-government.

"If, on the other hand, the Ministry is pursuing a policy which raises vehement opposition to the point of imperilling peace and tranquillity or the rights of minorities it is right that the first remedy in the hands of the Governor should be to refer the matter to the electorate. That is the true safeguard of democracy itself. Is not the most promising way out of the present difficulty to recognise that once responsible government is in being the ultimate 'arbitration' will almost inevitably be exercised by the electorate?"

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with this interpretation and asked why there was all the fuss about the safeguards if the electors were the ultimate tribunal. In the main the suggestion that the electors should be the final arbitrators was considered an acceptable solution, although various commentators pointed out that Lord Lothian had to convert the authorities in London to this view, as the Congress had all along supported it.

It now became clearer that the safeguards, although intended to be held in reserve, were nevertheless meant to be used if necessary, and that what Congress men wanted was an assurance that they would always be kept in abeyance, so far as the party's "constitutional activities" were concerned. Some prominent Congress lawyers maintained that this was possible without infringing the Act, suggesting that a Governor would be using his discretion in agreeing not to use his special powers. It is fairly certain that the Federal Court would not so interpret the Act, nor would Parliament, which is the ultimate interpreter.

Lord Lothian's contributions to the controversy were widely regarded as serious attempts on the part of one who thoroughly understood the problem to bring about a solution acceptable to both sides. It was also felt by Indians that there were friendly forces in England who were willing to consider the Congress point of view and prove accommodating so far as was constitutionally possible. No such interpretation was placed upon Lord Zetland's statement of April 8. There was considerable dissatisfaction with his handling of the problem, shared in some cases by sections of the British-owned press. The extremists claimed that the door which had been left open by the Governors and widened a little by Mr. Gandhi had finally been closed with a bang by the Secretary of State. There was regret that he should have used a communal illustration to indicate the implications of the reserve powers, and there was resentment that he had treated Mr. Gandhi's views with such scant consideration. The opinion developed

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that the failure to give an assurance was a policy dictated from London. It was recognised, even among officials in India, that the particular problem had not been solved by the discussion in the House of Lords. It was, however, borne in upon Congress men that Liberal and Labour spokesmen in London supported the view that the party should assume office and test its case constitutionally.

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THE crisis has had the effect of bringing Mr. Gandhi once more into the forefront of Indian politics, and there are many who believe that he is not anxious to see the organisation drift towards the extremer policy sponsored by Pandit Nehru. Others contend that he is in agreement with Pandit Nehru about the purpose, but parts company with him over methods. Mr. Gandhi's contributions to the controversy have been generally regarded by Indians as proof that Congress is anxious to assume office. There are ample signs that the party desires to give effect to its electoral promises, while not side-tracking its broader political purpose of securing a more liberal constitution. The problem clearly had its origins in something other than a mere constitutional issue. The correctness of the Government's legal attitude is accepted nearly everywhere outside the Congress ranks; there, the legalism of the case is interpreted as a mere buttressing of imperialism.

The key to the situation lies in that view. It is not primarily a legal issue at all, but a political one. The Governors' powers are an integral feature of the Act, requiring an amendment of the constitution before they can be eliminated. To Congress men the realities of power, even in the provinces, are enshrined in the safeguards. They genuinely believed that some arrangement could have been made with the Governors, and moderate elements honestly thought that they were not demanding an amendment of the Act. Only the extremists are satisfied

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with the outcome. Their policy of wrecking the constitution stands a fairer chance of success if the Congress does not take office; for extremists are unwilling to work within a constitution which they desire to see rejected. The Delhi resolution showed that for the party as a whole the decision to accept office did not mean an acceptance of the Act. The deepest hostility to the Act was modified only to the extent of recognising that some measure of good might accrue to the people from acceptance of provincial responsibility.

Obviously a great deal turns on the interpretation of the Congress phrase "constitutional activities". Congress leaders admit that the party's political object of securing *purna swaraj* (complete independence) cannot be achieved in the provincial sphere, even although strong efforts will be made to develop the party's general policy inside the Legislatures as well as outside them. Thus, if the broad issue of nationalism *versus* imperialism is removed from the provincial sphere, the issue resolves itself into an interpretation of the party's proposed "constitutional activities" in that sphere. If ambiguity on this point can be removed, it may be found that the Governors and the provincial Congress leaders are not very far apart regarding the Governor's relations with his Ministers over their social and economic legislative programmes.

Indian opinion generally holds that the Governors were too rigid in their interpretation of what Congress men wanted, and it is quite widely believed that if they had been left to their individual inclinations the situation might have been met in the provinces in a manner that would not have violated the constitution. Each side contends that the policy of the other in the negotiations was centrally inspired and was marked with a rigidity that made agreement impossible. But it is obvious from the statements issued by the Governors that they were virtually invited to place their reserve powers in abeyance, irrespective of the consequences that might flow from such action. If Congress

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leaders had explained the "constitutional activities" they contemplated in provincial administration the outcome might have been different. The leaders would in all probability have found that provincial powers are in reality vested in the Ministers, and the Act does not prescribe how these powers may be used. It leaves the field of provincial activity open to Congress Ministers, as to all others, however advanced their social and economic programmes may be. Admittedly the Congress policy is advanced, but in the vital field of agricultural reform the party disclaims any intentions of confiscation.

The Governor's responsibilities are designed to enable him to protect certain specific objects, but these responsibilities are as much the Ministers' as they are the Governor's. Indeed, the primary responsibility falls upon the Ministers. If the objects that the Governors have to safeguard are respected by the Ministers then the need for interference does not arise. There appears to have been no approach to the problem along these lines, and misunderstandings of the Act are not all confined to the Congress side.

No one claims that the Act is perfect, but it fulfils its function in that evolutionary programme of constitutional advance which has been an integral part of British policy for a generation. It must not be forgotten, however, that the Congress has been in opposition for nearly twenty years, and frequently in direct conflict with the authorities. The sudden acceptance of co-operative methods, particularly under an Act so universally condemned by the party, would be a *volte face* which any political group would hesitate to make. Moreover the strength of those Congress men who are opposed to accepting office places the party in a peculiar position. The Delhi meeting showed that the organisation has to face dissensions between the moderates and the extremists. Notwithstanding this, it was significant that Congress men were genuinely surprised to find they were unable to take office. Congress leaders have admitted the cordiality of their discussions with the Governors, and

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the Governors have patently demonstrated their willingness to collaborate with Congress Ministries. The Congress press does not believe the demand to have been so unreasonable as to make it worth while to sacrifice the constitution and present the country with the prospect of further political turmoil.

It was urged in some quarters that the Viceroy should send for Mr. Gandhi, but clearly the Viceroy could not give an assurance which the Governors could not give. The British Government obviously does not intend to amend the Act before it is tried. Moreover, in the five provinces in which the Act is being worked there is no indication that the Governors are likely to intervene to disturb the policy of Ministers. It is true that the minority Ministries in the other six provinces are not likely to survive the first meeting of their Legislatures, but even in these provinces social and economic programmes are being brought forward which the Congress will find it difficult to repudiate. The Congress press claims that the party will not revise its position later in the sense of withdrawing the demand for an assurance. Its hostility to the Act is such that it is convinced that only the suspension of the reserve powers can ensure responsible government. That claim is naturally refuted by constitutionalists. The belief held among Congress men that the bureaucracy has no sympathy with Indian nationalism, and must inevitably show hostility to Congress Ministers, is not correct. The feeling that the services will impede Congress aims is not substantiated by facts and can, in any event, be proved only by experience.

Nor can the views of minority elements in the country be entirely overlooked. There is a suspicion, especially among Moslems, that the Congress demand for an assurance was primarily intended to secure some political advantage. While leading Congress men are not communal in outlook, there are no signs that communalism is dying out; indeed in recent years an economic significance has been superimposed upon the religious aspects of communalism. But

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the situation is not without hope. So long as Congress men are discussing the issue in the hope of a settlement the chances of a solution cannot be ruled out. None but the extremists are anxious to have the door shut finally, and in their case the wish is father to the thought.

India, April 23, 1937.

GREAT BRITAIN

I. THE BUDGET

FOR months it had been taken for granted in political circles that as soon as Mr. Baldwin felt that the moment for his retirement had come he would be succeeded as Prime Minister by Mr. Neville Chamberlain. It seemed, therefore, all the more reasonable to expect from a Chancellor renowned for his orthodox financial policy still another safe budget. Everyone recognised that some addition to taxation was necessary and right in order to meet the cost of rearmament, despite the decision to pay for a large portion out of loan moneys. But it was generally thought that all that was required was an increase of 3d—perhaps, at the worst, 6d—in the standard rate of income tax, possibly combined with adjustments of indirect taxation. Mr. Chamberlain completely confounded the prophets in a budget which has aroused more controversy than any financial measure since 1931.

The year 1936–37 ended with a deficit of roughly £5,600,000. For 1937–38, the Chancellor estimated an increase of £35,853,000 in expenditure, including £22,500,000 of Road Fund outgo (see below) but not counting the £80,000,000 for the defence services which, it had already been announced, would be raised by loan. Since the army, navy and air votes to be met out of revenue show a net advance of £12,196,000 on actual payments in 1936–37, the total increase of expenditure on defence will approach £100,000,000 this year by comparison with last. On the other side of the account, Mr. Chamberlain budgeted for an increase of £63,781,000 in tax revenue; this was reduced to a little over £50 million

by a big expected decline in “miscellaneous receipts”—that mysterious item in the accounts which not even the most sagacious of experts outside the Treasury is able to compute. But the increase included an extra £28,700,000 from the Road Fund, which was previously regarded as a separate, self-balancing account. Both its expenditure and its receipts having now been taken into the general accounts, the motor-vehicle duties take their place as an ordinary item of taxation unallocated to specific expenditure. A further accounting adjustment has been the transfer of broadcasting revenue and expenditure from the main accounts to the self-balancing account of the post office. This rationalisation complicates a comparison between last year and this, but the net result is simple enough, namely, an expected deficit, on the pre-budget basis of expenditure and taxation, of almost exactly £15,000,000, over and above the £80,000,000 defence loan.

This was even smaller than had been expected, and the Chancellor's audience felt confident that they were going to get off lightly. He first made one or two minor adjustments—the closing of still another loophole of legal evasion of income tax and surtax, minor changes in customs to implement the Anglo-Canadian trade agreement, and the abolition of the male servants' licence duties. None of these changes made any serious difference to the main issue. Then Mr. Chamberlain played the card that everyone expected. The standard rate of income tax would be raised from 4s. 9d to 5s. in the £, without any changes in allowances. This would produce £13 million in the current year and £15 million in a full year.

The budget deficiency being now reduced to £13½ million, members expected little more than a peroration to follow. To their amazement, Mr. Chamberlain proceeded upon an ominous discourse regarding defence expenditure. He reminded the House that the Defence Loans Act which they had passed earlier in the session

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authorised the Government to borrow up to a maximum of £400,000,000, spread over a period not exceeding five years. But the defence White Paper of February had clearly explained that, although no one could yet foresee which year would see the peak, the level of defence expenditure would rise very rapidly in the next two or three years. It would be natural to expect that the curve of borrowing should to a certain extent follow a curve of expenditure. Therefore the Chancellor had been surprised at the lack of comment upon the fact that he proposed to borrow in the first year the full amount of the average permitted. No one had seen in that fact the clue to the policy he was about to propose. We had got to prepare ourselves for expenditure of a very exceptional character which would rapidly increase, and then, later, fall until it reached a new plateau. It seemed to him that if each year the Chancellor of the Exchequer had to impose a succession of new taxes, that would be likely to cause the maximum uncertainty and disturbance; he sought, therefore, a means of providing at least a major part of the necessary expenditure "by some device capable of growth in itself, but easily adjustable, so as to allow for variations in the yield of revenue from existing taxation".

He had already increased the income tax, and, since retail prices were already rising, he did not want to depress the standard of living of wage-earners and others by indirect taxation. In the circumstances, it did not seem to him unreasonable to ask that the present rapid growth of business profits should be made the occasion of some special and temporary contribution towards the cost of national defence. He proposed to impose a tax—which he would call the national defence contribution—on the growth of profits recorded by all businesses of any kind whose profits in any accounting year ending after April 5, 1937, should exceed £2,000. The tax would not be applicable to professions or employments. In order to measure the growth of profits he proposed that there

should be two alternative standards, at the choice of the taxpayer: either the actual profits for certain specified years, or a percentage of the capital employed in the business. The profits standard would be the average profit for the years 1933, 1934, 1935. The charge would therefore be on the increase of profits over the average of those three years. For the other standard, capital would be calculated on a cost basis, and the basic rate of profit would be 6 per cent. for companies and 8 per cent. for individuals or firms; the contribution would be chargeable on profits in excess of those rates.

Whichever standard was adopted, the degree of the charge would be related, not only to the growth of profits, but also to the absolute prosperity of the business. This meant that both the capital of each business and the yield on it would have to be calculated in any case. Such yields would be classified into four "regions": up to 6 per cent., between 6 per cent. and 10 per cent., between 10 per cent. and 15 per cent., and over 15 per cent. In the first of these regions the rate of charge for the contribution would be nil, on the second it would be one-fifth of the growth of profits, on the third one-quarter, and on the highest group one-third of the growth.

The Chancellor went on to append certain details of the plan that he proposed. For instance, in order to meet the case of struggling concerns that had had a series of losses in the past and were only just beginning to make profits, losses during the past four years might be carried forward and set off against the profit chargeable. There would be a tapering-off of the rate of charge on profits between £12,000 and £2,000. The contribution would become due in each case with the first accounting period ending after April 5, 1937—the corollary to which was that when the scheme was eventually wound up an adjustment would have to be made in order that every firm should have paid contribution for the same period of time. Since most firms made up their accounts to December 31,

and there would inevitably be a time-lag before they paid their contribution, he could not put the yield for the current year higher than £2,000,000; but next year it should produce £20,000,000 to £25,000,000. The Chancellor continued :

I impress upon the Committee that I regard it as a temporary tax, and as the process of rearmament cannot proceed for an indefinite time it is perfectly clear that the purpose for which the tax is being imposed will come to an end at some time, and I should imagine that the tax would then come to an end. I should like to add that I believe that I have in this new impost created a flexible instrument which should be easily adjustable to changing conditions with the least amount of disturbance of confidence and stability.

His final budget estimates were : revenue, £863,100,000; expenditure, £862,848,000, leaving a prospective surplus of £252,000.

The Chancellor's hope that his new tax would cause the least amount of disturbance of confidence and stability was very soon dashed. The national defence contribution scheme was greeted with resigned approval in principle by the Conservative press and by a number of eminent business leaders and supporters of the Government in Parliament. Criticism in the City, however, was almost wholly and comprehensively adverse. The scheme was denounced as vague, inequitable between one firm and another, a tax on enterprise, a blow to recovery, an encouragement to take capital out of the country, and many worse things. There were doubtless exceptional reasons for the vehemence of the City's reaction. After a long period of rising stock prices, those whose business it is to take market risks had suffered a period of minor reverses. Technical difficulties of adjustment had been overcome, but the market was in a weak position to face a further slump in prices, and the immediate depression caused by the Chancellor's announcement had a snowball effect. Liquidation in one section of the market necessitated liquidation in another, and the uncertainty as to the

precise manner in which the new tax would affect any individual company stood in the way of the normal checks to a downward market movement, namely, the purchase of securities at attractively low prices by financially strong professional operators and by outside investors. For some days it was practically a one-way market. The fact that Mr. Chamberlain's new tax was largely a signal for, and only partly the actual cause of, the collapse of prices was proved by such developments as the spreading of the depression to commodity markets—which could be only trivially affected in any direct way—and to the shares of gold mining companies, which would not have to meet the tax since practically all of them were registered outside the United Kingdom.

Nevertheless, the doubts and anxieties felt in business circles had undoubtedly a substantial basis. It was pointed out, for instance, that the tax as explained by Mr. Chamberlain would hit with cruel severity companies like the great Rhodesian copper-mining concerns which, after years of development during which their capital brought no return, had only recently entered into full production; and that it would also strike heavily at such industries as shipping, which were peculiarly subject to cyclical fluctuations and had suffered most during the slump. Many such criticisms were voiced in the House of Commons debate on the budget, and Mr. Chamberlain was compelled to temporise. He refused, however, to go back on the principle of the tax, which he described in a speech to the Bankers Association on April 29 in the following terms :

that when we are faced with the necessity of expenditure of a very special and exceptional character, compressed into a space of a few years, it is reasonable and fair that we should ask for a special contribution from trading concerns who are making much larger profits than they did some time ago in the more favourable circumstances that now exist.

But he promised that before the Finance Bill was introduced he would make enquiries to discover what were the

possible dangers of injustice and inequality contained in his proposal, and would meet them as far as he could. He did not bar revision of the two alternative standards for the computation of the growth of profits. He asked that no hostile conclusion should be come to until there had been more opportunity for seeing the proposals in their detailed form—a difficult request for the City to comply with, since uncertainty was among the most important of its charges against the whole plan.

Mr. Chamberlain confessed in debate that the disadvantage of a budget proposal of that character was that, owing to the necessity of preserving secrecy up to the last moment, he could not take those preliminary soundings and have those preliminary consultations that he would upon ordinary proposals. He had to form the best view he could on the basis of past experience, to describe in outline form the project in his mind, and to address himself to particulars thereafter. It was widely suggested that the budget secrets scandal of last year was largely accountable for the defects that were seen in the Chancellor's plan, since he had been unusually scrupulous in avoiding any hint of the tax to those who might have given him practical advice. This, however, can hardly be accepted as a full explanation; for the Treasury and Inland Revenue authorities must have been able to provide the Chancellor with almost exact details of the incidence of the tax on any particular industry or firm. It must be concluded either that the Chancellor did not ask his advisers the relevant questions, or that he was satisfied with the answers he received. As *THE ROUND TABLE* goes to press, the Finance Bill has not been published, and therefore the final details of the tax are not known. The episode certainly struck a blow at Mr. Chamberlain's popularity in his own party, and there were rumours that Mr. Baldwin's retirement might consequently be postponed. But it has probably enhanced his standing in the country, in spite of the wide repercussions of any

injury to industrial profits in these days of unit trusts and small investors. For it has shown in him a boldness in unorthodoxy with which he was not credited, and a willingness to depart from merely party or class motives of policy which is a proper—indeed an essential—trait in the head of a National Government.

II. THE FORTUNES OF THE LEFT

FROM a purely party point of view, the Labour Opposition might almost have welcomed a fiscal measure which gave them cause for thunder instead of stealing it from them. Recent by-elections have shown a slight trend towards greater Opposition popularity, though such a development is normally to be expected at this period of a parliament's life. In six by-elections, at St. Pancras, Richmond, Tonbridge, Farnham, West Birmingham, Stalybridge and York, the Conservatives retained seats they had previously held, but in every case the majorities were reduced, and in St. Pancras and Stalybridge the Labour candidates came within a few hundred votes of winning. West Birmingham was the seat held for many years by Sir Austen Chamberlain, whose death in March brought eloquent tributes from all sides of politics to the integrity and generosity of his character. In 1935 Sir Austen had had a majority of 7,371, while his successor received a majority of only 2,920; but in 1929 Labour had come within 43 votes of winning the seat, and in the recent by-election its improved position was due less to new votes for itself than to a failure of Conservative supporters to go to the polls. This suggests that Labour has still some way to go before regaining its 1929 electoral position, which nevertheless left it without a clear majority in Parliament. In the Gorton by-election in Manchester, the former Labour majority was slightly increased on a much reduced poll. One seat Labour has won from the Government, Central Wandsworth, where Major Nathan,

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a former Liberal who joined the Labour party in 1934, turned a Conservative majority of 4,323 into a Labour majority of 485. This seat was among those gained by Labour in 1929 and subsequently lost. Labour's chief recent success has been in the local government field; at the March elections to the London County Council it gained a net total of six seats from its opponents, and it now commands a majority of 75 to 49.

By far the most interesting by-elections to the general observer were two for university seats. Upon his appointment as Provost of Eton, Lord Hugh Cecil resigned his burgess-ship for Oxford university, which he had held for a generation. Three professors contested the seat: Sir Arthur Salter, who stood as an Independent; Sir Farquhar Buzzard, the centrally-approved Conservative candidate, chosen by the party caucus in the university; and Professor Lindemann, whose name was rejected by the party caucus but who had the support of a large number of Right-wing Conservatives. It was thought that the splitting of the Conservative vote might secure the election of Sir Arthur Salter, but in fact he was returned with a small absolute majority over the votes of both the other candidates combined. Sir Arthur, whose candidature was endorsed by members of all three parties, stood on the platform of the "Next Five Years Group", a progressive organisation in which the leading parliamentary lights have hitherto been a few Left-wing Conservatives and members of the Liberal party. The result, he said, indicated clearly that the Oxford university electors considered that the university vote should not be treated as a mere party one, and that there was a widespread desire among the people of England for a moderate policy which could achieve national unity rather than the triumph of any party. Oxford university, after many years of returning only Conservative candidates, is now represented by two Independent members, the other being Mr. A. P. Herbert. The combined English universities (which exclude Oxford,

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Cambridge and London) also took the occasion of a by-election to exchange a Conservative representation for an Independent one, the successful candidate being Mr. T. E. Harvey, who described himself as an Independent Progressive. He, too, has referred to "a widespread conviction that representatives of the universities elected on an additional franchise basis ought not to be chosen on the ordinary party grounds". The combined universities also are now represented by two Independents, Mr. Harvey and Miss Eleanor Rathbone.

While there has been this evidence of a desire in certain quarters for political consolidation around a programme considerably to the Left of that of the Government itself, the idea of a "popular front" consolidating what are now the Opposition parties has received several setbacks. The official Liberal party organisation has once more rejected proposals for an alliance with Labour, a plan that has equally little appeal in the other camp. Further to the Left, the movement for a "united front" between the Labour party, the I.L.P., and the Communists has also been decisively rejected by Labour. Sir Stafford Cripps's organisation, the Socialist League, which joined the united front, was expelled from the Labour party, and individual membership of the League was later ruled to be incompatible with membership of the party. Faced with this choice of allegiance, many members of the Socialist League renounced the smaller for the larger organisation, and at Whitsun the League dissolved itself. Labour supporters have been warned not to take part in united front activities, which are "in clear defiance of the repeated and emphatic decisions of the annual conferences of the party".

The Labour party seems, indeed, to be passing through a phase of moderation. Taking the advice of some of its own most far-sighted supporters, it has prepared, and will discuss at its next annual conference in October, a five-year programme of measures of "socialism and social

amelioration" which it would undertake to carry out if returned to full power. The programme repeats that the party's goal is the socialist commonwealth, but it seeks to appease timid electors by stating in concrete terms what steps towards that distant goal it would hope to take during the life-time of a Parliament. The Bank of England would be made a public institution. New investment would be controlled through a national investment board. There would be no return to the gold standard. The programme, however, contains no proposals for nationalisation or regimentation of the joint-stock or private banks. A national transport board would be set up "to co-ordinate transport by road, rail, air, and coastwise shipping, and to own and operate the railways and such other transport services as are suitable for transfer to public ownership". The coal industry would also be unified under public ownership, together with the electricity and gas supply industries. As regards agriculture, the programme promises a fair price to the producer and a plentiful supply of food to the consumer, together with a living wage for the worker on the land; these admirable objectives are to be achieved by eliminating unnecessary middlemen and by a full use of co-operative undertakings and marketing boards. In industry, a Labour Government would seek to improve wage standards and would "make any assistance to private enterprise conditional on the observance of trade union wages and conditions". This seems to imply widespread subsidies. Legislation would be introduced for shorter working hours, taking the 40-hour week as the standard. Vigorous though unspecified measures would be adopted to increase employment. The school age would be raised to 15, and later to 16. Health services would be extended. For those who remained unemployed, proper maintenance would be provided and the means test abolished. Steps would be taken to bring new industries into the special areas and in other ways to remedy the terrible conditions prevailing

there. A Labour Government would "take the lead in seeking to strengthen and reinvigorate the League of Nations as an instrument of international co-operation and collective security". It would "unhesitatingly maintain such armed forces as are necessary to defend our country as a member of the British Commonwealth and of the League of Nations". The all-party support for rearmament continues to be, indeed, one of the most remarkable features of British politics to-day.

III. STRIKES

RIISING internal prosperity, partly induced by rearmament expenditure, has brought about a wave of strikes. In part of the Nottinghamshire coal industry there has been a long-drawn-out and bitter dispute, of the same kind as faced South Wales a few months ago, over the question which union should represent the men. The non-political unions led by Mr. George Spencer gained their greatest hold during the depression in the Midland coalfields, and the Miners Federation is making a determined attempt to recover its former unchallenged position. In Glasgow a serious dispute arose over the conditions of employment of apprentices in the engineering and ship-building trades. The apprentices began a strike on their own, and were supported—even to the point of a one-day demonstration strike—by branches of the union concerned. The strike ended with the recognition in principle of the strikers' demands. In the same city a strike of 1,500 engineers employed at Messrs. Beardmore's Parkhead forge has already lasted for six weeks. It arose out of a demand for higher wages, but developed into a struggle over the question whether terms should be made directly with the firm or with the employers' federation.

The strikes that have come home most closely to the general public have been those in the passenger transport industries. A series of district strikes for better

conditions on the country bus services was followed, on May 1, by a complete stoppage of all London's buses. The men demanded the institution of a 7½-hour day, in place of the 8-hour day previously ruling. The London Passenger Transport Board replied that the average time spent daily in actual driving or conducting of buses was only 6 hours and 4 minutes, and only a little over 7 hours including allowances for signing on and off, and for standing and other incidental duties. They alleged that the demand for a working day of half-an-hour less would cost roughly £650,000 a year, even if applied to the central busmen alone; if applied to all members of the Board's staff, the total extra cost would be £1,500,000 a year. They claimed that, during the three years in which the Board had been in control of London's transport, concessions had been made to the workers on all sections—railways, trams and buses—involving the expenditure of £1,150,000 per annum. On the other hand, Mr. Ernest Bevin, the general secretary of the Transport and General Workers Union, who is perhaps the most outstanding trade union leader in the country, alleged that the cost of shorter hours had been greatly over-estimated, and that the speeding-up which had already been applied had caused the men gravely increased strain and sickness.

Answering the critics among the general public who viewed a strike at such a moment as an attempt to make capital out of the coronation, he said that the negotiations for a shorter working day had been proceeding for two years. It so happened that they came to a head in March, and the men had simply given the statutory month's notice of termination of their agreement as soon as they learnt that the Board's decision to exclude the question of hours from the discussions was final. Direct contacts having broken down, the Government appointed a board of enquiry, which reported on May 6. Its three members held that certain of the schedules of work operated somewhat onerously upon the men, but the parties were in any

case agreed that all points of difference except the claim for a 7½-hour day could be settled by negotiation. Concerning that claim, which was based fundamentally on grounds of injury to health, the evidence placed before the enquiry board had been inconclusive. Nevertheless, they were of opinion that a *prima facie* case had been made out for further investigation forthwith by a properly qualified and specially constituted body. Although there were hints that the central trade union leaders were willing to accept a temporary settlement on these lines, the branches voted to hold out for the immediate concession of a shorter working day, and the bus strike continued over coronation week. This may have been a blessing in disguise, as far as central London was concerned, since even with no buses running many streets were virtually impassable, owing to the press of visitors on foot and in cars or taxis.

The prevalence of strikes gave Mr. Baldwin the opportunity for a memorable speech which both he and his audience realised was probably the last he would make in the House of Commons. Knowing, he said, that his time was short there now, he felt he would like once more to say something about the things he had tried to stand for. We ought all to bear in mind—and this had a relevance to all industrial disputes—that democracy was probably the most difficult form of government that had ever been devised, and he doubted whether it had ever been achieved in its fullness in any country in the world. An autocracy was a very easy form of government, because under it we all had to do what we were told, which meant that we were saved the trouble of thinking. Under a democracy, every individual in some degree or another had to do his own thinking, and on whether he thought rightly or wrongly the whole success or failure of that democracy would rest. In our modern civilisation, just as war had been changed from being a struggle between professional armies, with the civilians comparatively uninterested in it, so the weapons of industrial warfare had changed from

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weapons that affected comparatively small localised bodies of men to weapons that affected directly men who had no concern whatever with the issues, except perhaps a natural sympathy with their own class. Did not that show, just as the danger of the modern world showed internationally, that the one thing we must pray for, not only in our statesmen, but also in our leaders of trade unions and in the masters, was wisdom?

He was going to make a last appeal in the House, and it was an appeal to that little handful of men who could decide whether it was going to be peace or strife. There was to-day, said Mr. Baldwin, a feeling in totalitarian countries of contempt for democracy, as a decadent system under which there was no order, industrial trouble was endemic, and the people could never keep to a fixed purpose. There was also in the world a far different feeling, a feeling of admiration for the way in which Great Britain had come through the economic blizzard and was progressing with so little industrial strife. That indeed was the greatest testimony that democracy was rightly functioning: that her children could see her through difficulties, some of which were very real, and could settle them—a far harder thing than to fight. Mr. Baldwin concluded:

In the Abbey on this day week our young King and Queen, who were called suddenly and unexpectedly to the most tremendous position on earth, will kneel and dedicate themselves in the service of their people, a service which can only be ended by death. I appeal to that handful of men with whom rests peace or war to give the best present to the country that could be given at that moment, to do the one thing which would rejoice the hearts of all the people who love this country; that is, to rend and dissipate this dark cloud which has gathered over us, and show the people of the world that this democracy can still at least practise the arts of peace in a world of strife.

The Prime Minister could scarcely have written himself a finer parliamentary epitaph.

CANADA

I. THE BUDGET

THE second session of the eighteenth Federal Parliament of Canada, which ended on April 10, was not only the shortest in recent years, but also the tamest in the memory of veteran observers. Its shortness was due to the Government's desire to bring it to an end by the middle of April in order that the delegations representing the Cabinet and both Houses of Parliament at the Coronation might be able to sail with care-free minds before the end of that month. For this reason it kept its legislative programme within very modest dimensions and free from measures likely to breed prolonged controversy. As a consequence the proceedings of Parliament were marked by an unwonted harmony, which, if conducive to the rapid despatch of business, made them exceedingly dull.

For so brief a session the output of legislation was not inconsiderable. It included Bills establishing the projected trans-Canada air service, preventing the enlistment of Canadian citizens in foreign armies, controlling the traffic in munitions and materials of war (including food-stuffs), providing pensions for the blind on reaching the age of 40, cancelling the effects of the "gold clause" in Canadian bond contracts and agreements, remodelling the capital structure of the Canadian National Railway system, and strengthening the Combines Investigation Act and transferring its administration from the Trade and Industry Commission, whose personnel is identical with that of the Tariff Board, to the Department of Labour. The Government, however, secured passage of the last two measures only after it had consented to amendments insisted upon

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by the Conservative majority in the Senate. A demand that the annual accounts of the Canadian National Railway system should always carry a statement of the amount of public money invested in it was met by an agreement to append to the balance sheet every year a footnote reading:

The proprietors' equity is disclosed in the net debt of Canada and in the historical record of government assistance to railways as shown in the public accounts of Canada.

As regards the amended Combines Investigation Act, Ministers had to concede certain restraints upon the inquisitorial powers they were seeking for the Commissioner, who will administer the statute.

By these concessions they saved these two measures from the fate of their Transportation Bill, which aimed at reorganising the regulatory machinery for transportation in Canada. Introduced in the Senate, it had the approval of the railways with reservations, but it was unpalatable to certain provincial Governments and various commercial interests. Senator Meighen, the Conservative leader in the Upper House, after reiterating his view that the Senate as a nominated body had no right to challenge the will of the elected House upon measures for which an electoral mandate had been given, declared that, although the objects of the Bill were admirable, the methods proposed were unsound and the passage of the measure was not in the national interest. In following his advice and rejecting the Bill the Conservative Senators were backed by two Liberals, and under the circumstances the Government did not feel justified in challenging the verdict.

The longest debate of the session was provided by the budget, which was submitted in February and included the tariff changes involved in the revised Anglo-Canadian trade agreement. Mr. Dunning, the Minister of Finance, had a much more cheerful tale to tell than a year ago. Estimating aggregate revenue for 1936-37 at \$452,123,000, and aggregate expenditure at \$539,518,000, he was able to show that the forecast of a deficit of \$100 million made in

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his previous budget speech had been too pessimistic by \$12½ million. He was unable, however, to promise any relief for the taxpayers, and the only changes in taxation consisted in some adjustments in the lists of exemptions from sales tax. But he held out roseate hopes for a progressive improvement of the national finances. Forecasting for the fiscal year 1937-38 a revenue yield of \$485 million and an aggregate expenditure of \$520 million, he predicted the reduction of the deficit to \$35 million, and, if the process of economic recovery was not checked, its complete elimination in the following year.

In a comprehensive survey of the Dominion's economic situation, Mr. Dunning explained the underlying motives of the Government's fiscal and monetary policies. He warned the House that a growing tendency to hectic speculation should be curbed, and that it might be necessary in the national interest to call a halt to the policy of "easy money", which under the combined encouragement of the Government and the Bank of Canada had made a great contribution, he said, to the restoration of reasonable prosperity. The Opposition's chief criticism of the budget was that the maintenance of the sales tax at the high level of 8 per cent. imposed a strain upon Canadian business which it could not bear indefinitely.

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THE tariff changes of the new Anglo-Canadian trade agreement covered a wide range of commodities, but the reduction of duties involved was, generally speaking, much smaller than had been expected, most of the cuts being only of the order of 5 or 2½ per cent. Ministers were thus able to claim that they had been very successful bargainers, having secured the retention of Canada's valuable preferential privileges in the British market without any excessive sacrifice of Canadian manufacturing interests. They were also able to show that from a Liberal standpoint

the new treaty was a great improvement upon the pact of 1932, inasmuch as it sought to deepen the channels of trade by a net lowering of tariffs, and that by reducing the number of preferences which Canada was pledged to maintain at no less than their present level they had acquired freer scope for bargaining about trade with foreign countries, especially the United States. They had to face, however, some sharp criticisms from their western supporters, who were disappointed with the meagreness of the tariff cuts and thought that the textile and other manufacturers had been left with too much protection.

In his observations upon the treaty Mr. Bennett gave his party a very temperate lead which they obediently followed. Arguing that in its fundamental features the new treaty was simply a replica of the old, with the verbiage of its more important clauses skilfully altered by versatile draftsmen but their purport left unchanged, he pressed home charges of inconsistency and hypocrisy against the Government. In support of them he was able to quote chapter and verse from the speeches of Mr. Mackenzie King and his colleagues, in which they had condemned as unsound or dangerous provisions of the 1932 agreement that now received their approval. On details he directed his chief criticism against the alleged hardships inflicted upon the textile industries of Canada by the lowered duties on their products, against the defects in the arrangement whereby the Canadian Government will check the dumping of Canadian goods in Great Britain, and against the failure to take measures to frustrate certain trade cartels which seem to regard the Canadian preferences as a subsidy to themselves, allowing the consumers to derive little benefit. He found Mr. Dunning in complete agreement upon the need for checking activities that serve only to bring the whole preferential system into disfavour in Canada.

Mr. Bennett and Mr. Dunning, moreover, concurred in the view that owing to the sharper rise in the British price level than in the Canadian the competitive position of

British exporters in the Canadian market will not be immediately improved by the treaty. The Conservatives voted for the treaty along with the other parties. Their amendment to the budget deploring the inadequacy of the Government's unemployment policy, though supported by the two Left groups, was defeated by 145 votes to 47.

III. CONSTITUTIONAL REFORM

ANOTHER issue that came into high relief during the session was the reform of the constitution. Its urgency was forced upon Parliament by a series of decisions of the Judicial Committee of the Privy Council, which, confirming in the main earlier judgments of the Supreme Court of Canada, pronounced invalid a group of social and industrial reform measures passed by the late Conservative Ministry. One result of these decisions is to make virtually impossible a national scheme of unemployment insurance, to which all parties are pledged. It appeared that without amendments of the constitution the pace of industrial and social reform must be slowed down to the rate acceptable to the most reactionary of the provinces. Successive debates on the constitutional problem, which were conducted on an admirable level, disclosed a consensus of opinion among all parties that the task of reform brooked no further delay. One of them produced a very bitter attack by Mr. Cahan, a former Conservative Secretary of State, upon the Judicial Committee of the Privy Council, which he charged with grave responsibility for Canada's constitutional difficulties and confusions.

In spite of agreement on objectives, there were sharp divergences of opinion about the best methods of procedure towards reform. Mr. Bennett and some Liberals took the view that the Federal Parliament had the power to secure constitutional reforms by its own initiative, and pleaded for the immediate summoning of a constitutional conference to work out the necessary amendments. Mr.

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Lapointe and other Ministers, however, holding that the endorsement of the provinces was necessary for any constitutional changes, were doubtful of securing the acquiescence of certain provinces in a constitutional conference. They felt that as a preliminary step there should be further Dominion-provincial conferences on the subject. The Government has nevertheless decided that it must make some move, and has committed itself to the appointment of a Royal Commission which will investigate the financial and tax structure of Canada and recommend such re-allocation of sources of revenue and administrative responsibilities as it may find desirable. The report of this Commission should provide a basis for plans of constitutional reform.

IV. THE SESSION IN RETROSPECT

DURING the session no new parliamentary reputations were made. Mr. Mackenzie King was content to reserve his interventions in debate to a few important issues like the question of constitutional reform and the defence programme. The main burden of upholding the Ministerial case on the budget, the Anglo-Canadian agreement, and all matters relating to financial and economic policy was left to Mr. Dunning, who showed his usual skill and versatility in presenting it and answering criticisms. But as the session progressed the attitude of the Minister of Finance on tariff matters and other questions fanned suspicions, which for some time past have been lurking in the minds of the more radical element in the Liberal party, that the formerly progressive-minded paladin of the Western grain-growers had been contaminated by his associations between 1930 and 1935, when he was out of Parliament and was engaged in business in Montreal; that he had exchanged his old reforming fervour for a thoroughly conservative viewpoint, which was primarily concerned with the fortunes of the industrial and commercial interests of eastern Canada.

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In the closing days of the session this feeling of disquiet about Mr. Dunning was expressed in an open revolt of a group of low-tariff Liberals against upward changes in the tariff designed to benefit the Canadian manufacturers of furniture and hats. Mr. Dunning was supported by the bulk of the party, and the tariff changes were endorsed, but the discussion revealed a sharp cleavage of opinion within the Liberal party on the tariff issue, and left the impression that, in the event of the retirement of Mr. Mackenzie King, Mr. Dunning would not, as seemed probable a year ago, have an undisputed claim to succession to the Liberal leadership. Of the younger Ministers, Mr. Ian Mackenzie handled the delicate problem of the defence estimates with a combination of firmness and tact, and Mr. Ilsley, the Minister of National Revenue, added to his parliamentary prestige.

The Conservatives, in Opposition, signally lacked the wealth of debating talent necessary to make good their numerical weakness. Yet their leader, Mr. R. B. Bennett, remained the outstanding personality in the Commons, and by reason of his facility of speech, his prodigious memory and his wide experience of politics, finance and business, he constituted by himself an effective and useful Opposition.

Throughout the session, without for a moment failing to mete out vigilant criticism of the Government's Bills and estimates, he was never factious, and by his constructive suggestions made a valuable contribution to the results of the session. On such problems as defence policy and constitutional reform, he took the broad view that national interests must come before party considerations, and for his co-operation in the speedy despatch of business he received the cordial thanks of the Premier. He emerged from the session with his prestige as a parliamentarian and statesman higher than ever before, and as a result there is widespread regret, even among his political opponents, at intimations of his impending retirement from active politics. It is apparently his intention, after he

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returns from Europe in June, to summon a meeting of the Conservative members of the Commons and Senate and submit his resignation as leader, but the impression prevails that the Conservative party, when it comes to examine the merits and qualifications of possible successors, will decide that none of them is adequate for the task, and will bring pressure to bear upon him to remain at his post for a few years.

In his 67th year, Mr. Bennett is still in the prime of his powers, and his retention of the Conservative leadership would be peculiarly desirable in view of the effective contribution he could make to the solution of the problem of constitutional reform. If, however, he were to insist upon retiring, the claims of Senator Meighen, Dr. Manion and Mr. W. D. Herridge would probably receive chief consideration. But Senator Meighen is incarcerated in the Senate, Dr. Manion as a Catholic would not command favour with the extreme Protestant elements of the party, and Mr. Herridge, who has been keeping himself in the public eye by a series of public speeches, would be unacceptable to the financial and industrial magnates in the Conservative party. He has consistently proclaimed his conviction that there can be no permanent prosperity for Canada under the present economic system, and has advocated a system of national "planning".

Of the two Left groups in the Commons, the Social Creditors, 18 strong, could make no serious contributions to normal debates, and bored the House by their intermittent and vague expositions of the wonders that the adoption of Social Credit would work for Canada. The tiny C.C.F. group, on the other hand, although only seven in number, were effective critics of the Government on unemployment policy and other matters, and in Mr. Woodsworth and Mr. Coldwell they had two of the best parliamentarians in the House.

Canada,

April 1937.

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I. THE REFERENDUM

ON March 6 the Australian people voted by referendum on the proposed amendment of the Commonwealth constitution to increase the powers of the Federal Parliament in respect of marketing and aviation. Both referendums were defeated.*

The circumstances that led to the proposals to alter the constitution have been set forth in previous numbers of *THE ROUND TABLE* † and need not be repeated here. The marketing amendment almost monopolised public attention, and the fate of the aviation proposal was probably determined by its unequal yoking with its unhappily chosen team-mate.

The following figures show the result of the voting:—

<i>Aviation</i>		<i>Marketing</i>	
Yes . . .	1,924,946	Yes . . .	1,259,808
No . . .	1,669,062	No . . .	2,214,388
Informal .	150,355	Informal .	270,167
Majority for	255,884	Majority against	954,580

The marketing amendment was rejected in every state, and in all but Victoria the negative vote was overwhelming. In every state there were more affirmative votes for the aviation amendment than there were for the marketing amendment, but only in Victoria and Queensland were

* Section 128 of the Commonwealth constitution provides that proposals to amend the constitution must be passed by the Federal Parliament and then submitted to the electors by referendum. They become law if they are approved (a) by a majority of the votes cast, and (b) by a majority of voters in a majority of states.

† See No. 105, December 1936, pp. 194-206 (marketing); and No. 106, March 1937, pp. 428-429 (aviation).

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there majorities in favour of the aviation proposal, which was consequently defeated.

In Queensland, where the electors were strikingly discriminating in their attitude towards the two proposals, the count furnishes a striking proof of hostility to the marketing proposals by electors who were prepared to grant the Commonwealth full control of aviation. Every one of the ten Queensland electorates gave aviation a comfortable affirmative majority. Nine rejected marketing emphatically, and in the tenth—Wide Bay—the voting was close. The figures for Brisbane were the most decisive. There, aviation obtained a “yes” majority of 10,194, marketing a “no” majority of nearly 22,000. But the rural electorate of Darling Downs told the same story with only slighter emphasis, giving an affirmative majority of over 6,000 for aviation, and a negative majority of almost the same size for marketing. Again the informal vote, which was unusually heavy everywhere, was much larger on the marketing issue.

In the three more populous states—New South Wales, Victoria, and Queensland—the result represented a silent revolt from the guidance of most political leaders and newspapers. The Premiers of the three states, most members of the Opposition (except in New South Wales) and nearly all the daily papers supported both proposals. But the New South Wales section of the Labour party, led by Mr. Lang in the state and Mr. Beazley in the Federal Parliament, advocated a double negative vote. It supported this policy by appeals to prejudice and by threats of disastrous consequences, rather than by any reasoned argument on the undoubtedly difficult issues involved. The simplicity and emphasis of its condemnation of the proposals was no doubt an important factor in their rejection in New South Wales. The Premiers of the three less populous states—South Australia, Western Australia, Tasmania—were energetic opponents of the marketing amendment and had the support of most of their states’ newspapers

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and many opposition members. Federal leadership was almost entirely in favour of an affirmative vote. The proposals had passed through Parliament with the complete concurrence of the two parties supporting the Government, and the virtual support of the Opposition (Labour), which dissented formally, on the ground that the proposed marketing amendment did not go far enough. A superficial observer might therefore have predicted a majority for both amendments in the Commonwealth as a whole.

The result, none the less, is easily explained.

First, the people of Australia are conservative unless the sharp pressure of material need or outraged sentiment makes them momentarily radical. The fate of previous proposed amendments to the constitution reinforces this deduction from the common behaviour of man as a political animal. Out of twenty proposed amendments to the constitution, only three have been carried. Two of these were non-contentious. The third—the Financial Agreement of 1928—had far-reaching implications, but these were not understood at the time, and, in the absence of a strong opposition, most electors accepted their leaders’ assurances that it was non-contentious. Again, compulsory voting—a speciously democratic measure—strengthened the negative vote. Judging by the polls at elections and referendums before voting was compulsory, it seems that about 25 per cent. of the voters on March 6 went to the booths simply to escape fine.

Citizens were not asked to remove a flaw in the constitution in order that it might be made an efficient instrument of government for all purposes. They were asked to preserve a system of subsidies to the primary producer. Many of them did not know they had given support to such a system in the past. Instead of being regarded as a question whether the Commonwealth Parliament should have power to enact whatever legislation might be desired concerning marketing, the issue tended inevitably to be whether or not marketing schemes were desirable. And

many people who had no objection to the controlled marketing of dried fruits and butter were fearful of the possible results of an extension of government interference.

Moreover, the precise legal effect of the proposal was not easily understood by the bulk of the electors, who, after all, are not lawyers. The general level of political education of Australians is fairly high. They understand in a broad sense many of the problems that result from the division of legislative powers necessary in a federal system. The marketing amendment, however, proposed to qualify in favour of the Commonwealth the constitutional prohibition against interference with the freedom of trade, commerce and intercourse between the states. It was not easy to determine the precise limits to which this amendment would extend the powers of the Federal Parliament. What interpretation the Court would place on the word "marketing" was not known. There was no live issue. Many people who were ignorant, and more who were uncertain, decided that "safety first" indicated a negative vote.

But lack of knowledge and lack of interest alone do not account for the defeat of the proposal. Many intelligent, well informed and patriotic citizens, who felt that already there is in Australia too much state control of individual enterprise, voted "No". Some influential organisations, among them the Sydney Chamber of Commerce, advocated a "No" vote. And a number of city workers were no doubt influenced by the New South Wales Labour party propaganda, which asserted that the purposes as well as the effect of marketing schemes were to give the Londoner cheaper butter and other commodities at the expense of the Australian consumer—omitting to add for the benefit of the Australian producer. These allegations were supported in the New South Wales Labour press by hints at a sinister imperialist design.

Another factor was the anti-federal attitude that has grown up in the last decade. In all federations it seems

that there is an ebb and flow between state loyalty and national loyalty. Now the centrifugal, now the centripetal force prevails. The Swiss and American federations have given abundant proof of this. The inconstant nature of man affords a partial explanation, which changing economic conditions supplement.

Between 1901, when the Commonwealth came into being, and 1914, federal sentiment strengthened. Pride in the new nation, Australia, grew, and attachment to a state was regarded as parochialism. War-time necessities gave the Federal Parliament an ample field for legislation and taxation. War-time sentiment created the "digger", the indivisible Australian type, who might hail from Melbourne or Milparinka, but who was indubitably Australian, and knew nothing of local prejudice when he served the Commonwealth in Picardy or Palestine. By 1920 Australia was, materially and spiritually, one nation. Since then, disintegrating (or centrifugal) forces have strengthened. Comfortably occupying taxation fields that were first entered because of war-time needs, the Federal Parliament has, without express design, been forced into the rôle of an arrogant usurper. The financial needs of the states grew while their financial opportunities diminished. After the slump of 1929, the Commonwealth was able to make a relatively rapid recovery, while the states were left waiting for the slow rise in export prices. Though the Federal Government was economical in expenditure and was considerate to the states, it became the practice for irresponsible state politicians and newspapers in the state capitals—which are the only great cities of Australia—to ascribe all ills to the alleged extravagance of the Federal Government.

In the defeat of the referendum anti-Commonwealth sentiment was equalled by anti-Government feeling. The elector who is not bound to the Labour party by class-consciousness has scant opportunity of telling the Federal Government how much he dislikes some of its actions. While Mr. Lyons is respected everywhere, and deservedly

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retains a great measure of personal confidence, some of his Ministers are unpopular. The trade diversion policy, the book censorship, the exclusion of Mrs. Freer, and the unimpressive record of Ministers during the last two years reinforced the opposition, encountered by any referendum proposal, from people who desire to reject it because they distrust or dislike the Government that sponsors it.

The amendment relating to aviation was submitted to the electors along with the marketing amendment simply to save expense. It proposed to insert "air navigation and aircraft" among the subjects in respect of which the Commonwealth Parliament can legislate. It aroused little controversy, and had it not been coupled with the marketing referendum it might have been carried in all states. Not a few voters recorded a double "no" because their mind took a negative turn on what they considered the major issue.

Aviation would almost certainly have been placed under Commonwealth control had the conquest of the air been achieved before the Australian colonies federated. The regrettable failure of technical improvement to synchronise with political planning deprived the Australian constitution of any express provision for control of aviation. As the states exercise all legal power not definitely granted to the Commonwealth, aviation has become primarily a state matter. The Commonwealth, however, has a limited authority over aviation by virtue of three grants of power given primarily for other purposes. First, s. 51 (vi) gives it control of the defence of the Commonwealth. Some control of aviation, more extensively in war than in peace, must fit in there. Secondly, s. 51 (i), possibly affected by s. 92, gives it control of such aircraft as may be engaged in interstate trade and commerce. Thirdly, international air conventions may be enforced by the Commonwealth under s. 51 (xxix)—external affairs. Air traffic may therefore be regulated by the states, subject to some regulation by the Commonwealth, derived from three

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different sources. Here is room for confusion, conflicting rules and litigation. The proposed amendment would have allowed uniformity in the control and regulation of aviation throughout Australia. Its defeat is regrettable.

The argument most used against the proposed amendment was that aviation is a means of transport, with immeasurable potentialities, and that transport is not only an undertaking subject to state regulation, but is mainly a state-owned enterprise. The states of Australia have almost a monopoly of railway and tramway transport and are rapidly acquiring complete ownership of motor-bus transport. The Commonwealth, it was argued, could greatly diminish the value of state-owned transport by encouraging competition by aircraft in the most profitable part of the states' transport business—passenger carriage and parcel transport. This argument, however, probably did not convince many. Those who voted against the aviation amendment probably did so for the most part either because they were predisposed against any increase of federal powers, or because they regarded the two amendments as two measures of one Government any proposals of which they had been taught by irresponsible propaganda to distrust.

II. THE TRADE SETTLEMENT WITH JAPAN

THE difficulties that arose between Australia and Japan from the "trade diversion" policy put into force by the Commonwealth Government in May 1936 have already been described in two articles in *THE ROUND TABLE*.^{*} The second of these brought the story down to October last, when the Japanese were still refraining from buying wool, wheat, and flour in the Australian market, and each country was still, in effect, prohibiting wide ranges of imports from the other.

^{*} No. 104, September 1936, p. 843; and No. 105, December 1936, p. 206.

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Each appeared to expect that the other's hands would be forced by the facts of the situation: Australia, that the Japanese textile industry would exhaust its supplies of wool; Japan, that Australian growers of wool and wheat, faced with depressed prices, would insist that the Commonwealth Government seek a settlement.

Whatever may have caused the settlement that was reached late in December, it does not seem to have been public pressure on the Commonwealth Government from growers of wool and wheat. Although both industries had been seriously alarmed by the consequences of the Government's action, their leaders, while privately making some strong protests, complied with the Prime Minister's request to refrain from any public criticism that might embarrass the Government in its negotiations. The whole incident, indeed, has had no more remarkable feature than the confidence it has shown that Mr. Lyons enjoys.

The Commonwealth Government was fortunate also in the increased demand for both wool and wheat that showed itself within a few months after the Japanese ceased to buy. Wheat has risen to 5s. (Australian currency) and upwards a bushel, a higher price than at any time since 1930; and by November the price of wool was well above the average of the 1935-36 season. Before setting out the terms of the settlement, it will be convenient to recall the extent of the trade in the commodities that were most affected by the trade diversion policy.

In 1935-36, Australia's imports from Japan totalled about £6,200,000 (values throughout are in Australian pounds), of which rayon piece-goods accounted for £1,750,000, and cotton piece-goods £1,100,000. Australian exports to Japan reached the unprecedented total of £17,600,000, of which £14,600,000 represented wool, and £2,000,000 wheat and flour.

The quantities of piece-goods imported from Japan in the calendar year 1935 were 66 million square yards of rayon

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and 86 million square yards of cotton. During the abortive negotiations in April and May last year, the Commonwealth proposed to reduce the annual quantities to be imported to 30 million square yards of rayon goods and 50 million of cotton goods, with proportionate upward adjustment if Australia's total imports increased. Japan insisted upon retaining 90 per cent. of the rayon figure, with no restriction on cotton piece-goods and no alterations in the duties on these items. Further—and this was a point that had considerable influence in hardening Australian opinion in favour of the Government when Mr. Lyons made it public in his broadcast at the end of June—the Japanese Government in effect told the Commonwealth Government that useful discussions upon the import of textiles could take place only when Australia had given Japan a share of the market for other goods now enjoyed by goods of British origin.

The settlement reached at the end of December is to regulate the trade in raw wool and textiles until June 1938. Discriminatory restrictions on other imports are removed in both countries. During the period of eighteen months Japan is to admit 800,000 bales of Australian wool (that is to say, at the rate of about 530,000 bales a year, which is roughly the amount sold by Australia to Japan in 1934, but 30 per cent. less than in 1935). Australia is to admit 51 million square yards a year of rayon piece-goods and the same quantity of cotton piece-goods. In addition, 18 million square yards a year of calico for making bags will be admitted. Total imports of rayon and cotton from Japan will thus be about 120 million square yards a year, which is roughly the amount imported in 1934, but some 20 per cent. less than in 1935. Substantially lower duties on these products are to be levied in Australia.

Briefly, the settlement may be described as a return to the trade of 1934; but in comparison with the trade of 1935 this means a proportionately much greater loss to Australia in exports of wool than to Japan in exports of

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cotton and rayon.* If total imports of textiles by Australia are maintained at the figures of 1935, there will be available to Great Britain and competing foreign countries a market for about 160 million square yards of rayon and cotton goods.

Japanese buyers immediately began to operate at the January wool sales in Australia, and wool rose about 13 per cent. above the December prices. In both countries there was a feeling of relief at the settlement. Although the trade diversion policy did not appear to produce in Japan the bad relations that had been feared in Australia—the Japanese have had many experiences of obstacles raised against their trade by other countries, of which the Australian restrictions were by no means the severest—it was felt in Australia that it was unwise to continue to run the risk of active unfriendliness with so near a neighbour. To the Commonwealth Government the settlement was very welcome. It had had undeserved good fortune in the rise in the prices of wool and wheat, but if they had fallen back, and a settlement had still not been reached, it might have had to face an increasingly hostile public opinion at the approaching general election.

III. WOOL PUBLICITY AND PROSPECTS

ABOUT ten years ago an officer of the Department of Scientific and Industrial Research in London, visiting Australia, drew attention to the possibility of future competition with wool from fibres produced by chemists. That had already been the fate of another important textile product, natural silk. In recent years artificial silk, or rayon, has made great inroads into the market for natural silk, and to a smaller extent into that for cotton. It

* During the six months July to December 1936, for the greater part of which each country's restrictions were in operation, Australian exports to Japan amounted to a little more than £500,000 compared with over £8,000,000 in the same period of 1935; whereas Japanese exports to Australia dropped only from £3,300,000 to £3,100,000.

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has now also become clear that the growing production of staple fibre may affect the consumption of wool.

Chemically, staple fibre is much the same as rayon, both being made from wood pulp. The cellulose in the wood is dissolved, the solution being forced through minute holes or spinnerets, and forming as it solidifies tiny smooth-faced filaments. As these come from the spinnerets the filaments are twisted into threads, and the threads in turn are spun into a filament yarn, which is finally woven into the artificial silk or rayon materials. During the world war, the process was developed in Germany under the trade name now known as "Vistra", which is practically the same as what is called "staple fibre" in England. The process for staple fibre is only slightly different from that for rayon.

Fabrics made of staple fibre wear reasonably well, and are pliable and soft. The yarn has a soft glowing lustre and takes dyes well. It also imparts softness and good draping qualities to fabrics. However, staple fibre yarn is not as elastic as wool; for the molecular structure of wool is quite different from that of cellulose, and gives it warmth and elasticity.

World production of rayon increased from 190,000,000 lbs in 1925 to about 1,022,000,000 lbs in 1936. The production of staple fibre, little known before 1930 (although it was discovered some fifty years ago), has risen to about 259,500,000 lbs in 1936. The total world production of clean-scoured wool is approximately 1,700,000,000 lbs. While the production of staple fibre is thus still a long way below that of wool, if the former continues its present rate of increase it may soon loom as a serious competitor to Australia's main product. Australia's annual production of wool is approximately 460,000,000 lbs, clean-scoured. It is possible that staple fibre will gradually come to be used in conjunction with wool, thus producing a wider range of materials and mixture of cloths. This, however, may largely depend upon the price of wool and

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the extent to which the complementary use of the two fibres can be developed by research and publicity.

The subject was discussed at the Empire Wool Conference in Melbourne in 1931, when it was agreed that a publicity campaign was desirable; but no organisation on comprehensive lines was undertaken, except for the holding of "Wool Week" campaigns each year in the different states. In England some similar publicity has been carried on, and the wool trade subscribes regularly to research for the purpose of finding new uses for wool. In 1935, representatives of manufacturing interests in Great Britain, in conjunction with certain Australian pastoral interests in London, arranged for an expert to visit Australia to explain to pastoralists the effect of the growing competition of staple fibre.

The mission visited Australia in April 1936, and later that year, at the request of the Australian woolgrowers, the Commonwealth Government passed the Wool Tax Assessment Acts of 1936, which provide for a levy of 6d per bale on all wool produced; the proceeds, which are estimated at about £70,000 per annum, are to be used for wool research and publicity. The Australian Wool Board was constituted to control and administer the funds. This board consists of six members, one from each Australian state nominated by the woolgrowers, and one appointed by the Commonwealth Government.

In South Africa, a compulsory levy had been paid by woolgrowers from 1929 to 1932, when it was temporarily suspended; this levy, which amounted to 1s. per bale of greasy wool, was used for research mainly connected with the improved production of wool. The fund was being administered by the South African Wool Council. In 1936, New Zealand also passed legislation similar to that in Australia, the funds to be administered by the New Zealand Wool Publicity Committee.

A conference was held in Melbourne in January 1937 between delegates from New Zealand and South African

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bodies and the Australian Wool Board, and definite plans were drawn up. It was agreed that a minimum amount of £50,000 per annum would be provided by the three countries to prosecute the research and publicity scheme, the contribution of each to be in proportion to the weight of wool it exports. The plan is to be controlled jointly by the three boards, who have appointed an executive committee; a permanent international secretariat will be stationed in London. It is expected that the wool-growers will have the full co-operation of British wool-manufacturing interests, although up to the present it seems that they have given little assistance. It is possible also that other large wool-exporting countries, such as the Argentine and Uruguay, may later join in the scheme.

Of the two objectives of the campaign, namely, research and publicity, leaders of the wool industry at present tend to emphasise the importance of the former. Much research work into pastoral problems has already been carried out in Australia, New Zealand, and South Africa. On the side of wool manufacture, research work has been carried out for some time by the Wool Industries Research Association at Torridon, Leeds, as well as by a number of leading mills. It is expected that these activities will be extended by subsidies from the new fund.

The publicity section of the work will probably be devoted to the dissemination in wool-consuming countries of scientific facts concerning wool, and the extension of knowledge of new processes, fabrics, and other discoveries resulting from research work. That a well-managed plan of publicity can stimulate consumption is shown by the success of the wool publicity campaign in the United States in 1934 and 1935, although it is probable that, since the latter year, the improved demand for wool has been partly due to general economic improvement.

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IV. THE AEROPLANE CONTROVERSY

THE Federal Government has ordered forty American (N.A. 16) aeroplanes from the Melbourne factory of the Commonwealth Aircraft Corporation Proprietary Ltd. This company came into existence with government backing following on the decision to build aircraft for defence in Australia. Certain existing companies united to finance it. These included the Broken Hill Proprietary Ltd., Broken Hill Associated Smelters Ltd., and General Motors Holdens Ltd., the last named being connected with a United States undertaking. The decision to use American designs was made on the recommendation of the Air Council, advised by experts. The Prime Minister has stated that the adoption of the N.A. 16 was "an interim step" and that the manufacture of a modern British twin-engined type would be undertaken next. The Government had intended to use British designs, but when the time arrived for initial manufacture by the new company there was not available a British type suitable for the requirements both of the air force and of the manufacturers.

Criticism has flowed freely. The responsibility for the inclusion of American capital in the Commonwealth Aircraft Corporation has been laid at the door of the Government, without whose guaranteed order the company could not have been formed.

The two most telling points made against the Government are that Empire air equipment should be interchangeable, and that the building company should be all-British in order that the Imperial Government may be "willing to place secrets" in its hands. The first point seems incontrovertible, though the advantage to Australia of equipment easily replaced from the United States is not negligible. The second will not bear closer scrutiny. The British Government has announced that it will make available to the Commonwealth secret information relating to aircraft development without any stipulation. Whatever

NORTHERN TERRITORY ADMINISTRATION

methods are used by Governments to safeguard secret designs or principles of construction, the scrutiny of the share-lists of manufacturing companies is not among them.

The main concern of the public has been to understand the motive of the Government. While most people would prefer a British-built air service, there is no general prejudice against American aeroplanes. Indeed an impression prevails that, as American conditions resemble ours more closely than do British conditions, American planes might perhaps be more satisfactory. The late Sir Charles Kingsford Smith always preferred an American machine. It is possible that the Government acted hurriedly and without the best advice. None the less the Prime Minister's statement that quick action was vital, and that this necessitated securing the services of the particular company selected and the adoption of an American design, is generally accepted.

V. THE NORTHERN TERRITORY ADMINISTRATION

PUBLIC attention has been directed to the Northern Territory by the appointment of Mr. C. L. A. Abbott, member for Gwydir in the House of Representatives, to the position of Administrator. A lively stream of newspaper criticism was directed against the suggested appointee and the Government's alleged policy of drift. A Committee of Inquiry into the resources and possibilities of the Territory has been set up, consisting at present of Mr. W. L. Payne, chairman of the Queensland Land Board, and Mr. Fletcher, a well-known Queensland pastoralist. The third member proposed has not so far been appointed. The Committee will probably investigate and report on the locating of lands suitable for cattle, sheep, and agriculture, the carrying capacity of grazing lands, the area for holding and the system of land tenure necessary to encourage settlement, and the requirements for turning settlers' products to the

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best account, such as transport, meat works, and development of ports.

The appointment of Mr. Payne as chairman of the committee has been generally approved. Mr. Payne has a thorough knowledge of the problems attending land settlement in the Gulf country of Queensland, which adjoins the Territory, and has the confidence both of the Queensland Labour Government and of the pastoralists—a unique recommendation. There is a general disposition to trust the Payne Committee and to hope that the new Administrator, informed and fortified by its report, will open a new page in the development of Northern Australia.

Australia,

April 1937.

SOUTH AFRICA

I. THE PARLIAMENTARY SESSION

BY the time these lines are read, the 1937 session of the Union Parliament will have passed into history—they are being written with something like a month's work still to be done. From the point of view of the Government, the session will doubtless be regarded, in retrospect, with mixed feelings. The legislative output promises to be considerable, much of it moreover of real value; yet it cannot be denied that there has been a good deal of disunity and disgruntlement in the ranks of the Government's supporters—even in the Government itself.

Some of the legislation—that of most value—has been non-contentious. General Smuts has been responsible for a very useful new Companies Act. A Children's Bill—a new charter for the children of the Union—has been passed. An unemployment insurance measure has for the first time been enacted by the Union Parliament. The laws regulating industrial relations—the Industrial Conciliation Act and the Wage Act—have been revised and considerably improved. Other measures have proved to be more contentious, and the disputes have sometimes been within the ranks of Government supporters, though they have been more or less skilfully concealed or bridged over. The Aliens Act represented a fairly successful compromise between the liberal and the anti-Semitic elements on the Government side. The Marketing Act at times threatened to cause a split between its town and country supporters. The Abdication and Coronation Oath Acts gave rise to a good deal of uneasiness among those who felt that they raised issues that might well have been avoided, while the

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King Charles's head of South African politics, the divisibility of the Crown, was frequently brought into the controversy. Each of these measures will be dealt with later in this section.

Even more uneasiness has been caused on the Government side by the cleavage of opinion, which at times became very patent, on questions affecting the relations between South Africans of different races and colours. Both in the Government and in the United party there are quite obviously a liberal and a reactionary wing on these matters, and the differences have been skilfully exploited by the Nationalist Opposition, which has found the appeal to colour prejudice one of the most effective weapons in its armoury. As a result, private members of the United party were led to introduce three provocative Bills dealing with marriages between Europeans on the one hand and Asiatics and natives on the other, with the employment of Europeans by Asiatics, and with the further restriction of the rights of Asiatics to own land. For a time the attitude of the Government was by no means clear on these matters—some of its members expressed their sympathy, in the House or outside: others quite unequivocally indicated their opposition. Eventually, however, the Government as a whole faced up to the position, and declared that it would have nothing to do with any of these measures, though not until public opinion in India had been gravely stirred. The upshot of it all was both to show how delicate the relations between those two members of the Commonwealth—India and South Africa—still are, and to reveal the vulnerability of the Government on questions involving colour prejudice and sentiment. It has overcome the present difficulty, but there can be little doubt that further similar difficulties will arise, and they may not prove as easily surmounted.

THE ALIENS ACT

II. THE ALIENS ACT

IN the last number of *THE ROUND TABLE** a brief reference was made to the growth of anti-Semitism in South Africa. An organisation known as the Greyshirts, drawing its inspiration from Germany, has been active in the country for several years and has met with a good deal of sympathy, especially in the Afrikaner community. Up to the present the Greyshirt movement has not succeeded in becoming quite respectable, and no prominent politician has yet publicly given it his blessing. A brief survey of the Union's immigration policy will, however, show that the anti-Semitic movement has not been without its influence on the practice of political parties.

The first Union Act dealing with immigration was passed in 1913. As far as Europeans (a term which includes Jews) were concerned, the Act laid down the policy of "the open door": that is, it admitted everyone who was neither a criminal nor likely to become a burden on the community. In 1930, as the result of a relatively large immigration (mainly Jewish) from eastern Europe, the Quota Act was piloted through Parliament by Dr. D. F. Malan, the present Nationalist leader, who was at that time Minister of the Interior in General Hertzog's Cabinet. The Act set a limit to the number of immigrants who would be permitted to enter the Union from eastern Europe, but for the rest maintained the open door. Though the Quota Act did not specifically mention the Jews, it could not be denied that it was directed against them, and it was for that reason that General Smuts, the leader of the old South African party, led his reluctant followers into opposition against the Bill.

The Quota Act achieved its purpose. But when the Nazis came into power in Germany a new situation developed. There took place a large exodus of German Jews. European countries bordering on Germany were willing temporarily to accommodate a considerable number

* No. 106, March 1937, p. 441.

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of these homeless refugees, but insisted that the majority of them must re-emigrate. Various organisations came into existence to assist them to do so, and it was found that, apart from Palestine, the regions to which emigration could be most hopefully directed were Russia, the United States, South America, the Middle East, and South Africa. In the other countries of the British Commonwealth, including Great Britain herself, immigration laws closed the door almost entirely to aliens. Under these circumstances there has been a considerable increase in the number of Jewish immigrants into the Union since 1932. In that year, owing to the Quota Act, it had dropped to 676. By 1935 it had risen to 1,059, and in 1936 it stood at 3,344, of whom about 2,500 were German Jews.* It should be noted that the number of British and Dutch immigrants rose simultaneously from 1,274 in 1932 to 3,614 in 1935.

When it became clear that the Jewish immigration figures were rising, an agitation was set on foot in the country; this reached its culmination during the closing months of 1936. And the leaders of the agitation were not the Greyshirt leaders but those of the Nationalist party. A group of professors of the Afrikaner University of Stellenbosch joined in it. Protest meetings were held in many parts of the country, and the most unfortunate and dangerous feature of these meetings, as well as of Nationalist speeches in the subsequent parliamentary debates, was not the demand for the prohibition of Jewish immigration, but the reasons given for the demand. For those reasons indicted all Jews, citizens of the Union no less than foreigners, and bore a close resemblance to the reasons given by the Nazis for the suppression of the Jews in Germany. As Mr. J. H. Hofmeyr put it in Parliament:

Their coming (*i.e.* that of the German Jews) is not a tragedy. The tragedy is that their coming is used as a means of arousing a spirit of anti-Semitism and of creating a new race-hatred.

* The 1936 total was swelled by the premature arrival, under special circumstances, of 500 German Jews. (See THE ROUND TABLE, No. 106, March 1937, p. 441.)

THE ALIENS ACT

There can be little doubt that the agitation in the country, which did not leave its own supporters unaffected, forced the Government's hand, though Mr. Hofmeyr assured Parliament that the Aliens Bill had been drafted before the agitation reached its culminating stages. This Aliens Bill, which was the Government's reply to the excitement stirred up by the Nationalists, actually passed its first reading before Dr. Malan was given the opportunity of introducing a motion censuring the Government for its neglect in the matter of Jewish immigration. Dr. Malan's motion showed that the Nationalists wanted a law which would, for the first time in the history of this country, specifically name the Jews as prohibited immigrants and debar Jewish aliens * already here from accepting any paid job without the permission of the Government. The motion was defeated, and Parliament then proceeded to pass the Government's immigration measure.

The Government claims that the Aliens Act has been framed in conformity with the immigration laws of the other States of the British Commonwealth. The Act repeals the Quota Act and gives a Board appointed by the Government an absolute discretion in choosing among would-be immigrants except such as are British subjects *by birth*; it prohibits aliens from changing their occupation during the first three years after their arrival in the Union without the Government's consent; and it forbids anyone to change his name, except where such change is in accordance with well-established custom, unless he has obtained the approval of the Government. Little concern was expressed in Parliament at this extension of bureaucratic interference with what was once prized as the liberty of the subject. The Government congratulated itself on having forestalled a piece of purely racial legislation. Its spokesmen admitted that the new immigration law would be applied primarily against the Jews during the next few years, but they declared that it could, and would, be used

* An alien requires five years' residence before he can be naturalised.

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equally against any other immigrants whose entry was considered prejudicial to the welfare of the Union.

III. THE MARKETING ACT

THE most freely discussed measure of the session was the Marketing Bill, providing fresh machinery for regulating the marketing of agricultural products. The Bill has now become law, though (like the abortive Bills for prohibiting mixed marriages and the employment of female Europeans by Asiatics) it secured more genuine and wholehearted support from the Nationalist Opposition than from many members of the Government party. The Nationalists—despite their insistence that South Africa must manage its own affairs in its own way to suit its own conditions—have indeed been delighted with this Bill concocted from the more recent legislation of Great Britain, New Zealand, and other countries.

Its main feature is the setting up of a Marketing Council to supervise the preparation and running of "schemes", with the aid—if it cares to call for it—of producers' and consumers' advisory committees. "Schemes" may be initiated for different products and different areas, and must include the setting up of a board to administer a fund financed by a special levy. A scheme may have a number of optional provisions and may give very wide powers indeed to the board, enforced by penal sanctions. Non-European producers will have no voice in any of the schemes, though they will be bound by their provisions.

It says much for the power of abstract reasoning on the part of our members of Parliament that no concrete examples have been discussed, nor has the House been enlightened by any member's showing how the proposed legislation will cover the actual details of any scheme which it is proposed to operate. In the circumstances, it would be idle to prophesy the results of the passage of the Bill. It can only be described as permissive legislation to

THE ABDICATION AND OATH ACTS

take several steps in the dark, and Mr. Marwick is not alone in his fear that it will provide opportunities for "schemers". We do not even know whether the Department of Agriculture has any schemes up its sleeve.

It is unfortunate that the cleavage of opinion on the Act has come to be regarded as resulting from enmity between town and country; opposition to it is considered as an attack on the farmer. There are many who fear that the Act will so disorganize existing marketing arrangements that price fluctuations will be increased to the detriment of the farmer as well as the consumer. They do not believe the farmer will gain from giving up his freedom and subjecting himself to the onerous rights of search and cross-examination that are to be granted to ensure his compliance with all the schemes for his products. The powers granted to the Minister, the Marketing Council, and the boards under the Act are so wide, however, that it seems unlikely they could ever be fully exercised.

IV. THE ABDICATION AND OATH ACTS

THE crisis around the Throne has had its repercussions in South Africa in the form of two enactments of the Union Parliament: Act No. 2 of 1937,

To declare the abdication of King Edward VIII and to provide for alterations in the laws relating to the succession to the throne and for purposes connected therewith;

assented to on February 10; and Act No. 7 of 1937,

To provide for an oath by the King as sovereign of the Union; assented to on March 16.

In the protracted debates on these two measures, both the Nationalist and Dominion party Oppositions sought to take advantage of the constitutional issues involved. The former strongly criticised the Government's failure to embody in the legislation an express statement of the fundamental rights implicit in the Union's independent status and of the doctrine of divisibility of the Crown. The

latter deprecated the measures as the latest of a sequence profoundly altering the constitution, and involving a positive declaration of the rights of secession and neutrality and a complete separation of the functions of the King of Great Britain and the King of South Africa. Whilst Dr. Malan, on the one hand, moved an amendment to the Abdication Bill to include a declaration of the right of secession, the Dominion party on the other suggested a series of amendments to the Coronation Oath Bill defining the Royal Title in terms of the Act of Union and providing safeguards against any whittling of the duty of allegiance owed by a Union national. Their respective criticisms largely cancelled out.

The earlier Act is a logical outcome of the Status of the Union Act of 1934, which, proceeding from the Statute of Westminster, bars from effect in the Union any Act of the British Parliament until it is extended thereto by Union legislation. The British Declaration of Abdication Act could not therefore extend *ex proprio vigore* to the Union. On the other hand, the accession of King George VI was automatically operative in the Union by virtue of Section 5 of the Act of 1934, which defines "heirs and successors" as the King's heirs and successors in the sovereignty of the United Kingdom as determined by the laws relating to the succession of the Crown of the United Kingdom. Consequently, legislation in the Union was necessary only to implement the Union Proclamation of Accession of December 12, 1936, by declaring the facts of abdication and succession, and to amend the rules of future succession. The Union Act follows the British Act in substance, if not in form, apart from adopting December 10 as the effective date of abdication and accession, whereas the latter Act received the Royal Assent on December 11. In the interest of uniformity this difference is to be regretted, particularly as the Union choice would appear to be based on a misconception of the English common law. The Union Government seems to have confused an abdication

with a normal demise. Although no legislation is legally necessary in the latter event, the total absence of precedent for a voluntary abdication made it impossible to deem the unilateral declaration of an intention to abdicate effective without the concurrence of the Legislature. The difference of date, however, would appear to be of little or no constitutional significance.

The Coronation Oath Act also is nothing more than a reflection of the constitutional change from Empire to Commonwealth which has taken place since the last coronation. The Act requires an oath to be administered the purport of which shall be that the Monarch will govern the people of the Union . . . according to the statutes agreed on in the Parliament of the Union and according to their other laws and customs and that he will cause law and justice in mercy to be executed in all his judgments.

The Act, however, makes provision for agreement with other members of the Commonwealth upon a collective oath, which has in fact now been accepted by the Union Government. The sole objection of merit to the Act is the omission of any reference to a religious obligation, for which it is difficult to find any precedent in Union legislation.

So far as the British Regency Act * is concerned, the Union Government has decided that there is no necessity for a Union counterpart. The machinery provided in the Dominions by the office of Governor-General is obviously sufficient to meet all but the most extraordinary circumstances, and in any extreme event resort can always be had to *ad hoc* legislation.

V. THE BUDGET

MR. HAVENGA has achieved yet another surplus. Last year he seemed to be a little embarrassed by his credit balance, and disposed of much of it as largesse—for instance to civil servants, who were refunded the amounts

* See THE ROUND TABLE, No. 106, March 1937, p. 257.

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previously deducted from their salaries as "depression cuts". This year he has welcomed his surplus with open arms, and he is openly budgetting for a large one in 1937-38.

The revised estimates of revenue collections for 1936-37 amount to £42,550,000, against the original estimate of £37,787,000—an increase of £4,763,000. An excess of the revised over the original estimates is common to most items. Customs and excise have yielded an additional £1,622,000; the post office £457,000; income tax about £1,147,000; and death duties £506,000. Almost the only revenue item to fall notably behind the original estimate is native taxation. The revised estimate is £762,000, against an original estimate of £800,000—perhaps one indication among many of a tendency towards an increasingly unequal distribution of wealth in the Union.

The revised estimate of expenditure from revenue is £37,550,000, a net decrease of £107,026 on the original estimate. The surplus for 1936-37 amounts, then, to approximately £5,000,000. As there are evident signs in the political world of the approach of a general election, there was much speculation regarding what the Minister of Finance would do with still another large surplus to make the most effective political use of it. Mr. Havenga let it be known in advance that he was not going to do anything spectacular; but, in a country where a flair for politics is undoubtedly more common than a flair for finance, it proved difficult for people to take him at his word. There was some astonishment, therefore, when the Minister announced in his budget speech that he was going to utilise his surplus in the first place to repay the £2,849,500 four per-cent. Natal loan which matured this year (a London issue), and to transfer the remainder to the Loan Account.

There can be little doubt of the wisdom of disposing of the surplus in this way—one doubt only, or two at most. Mr. Havenga used very effective arguments against those who saw in his surplus grounds for a great extension of social services. He pointed out that

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The decision to grant free services is a decision which involves commitments not only during prosperous years, but for all time. . . . The existence of temporary surpluses is not, by itself, a sufficient reason for undertaking large new permanent commitments. In this connection I would remind hon. members that between 35 and 40 per cent. of our expenditure from revenue funds is devoted to social services, that is to services in respect of which the recipients obtain a direct personal benefit irrespective of their contribution to the revenues of the state. If all the charges for administering these services could be taken into account the percentage would be higher still. In addition considerable sums are spent from loan funds. . . .

He did not specify the amount of loan fund expenditure that should be classified in this way. It would be interesting to discover it; there can be little doubt that its size would be a revelation to most people. The Minister had undoubtedly a strong case for resisting such claims.

He had also strong, if hardly conclusive, arguments against those who favoured drastic reductions of taxation; and the alternative he put forward was to reduce debt and to inaugurate a policy of making large annual transfers from revenue to loan account. The estimates for 1937-38 envisage a further increase of revenue to £43,250,000 and an expenditure of £38,900,000, leaving a surplus of £4,350,000. It is intended to use this surplus to reduce customs duties on petrol, paraffin and transformer oils by 1d a gallon and to make one or two minor reductions in duties, at a cost of £650,000; to abolish urban quit-rents at a cost of £4,000; to devote a further £750,000 to European old age pensioners, as a result of which "5 per cent. of our expenditure on the revenue account will be paid out in cash to 2½ per cent. of our European population, who will also still receive their share of all other services rendered by the state". It was also intended to modify telephone charges at a cost of £67,000, but as many of the beneficiaries looked this gift horse in the mouth and expressed disapproval it seems that the concession will now rest in abeyance. Despite the evident difficulty the natives have in meeting their taxation no reduction is yet in sight

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for them, but in future three-fifths instead of two-fifths of the personal tax on natives is to be paid into the Native Development Fund, at an estimated cost of £233,000 to the revenue account in 1937-38.

On the grounds suggested in the last number of *THE ROUND TABLE*,* a larger allocation of mining revenue is to be made to the loan account. The extra allocation for 1937-38 is estimated at £300,000 from diamonds (government ownership revenue and the export duty on diamonds) and some £800,000 from gold (mining leases). Mr. Havenga is in addition budgetting for a surplus of about £1,500,000, which will be available either for transfer to loan account or for redemption of debt.

If the Minister's *idée fixe* that no major reductions can now be made in the customs tariff without injury to the country can be justified—perhaps a big “if”—he stands on fairly firm ground. But there is a danger that buoyancy in the loan account, just as much as in the revenue account, may breed extravagance in expenditure. It is not certain that we have altogether escaped the danger. The revised estimate for expenditure from loan funds in 1936-37 is £16,200,000 and the preliminary estimate for 1937-38 is about £18,000,000, against £10,092,716 in 1931-32. Despite the redemptions during the year, including that of the Natal loan, the public debt has increased by £6,000,000, and it will again increase next year. In considering this question it is also relevant to bear in mind the Minister's statement, already quoted, on the destination of much of our expenditure from loan funds as well as from revenue. While Mr. Havenga's allocation of his surplus gives him much credit as a sound and cautious financier, it will not necessarily inhibit state generosity. This studiously humdrum budget may prove to be, wittingly or unwittingly, as good an electioneering budget as could have been devised.

Union of South Africa,

April 1937.

* No. 106, March 1937, p. 346.

NEW ZEALAND

WHITHER is New Zealand tending? To “the earthly paradise” that the Prime Minister says he and his colleagues are striving to bring about, or to the financial precipice over which critics say the Labour policy of “tax, borrow, and spend”—as the Opposition leader described it—is fast driving us?

I. THE ADVANCE OF SOCIALISATION

VARIOUS movements point to a progressive socialisation of New Zealand, as ever-growing state services gradually dominate private enterprise and industry. One of the chief of these movements is the government purchase of dairy produce under the guaranteed price system. In his presidential address to the economics section of the Science Congress at Auckland last January, Professor Hytten of Sydney expressed grave doubts about the success of the scheme and its ultimate effect on the economic structure of the Dominion. He quoted the breakdown, under its own weight, of the Paterson butter-marketing scheme in Australia, and went on to say that, if prices take an upward turn next season, it will require a courageous Government to withhold the higher prices from the producers in order to build up a reserve against possible future losses. The taxpayer views with anxiety the prospect of being raked both fore and aft. At present prices the scheme will result in a heavy loss to the Government which he will have to bear. At the New Zealand Dairy Board's meeting on March 17 numerous remits were adopted, almost all without discussion, to the effect that, when the guaranteed price is renewed

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at the end of the present season, direct retrospective payments should be made for butter-fat on a scale sufficient to cover the increase in costs of production. The Government was further urged to consider raising the guaranteed prices above their present level for the season 1937-38. It looks as if Professor Hytten's forecast may be realised.

Other movements in the same direction include the fixing of prices—for instance, those of imported oranges—and the appointment of specified vendors, the state acquisition of a private marketing concern (the business of Picot Brothers Ltd.), the purchase by the Government of private transport businesses, the active extension of state lending on mortgage through the State Advances Corporation, the building of houses on a scale that may disorganise the building trade, a large increase in the number of public works employees and civil servants, the organisation of all employees, whether manual or clerical workers, into unions, and the imposition of increased taxation for social services. It is only fair to note, however, that in some respects the Government is simply developing the policy of its predecessors.

A table published by the Associated Chambers of Commerce showing the numbers of those dependent on the state suggests how far socialisation has already proceeded in the Dominion. The table indicates that, over the whole population of New Zealand as at December last, (a) one person in every 8 is dependent on state pensions; (b) one person in every 20 is dependent on state trading enterprises; (c) one person in every 30 is dependent on public works expenditure; (d) one person in every 31 is dependent on unemployment sustenance payments. In sum, one person in every three to four of the population of New Zealand is directly dependent on the state. In these estimates, which do not include the employees of local bodies and their dependants, a conservative allowance of only $2\frac{1}{2}$ persons to a family has been made.

It is too early to appreciate yet the full effect of the

FREEZING WORKERS' STRIKE

40-hour week, giving us leisure before we have had the previous training needed for its rational enjoyment. There are signs, however, that the boon was perhaps rather premature and that it has given the Government some anxiety, as well as causing considerable inconvenience to the travelling public and those who serve it, to small businesses and to others which need elasticity and not rigidity.

The high wages paid on public works (approximately £1 a day) and the diversion of many workers to them, combined with the general increase of wages, have caused a definite shortage of competent farm labour, notably of youths in the dairy industry. It has been stated by farmers' associations that there have been more women and children working in the milking-sheds than for some years past. The Minister of Public Works characterises the cry of shortage of labour as mere propaganda, but he has certainly been taking men from public works to meet the farmers' needs. The shortage is admittedly accentuated by the lack of adequate accommodation for farm labourers, especially for married men.

The reduction of the hours of labour, the large increase in wages, and the high taxation have had the natural effect of raising costs of production. This has inevitably implied a rise of prices all round, despite the Prevention of Profiteering Act 1936, which made it an offence to sell goods at a price above that ruling on June 1, 1936. There have been no prosecutions for exploitation of the consumer, and in fact the state coal mines have followed the lead of the privately-owned mines in putting up their prices.

II. THE FREEZING WORKERS' STRIKE

THE stay-in strike at the freezing works at Westfield, Southdown, and Horotiu in the Auckland district, and at the cool stores at King's Wharf, Auckland, together with the manner in which it was settled, has caused considerable anxiety for the future of our industries. Towards the end of 1936 the Arbitration Court issued an award for

freezing workers, the main provisions of which were a 44-hour week, to be worked on $5\frac{1}{2}$ days, and a minimum wage-rate of 2s. 1d per hour. The workers were dissatisfied, contending that as the 40-hour week was not being applied to the freezing industry they were entitled to compensation through a higher rate of pay. They also objected to the putting of extra men on what is known as the chain system. A go-slow policy, which reduced the output of the works by about 60 per cent., was adopted in December, and, after an abortive conference with the employers, was again put into force. An ultimatum by the managements that if normal work was not resumed the men would be paid off was met by the first stay-in strike in New Zealand. The cessation of work by some 1,500 men who had been handling dairy produce at the cool stores placed in jeopardy butter and cheese valued at £1,250,000 sterling. There was a danger that dairy factories dependent upon freezing works for the storage of their produce would have to cease operations, with serious results to dairy farmers. The meat industry was also imperilled, though to a lesser degree.

The manager of the Auckland Farmer's Freezing Company Limited asked the police to remove the men forcibly, but instructions were given from Wellington to the local police that the men were not to be interfered with as long as they behaved themselves and did not damage property. The conduct of the men was orderly from first to last. The Minister of Labour (Hon. H. T. Armstrong) urged them to resume work, and telegraphed to the Secretary of the Auckland Freezing Workers' Union :

Government is of opinion that in this small country there is only room for one Government, and, if you have decided upon a show-down, we might not be long in deciding just who is to govern.

The employers stood firm upon the observance of the Arbitration Court's award, and declared that, if the Government would not move, the dairy factories and farmers

would of course have to do something. On January 15 the Government took over the dairy produce that had been allocated for shipment from Auckland but had not been lifted on account of the dispute. Mr. Armstrong thereupon hurried to Auckland to try to arrange a settlement. Meanwhile a special meeting of the Longburn branch of the Wellington Freezing Workers' Union had passed a resolution requesting the Government to remove the present Arbitration Court judge, Mr. Justice Page, and to substitute "someone who could be relied on to safeguard the workers' interests", and demanding "an immediate rehearing of the freezing workers award claims".

When Mr. Armstrong faced the strikers he promised to arrange a conference to negotiate for alterations in the award. If, he added, the alterations which the Government thought should be made were not made, the Government would use its legislative power to introduce them. Mr. Armstrong had already given some indication of his attitude towards the Arbitration Court, when he said last September :

When the Arbitration Court has finished its work, say in a year's time, if any industries have been refused the 40-hour week that ought to have received it, that can be remedied by Act of Parliament without reference to the Court. . . . I hope that the Labour movement will soon be well enough organised to take control of industry and determine what hours shall be worked without reference to any Court.

On Mr. Armstrong's assurance, and on condition that a conference of employers and employees would be held at Wellington, the men resumed work and were soon going full speed ahead. The employers, however, would not entertain proposals either for higher pay or for shorter hours. Eventually Mr. Armstrong, holding that the exceptional circumstances existed which alone would justify his intervening, directed that the workers should hold in abeyance until the expiry of their award next June their claims for a shorter working week and for increased piece-work rates,

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and that as from January 1, 1937, a flat rate bonus of three-pence an hour for all time actually worked, including overtime, should be paid to all hourly workers.

An agreement embodying this increase was signed by representatives of both sides. It began :

The Minister of Labour having directed that the rates of remuneration for hourly workers employed under the terms of the New Zealand Freezing Workers Award be increased, it is hereby agreed that we accede to the Minister's direction. . . .

A *post-hoc* and possibly a *propter-hoc* occurrence has been a notification to suppliers by the Hawkes Bay companies that as from March 1 there will be an additional charge of .025 of a penny per lb on mutton, pork, veal and lamb, .05 of a penny per lb on quarter beef, and a farthing per lb on "feeling" wool, the extra charge covering killing, freezing, and placing f.o.b. Napier.

The general press criticism has been that the Minister has struck at the roots of the arbitration system, and that his action tends to make the Arbitration Court political. It remains to be seen, run the comments, what section of the community will next find a grievance with its conditions of employment and follow the example of the freezing workers, in the hope of being awarded a bonus. Strong protests have been expressed by representatives of farmers' and other employers' unions. The Minister, on the other hand, maintained that he had a precedent for his action in a similar step taken by the Massey Government in 1916, though it could be retorted that this was a necessary war measure.

The Dominion Executive of the New Zealand Farmers' union, at a meeting held in Wellington on February 23, after expressing an emphatic protest against the action of the Government and the Minister, resolved :

(i) That the additional cost involved be met out of the Consolidated Fund or else by payment to the farmers of an increased price to compensate them;

(ii) That the Dominion executive convene a conference of

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representatives of all primary producers' organisations and concerns engaged in the processing of primary produce for export to consider the situation created by the result of the recent illegal strike by the freezing workers in Auckland, and what steps can be taken to meet a future emergency.

Similar protests have been recorded by other representative bodies of primary producers.

III. HOUSING AND OTHER PROJECTS

THE keenest critic of the Government cannot fairly withhold admiration for the sincerity, the energy, enterprise, courage, and idealism of the Labour Ministers, for their faith in the power of legislation to control the operation of the laws of economics, or for their confidence in the perennial flow from those three springs of finance, the Reserve Bank, the thrifty lender, and the taxpayer. Whatever one may think of the Government's humanitarian policies, it must be recognised that Ministers are actuated by no sordid or political motives, but by a natural philanthropy in which sympathy is apt to stifle economy. They have shown a very active and practical interest in education, scientific research, arts, and literature. Their recognition of poets and authors by honours and pensions has been a new and welcome feature in our political life. No previous Government has a record comparable for breadth of vision, for the magnitude and infinite variety of its schemes, and for rapid translation of ideas into action.

Having provided during the last session for the scaling down of mortgages, and having set commissions to work all over the country adjusting debts, they are now formulating their schemes of national superannuation and health insurance for submission to the next session of Parliament. The Prime Minister has declared that there is no intention of "smashing" existing superannuation institutions. "Those who are contributing to existing funds," he said, "will have the option of coming into the state scheme if they wish to do so, but there will be no compulsion in their

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case." Other enterprises that the Government is undertaking include the purchase of Flock House station, comprising 8,261 acres, from the trustees of the New Zealand Sheep Farmers' Acknowledgment of Debt to British Seamen Fund. This venture has been established for thirteen years, and over 1,000 boys (mostly sons of British seamen) have been trained there. It is to form an integral part of the educational system of the Dominion, "so that every suitable boy who desires to make a living on the land shall be given an opportunity of receiving a thorough grounding in practical and theoretical farm work before entering into employment".

Still further schemes envisaged include educational reform on a large scale, the reform of the local government system by the amalgamation of redundant local bodies,* the formation of a bureau of social science to assist the Government in basing their social policy on scientifically established facts, and of a National Sports Council for the better control and co-ordination of the Dominion's sports, the establishment of a Conservatorium of Music and the Spoken Arts in connection with the radio system for the training of New Zealand artists, the erection of many public buildings, the engagement of a highly paid editorial board of three to write the history of the provinces of New Zealand, the improvement of the maternity and district nursing system, the construction of funicular railways for winter sports, and the development of tourist routes and roads. For the present, however, the Government's hands are pretty full with its Bills for Parliament and its housing project.

The latter is the latest big scheme to come into operation and into the fire of the critics. The Minister of Finance, when referring to the power given to the Minister by the Finance Act (No. 2) of 1936 to borrow £5,000,000 for housing purposes, said that "plans were in course of preparation to provide for the construction of 5,000 houses

* See THE ROUND TABLE, No. 106, March 1937, p. 464.

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at a cost of approximately £3,000,000". Now, however, the Government proposes to spend five millions on houses during the project's first year, including three millions of new money created by the Reserve Bank. Of that total, £3,500,000 is to be spent by the state, the balance being available for lending to local bodies for their own housing projects at 3 per cent. interest. Mr. Nash's calculation seemed to involve a cost of only £600 per house without the land, while the Minister of Labour asserted that the houses would not cost more than £700. Mr. Nash and Mr. Savage anticipated that the cottages would be let to workers for 12s. 6d to 17s. 6d a week.

The Government is actively carrying out its scheme. It requested the New Zealand Institute of Architects to prepare designs for houses varied in character and construction, had quantity schedules prepared by "the most reputable firm of quantity surveyors * in New Zealand", and called for tenders on the schedule rate system. It has erected joinery works near Wellington and Auckland, and has bought and is buying blocks of land in or near the main centres and in the secondary towns for the erection of groups of houses. It seems to be acquiring the land at reasonable figures. In the first Auckland instalment of the scheme, in the Orakei block, the Government invited tenders for the erection of one group of 91, another of 87, and 34 single houses, thus giving an opportunity for the small builder to tender.

The successful tenderer for the supply of joinery in both the Auckland and the Wellington districts is the Fletcher Construction Company Ltd. It was also the successful tenderer for one of the large groups of houses in the Wellington district, for the groups of 91 and 87 houses and for 30 out of the 34 single houses in the Orakei block, being the lowest tenderer by a substantial margin in each case. It was doubtless with this probable result in view

* Experts in estimating the quantities of materials used in erecting buildings.

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that the Hutt Valley Master Builders' Association maintained that the whole scheme was designed to play into the hands of monopolistic construction companies. While the Prime Minister has declared that, although he cannot state the exact figures of the contracts, the rents to be charged for the new houses will compare more than favourably with those charged to-day, there has been much criticism of the scheme. As the *Evening Post* (Wellington) pointed out on February 8 :

The cost of the houses has not been stated nor has any information been made available to show how the rental will be calculated, what interest will be paid (if any) on the credit issue, what depreciation allowed and what provision made for loss of rent and other incidentals that the private landlord must face. This information should be given, for the housing is competitive with private enterprise in both building and letting dwellings, and the public should be shown that the competition is fairly based. Otherwise it simply means that public money is being used to undercut the private builder and the private landlord. The latter would then be compelled (through taxation) to bear part of the loss incurred by the State in competing with them.

It has been suggested that the resources of the Dominion in organisation of men and materials are inadequate to cope with operations on such a gigantic scale. Another criticism is that the Government is building at a time of rising costs, caused partly by its own legislative policy and partly by advances in the prices of materials overseas; it is said that the advantage of mass production is more than offset by the recent increase of building costs by at least 30 per cent.

The *Dominion* (Wellington), an Opposition journal, attacked the scheme in its issue of February 10 as a big step forward in socialisation.

Is the small master builder to be sacrificed to mass production, in the same way as the small joinery manufacturer is threatened by the establishment of State joinery factories? If so, the policy must be assumed to be general. As it applies to builders so it is likely to be applied also to butchers and bakers and grocers and farmers: the small man will be pushed to one side—

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ultimately pushed out by the ruthlessness of large-scale State-abetted competition. And then, what? An easy step to complete nationalisation. The Government is never tired of calling itself the small man's friend; but when the small man's business stands in the way of socialisation, he will get precious short shrift.

IV. IMMIGRATION

PERHAPS no subject has occupied so much space in leading articles, lectures, and letters to the newspapers during the past quarter as immigration. The Australian and New Zealand Association for the Advancement of Science, at its congress at Auckland in January, devoted considerable attention to the subject, stress being laid on the difficulties with which large migration schemes were surrounded. Chambers of Commerce have also been discussing it, and the Council of the Auckland Chamber of Commerce recommended an urgent enquiry by the Government.

Several vigorous pamphleteers and public speakers have urged us to "Populate or Perish", and the Hon. W. E. Barnard, Government member for Napier and Speaker of the House of Representatives, concerned for the plight of New Zealand in the future for lack of people, has been touring the country forming branches of a "Five Million Club". The club stands for a carefully planned immigration scheme, involving a considerable measure of government control, with the object of bringing our population up to that number. But Labour in general takes a shorter view and opposes the influx of competitors even though they are also consumers. The attitude of the present Government was thus described by the *Press* (Christchurch):

At the beginning of their term of office, certain members of the Government spoke as though the resumption of assisted migration on a large scale was an immediate possibility. From this attitude they have been steadily retreating; and Mr. Nash's latest utterances on the subject have been profoundly discouraging. One indication of the reasons for this change can be seen in the protest which has been made by the Amalgamated Society of

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Carpenters and Joiners against the attempt to enrol carpenters and joiners in England for work in New Zealand. It is obvious that if the Government's migration policy is to be dictated by the unions, it will continue to be a policy of pious aspirations.

This comment was borne out by the Prime Minister's declaration on January 26 :

The real secret of success in immigration is to make a country so prosperous that people want to come out in order to share its prosperity. When conditions are right in New Zealand people will not hesitate to come out and bring new capital with them, whether the sum be large or small.

V. DEFENCE

SO far as defence is concerned the Government is pinning its faith to protection by air. As a result of the first report from Wing-Commander the Hon. R. A. Cochrane (lent to New Zealand by the United Kingdom Government) his engagement has been extended for two years; during that time he is to undertake the reorganisation of the air force of the Dominion and to make a comprehensive survey of the system of military aviation in New Zealand, with a view to the early development of air defence on the best possible lines.

On March 16 the Minister of Defence released an important account of the lines upon which the development of our air force will take place. An Air Board, on which civil aviation will be represented, will be set up to control the Royal New Zealand Air Force and to co-ordinate matters common to service and civil flying. The necessary legislative powers will be sought during the coming session. An air force headquarters will be formed in Wellington on April 1 and the names of officers filling the chief appointments will be announced shortly. The programme contemplates the formation of two operational squadrons, equipped with the latest type of aircraft. Surveys of suitable localities are proceeding for new defence aerodromes, which will take from 18 months to 2 years to

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complete. Hobsonville, near Auckland, will be organised and enlarged as required as a repair centre. Wigram, near Christchurch, will be developed as a flying school for the training of pilots; concentrated attention is being given to the formation of this school in order that the first course may be started in May and approximately 50 pilots a year trained.

Apart from the permanent and territorial units of the Royal New Zealand Air Force, it is proposed to build up a reserve of trained pilots, who will be obtained from two sources: first, from amongst those who have already completed a short service commission in one of the air forces of the Empire, and, secondly, by the direct enlistment and training in New Zealand of personnel with no previous flying experience. Suitable candidates will be given an eight months' course of flying training and will then pass direct to the reserve, where their only liability in peace time will be a fortnight's refresher training each year. The reserve will provide a pool of pilots capable, in the event of attack, of taking their places in air force units, and a source of recruitment for the growing needs of civil aviation.

Short-service commissions are offered in the Royal Air Force and the Royal New Zealand air force. By an agreement with the British Air Ministry, a number of short-service commissions in the Royal Air Force—for the present to be limited to 40 a year—will be offered to New Zealand candidates. The length of the commission is at present fixed at four years, including the initial period under training. Two methods of entry will be available. Under the first, candidates will be selected in New Zealand and their passages paid to the United Kingdom, where they will report to the Air Ministry and be posted to a suitable unit for training. In the second scheme, candidates will be selected and also trained in the Dominion, and will then be given passages to the United Kingdom, where they will join a Royal Air Force squadron. These two schemes

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will in future provide the only means by which New Zealand applicants can join the Royal Air Force. A request for applications to fill 20 vacancies under these two schemes will shortly be issued.

The 70 additional pilots required by the Royal New Zealand Air Force during the next two years will be obtained partly from those who have completed a short-service commission in the Royal Air Force, partly from candidates who will be entered direct from civil life and trained at Wigram, and partly by selection from within the ranks of the Royal New Zealand Air Force. Commissions will normally be offered for a limited period, with the dual object of building up a reserve for service and civil aviation, and of ensuring that those officers who are awarded permanent commissions can be offered a career which provides adequate prospects of promotion. It is intended that permanent commissions shall be offered to selected officers who have completed a short-service commission, but exceptions may be made where specialist qualifications are required.

A scheme is being formulated in consultation with the aero clubs for the formation of a civil reserve of pilots. The skilled mechanics required for the scheme will be trained either in the Dominion or, if no facilities exist here, in the United Kingdom or Australia. There are to be sections for wireless operators and for air gunners. The full scheme will require three years for its completion.

In an interview the Minister of Defence stated it was very likely that New Zealand would take full advantage of the Commonwealth Government's plans for the modernisation of Australian munition factories. New Zealand would probably buy aeroplanes from Australia, when the Commonwealth was in a position to supply her, if Great Britain could not fill her orders.

Major-General Sir Andrew Russell, who was the general officer commanding the New Zealand Division on the

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Western front, speaking recently to the Napier Rotary Club, described New Zealand as the weakest link in the imperial chain. He considered that the country should be equipped with an air force sufficient to deal with raids, and that in addition about 500 highly trained pilots should be at the disposal of the imperial defence authorities. We should be prepared, he said, to send an expeditionary force of between 3,000 and 4,000 men and a number of mounted men in the case of trouble in the Near East, for instance over Palestine; if the Mediterranean were closed, they would be able to enter by the back door. But the Government, judged by its present attitude, is not likely to provide for the necessary specialised training of our territorial force, "of which to-day there remains but a skeleton" and which cannot be improvised.

A deputation from the National Peace Council asked the Prime Minister for the repeal of the compulsory service clauses on the statute book. They are now in abeyance and relate only to training and to service in the territorials or militia—it is specially provided that no territorial shall be sent out of New Zealand without his consent. In his reply Mr. Savage showed himself both an idealist and an optimist. He expressed his hope "that the days of war are over and that a real civilisation is near". New Zealand's peace proposals, he said, which had been described as the most statesmanlike ever placed before the League of Nations, would be discussed at the Imperial Conference. The peoples of the earth, were a vote taken, would be overwhelmingly against war, but they were in danger of being pushed into it. Mr. Savage said that the Government was opposed to conscription in all its forms, and he was looking forward to raising the physical qualities of young men and women in other ways than by compulsory military training. When national superannuation and health services had been attended to we could, he said, "consider other matters. We want to put our people in possession of a country which they will *defend automatically*,

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but at the same time we are working towards peace". It is to be hoped Mr. Savage will return from the Imperial Conference with a keener realisation of the dangers the Empire has to face, and of the necessity for something more than "automatic" defence.

New Zealand,
March 1937.

THE IMPERIAL CONFERENCE

I. DISCUSSION OR DECISION?

THE function of the Imperial Conference, said Mr. Mackenzie King on his return to Canada from the Conference of 1937, is discussion and review, not decision and action. There are signs that this apologetic view of the chief conclave of the British Commonwealth is becoming generally accepted. Imperial Conferences, said Mr. Neville Chamberlain at the final session last July, are not summoned to solve any particular problem or to achieve any specific result. If, he added, in the course of their deliberations the members of these "family gatherings" could attain to a clearer understanding of one another's difficulties and problems and, in the end, establish a general harmony of aims and of policy, then the objects of the Conference had been achieved. It is difficult to imagine Mr. Chamberlain using such words of an earlier Imperial Conference with which he was prominently connected, the Imperial Economic Conference of 1932. Had no more than a "general harmony" of aims and of policy been secured at Ottawa, the son of Joseph Chamberlain would hardly have failed to express disillusionment. Yet if decision and action could be obtained in the extremely complex and difficult field of tariffs, need discussion and review be accepted as the sole and sufficient end of political Imperial Conferences?

Previous Conferences since the war have not been so reluctant to decide: permanent organs of co-operation have been created, procedure laid down for the conduct of diplomacy by Commonwealth members, the constitutional structure of the Commonwealth radically reformed. It is true that the most memorable products of the Conferences of 1926 and 1930—the Balfour report and the Statute of

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Westminster—were steps in the transformation of the British Empire into a Commonwealth of fully independent and self-governing nations, a transformation now virtually completed. We should, no doubt, be thankful that no further decision or action in this direction was needed at the Coronation Conference. Yet, just because the independence of the Dominions has been fully established, it is all the more necessary that on vital matters of common concern the Imperial Conference should secure the greatest possible measure of common policy, more permanent and centralised means of securing it having been discarded. Just because that independence has been assured and tested in practice, moreover, agreement should be all the more easily attained, since the Dominions need no longer fear that the London meetings might be used as a brake on their march to full nationhood.

The Imperial Conference as such has no executive or legislative authority. Its decisions, and the actions resulting, are the independent decisions and actions of its member Governments. Hence its confessed inability to decide or act must be due either to the separate inability of those Governments to decide for themselves, or to their inability to reach common decisions, or to a combination of both causes. Some Ministers are temperamentally averse to decision that can be evaded or delayed; others, with a general election on the horizon, may hesitate to take actions that may lose them votes in some quarters without compensation in others. These accidents of democracy cannot be escaped. But there is also growing up a weed of political theory that threatens to sap the strength of responsible government as it has flourished through generations of British history. This is the theory that important executive decisions cannot be taken without prior assent of Parliament. Here is false and dangerous doctrine. Governments cannot govern if they are only administrative delegates of parliamentary assemblies. They must indeed answer for their decisions to Parliament, and ultimately to

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the electorate, but beyond the detailed process of legislation it is the right and the duty of Governments to decide.

II. FOREIGN POLICY

IN no field is this more important than in the field of foreign policy; for it is plain that foreign policy cannot be conducted by parliaments. And in no field has the weed done more to strangle the proper purpose of the Imperial Conference. If a Dominion Prime Minister cannot take vital decisions on foreign policy, either at the Imperial Conference or elsewhere, because he must first consult his Parliament, then the result must be that that Dominion cannot have a foreign policy. And in that event there can be no British Commonwealth foreign policy, since that phrase can mean no more than a communion of six independent foreign policies. But could there not be a foreign policy for the British Commonwealth less one Dominion? In that question is summed up one of the major practical issues in Commonwealth relations to-day. Perhaps the Imperial Conference has been driven to accept a humble view of its own purpose through striving for a unanimity that cannot be attained, and failing to gather the fruits of partial agreement. Perhaps if it concentrated less on the need for speaking with a single voice, its published conclusions would be less muffled by the vague generalities that fill too much space in the "Summary of Proceedings" of the 1937 Conference.*

The danger of this line of thinking is obvious. Especially in matters of foreign policy, unanimity among the British Commonwealth nations has an immense value for its own sake. Not only is it unwise to expose to the rest of the world apparent fissures which in the event may not prove real; great authority attaches to pronouncements simply because they can be uttered with a single voice by

* Cmd. 5482. The bulk of the text of this document is reproduced below, pp. 888-905.

all the nations of the Commonwealth. In the rather tepid phraseology of the 1937 Conference, "the influence of each of them in the cause of peace is likely to be greatly enhanced by their common agreement to use that influence in the same direction". Moreover, if the Commonwealth is not a community it is nothing; for its constitutional and political structure derives meaning and vitality only from the spirit of fellowship that animates it. A community must needs have common purposes, backed by common interests. Broad and unformulated as those common purposes may be, they must dictate some measure of common policy. Neglect of common policy may therefore mean the disintegration of the Commonwealth itself.

There is no simple formula for solving the difficulties of Commonwealth relations. Common policy must be based on common interests if it is to survive the buffets of internal and external fortune. The integrity of the British Commonwealth is indeed an outstanding common interest for all its members, but each of them, in Mr. Mackenzie King's words,

has a distinct geographical position, with all the consequences in differences of neighbours, differences in the nature of the international problems each has to face, differences of emphasis and preoccupation, that follow. Each has its special economic structure, its special racial background, its special constitutional and political problem. These differences must receive full consideration in any responsible and realistic expression of their policies.

In his final speech to the Imperial Conference, Mr. Lyons differentiated between fundamental principles, on which there was "remarkable unanimity", and the methods to be adopted for achieving the agreed objectives, on which there were "differences of opinion". He was referring particularly to international affairs and defence. The points of agreement on foreign policy, however, as they are recorded in the Summary of Proceedings, include items of method as well as principle. The distinction, of course, is not a hard and fast one, but these seem to be fundamental principles: the pursuit of peace, and the use of arms for no

purpose inconsistent with the League Covenant or the Kellogg Pact; the elevation of "methods of co-operation, joint enquiry and conciliation" above the use of force between nation and nation, as the surest guarantee for the improvement of international relations and respect for mutual engagements; respect for the aims and ideals of the League of Nations, and for disarmament, subject to the need to adopt the measures of defence that are essential for national security and the fulfilment of international obligations; belief in the need for more stable economic and financial conditions as a condition of prosperity and peace; deliberate repudiation of the view that differences of political creed are an obstacle to friendly relations between governments and countries. Secondly, the Conference agreed on certain methods of achieving these objectives: the membership of the League ought to be enlarged; the Covenant ought to be separated from the treaties of peace; regional agreements are to be welcomed in so far as they "can be made to contribute to the cause of peace, and do not conflict with the Covenant"; in particular, a regional understanding and pact of non-aggression concluded by the countries of the Pacific "would be a desirable contribution to the cause of peace"; the countries of the Commonwealth should co-operate with other nations in examining obstacles to the increase of world trade and the improvement of the general standard of living.

On one point only did the Conference note differences of opinion—and that was a point as much of principle as of method. It was agreed, so runs a footnote, that nothing in the declaration on foreign affairs should be held to diminish the right of the several Governments to advocate and support their respective statements of policy on the future of the League as submitted at the Geneva Assembly of September 1936. If this over-riding clause were to be taken at its face value, much of the agreed declaration would become mere words, since those Geneva statements differed seriously. But there was surely a certain face-saving

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quality about the clause. For the items of unanimous agreement—principles and methods—point in a definite direction of policy towards the League of Nations: they point away from universal collective security, and towards the concept of a League serving as a diplomatic meeting ground, a concert of world Powers, a repository of law and principle in international affairs, whereby the particular content of foreign policies, especially regional agreements, may be judged and tested. Conciliation is preferred to coercion. Regional agreements are praised. The membership of the League, it is urged, should be enlarged—and the mention of separating the Covenant from the peace treaties in this connection shows that the Conference had specially in mind a non-League Power which in recent years has spurned the idea of general collective security. It may also perhaps have been thinking of the United States, whose Assistant Secretary of State declared a few weeks ago that

the Covenant of the League, through its incorporation in the tragic Treaty of Versailles, became to all intents and purposes in the formative period of the League a method whereby the iniquitous and the intolerable moral and material burdens imposed upon the vanquished by the victors might be continued for an indeterminate number of years.

It may well be wondered why, when these points so clearly emerge from the report of the Imperial Conference, they could not have been more openly expressed—why, instead, they had to be nominally over-ridden by a saving clause which either must itself be meaningless or must render futile most of what followed. The answer may perhaps be found in a re-examination of the statements of policy made at last year's Geneva Assembly. Although the particular character of the Abyssinian affair caused South Africa to lean towards a stricter view of sanctions than most of her fellow members, it was really only New Zealand who stood athwart the main trend of Commonwealth thinking about the future of the League. She

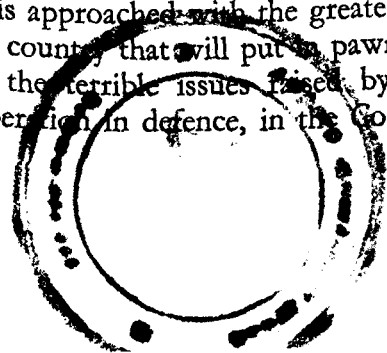
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alone sought to intensify its coercive and punitive functions. It seems a fair guess, therefore, that the saving footnote was inserted at the instance of the New Zealand Government, and was couched in general terms in order to preserve the façade of uniformity and to avoid admitting that of six independent Governments one was out of step on this issue. The result is that a great deal of the effect of the report is destroyed.

III. DEFENCE

THE difficulties to which the indiscriminating pursuit of uniformity may lead emerge even more plainly in the section on defence. In the highly-armed and dangerous world of to-day, limits are set to foreign policy by defensive power, whether that power resides in munitions and men, or in geographical situation, or in alliances and understandings with other countries. The geographical situations of the several members of the Commonwealth vary widely. So do their armament policies, according to their different strategic necessities, their different degrees of wealth, their different internal political and racial characteristics. Their varying national characteristics, moreover, affect also the third factor in defensive power, their willingness and ability to co-operate in defence matters with other countries—first and foremost with their fellow members of the Commonwealth. Such co-operation is an aspect of their external relations, and so the circle of interaction between foreign policy and defence in the Commonwealth is completed.

Defence policy, in fact, may be regarded as an aspect of foreign policy, the aspect that brings home most closely its grim realities. For that reason, it is one of the aspects in which co-operation is most necessary and at the same time is approached with the greatest reluctance. There is not a country that will put in pawn its right to decide for itself the terrible issues raised by modern war. Hence co-operation in defence, in the Commonwealth as well as



beyond it, must be founded, even more clearly than co-operation in other spheres, upon common interest. The nations of the Commonwealth have the tremendous common interest of the integrity of the Commonwealth itself, with all that it stands for in civilisation and freedom. But it would be foolish to pretend that this interest alone appeals sufficiently to political and public opinion in the Dominions to serve as a basis for close co-operation in defence. More particular common interests—strategic and material interests—are needed to reinforce that foundation. Just as the extent and nature of those particular common interests vary, so there will be variations in the extent and nature of practicable and sound co-operation in defence.

It is therefore unlikely that formulas applicable without qualification to the whole Commonwealth can go much beyond pallid generalities. So the Imperial Conference found. According to the Summary of Proceedings, it “considered ways in which it would be possible for the Governments concerned to co-operate in measures for their own security”. After statements had been made from the several national viewpoints, the Conference “recognised the vital importance of measures to safeguard maritime communications . . . and to provide naval bases and facilities for repairs and fuelling of ships”. It particularly applauded the progress made towards the completion of the Singapore base. It “recorded the progress made by the several Governments in creating and maintaining an adequate chain of air bases and refuelling stations along the lines of communications between the different parts of the Empire”. It endorsed the use of common systems of training and organisation, and similar types of munitions, whereby each member country would “be enabled to ensure more effectively its own security and, if it so desired, to co-operate with other countries of the Commonwealth with the least possible delay”. With still greater caution the Conference approved the interchange of naval, military and air-force officers. Having given careful attention to

the economic side of strategy—the problem of the supply of munitions and military stores and of food and fodder in an emergency—it found value in the interchange of technical information on this problem, and recommended that it be continued, subject to the reservation of complete freedom of decision and action by each Government. The Conference finally found general agreement among its members that the security of each of them could be increased by co-operation in such matters as the free interchange of information about defence forces, the continuance of the arrangements already initiated by some of them for concerting the scale of the defences of ports, and—marvellous portmanteaux—“measures for co-operation in the defence of communications and other common interests”.

The detailed *exposés* of national defence policies that preceded these conclusions were no doubt important and interesting, especially those delivered by the United Kingdom Government and the Australian Government, which firmly repudiated its critics at home who demand a purely local plan of defence. But between those national statements of policy and the timid generalities to which every member of the Conference could publicly subscribe there was no recorded bridge, save the declaration by the Australian and New Zealand delegations that for their part they attached the greatest importance to close co-operation in defence matters between the several parts of the British Commonwealth. The bridge, nevertheless, exists in practice, in the shape of various forms of co-operation which necessarily differ as between the several Dominions, with their varying strategic needs and their varying degrees of suspicion that they may be dragged into “someone else’s wars”. To strengthen that bridge of practical co-operation is the outstanding problem in Commonwealth defence. There cannot be in any strict sense a single defence policy for the whole Commonwealth, since there is no single Government to carry it out. But there can surely be, for instance, a defence policy in the Pacific and Far Eastern

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zone in which all the Commonwealth Governments would participate according to their abilities; or in the Mediterranean zone, or in the connected zone of Africa, where indeed there is already a close understanding among the several Governments of Commonwealth countries regarding their respective rôles in the event of war. There can surely be a plan governing the economic side of strategy among a group of nations which all know that, however reluctant they might be to send forces to a war, they would wish in any conceivable event to help each other with supplies. There can surely be a plan for the co-operative development of those chains of naval and air bases which they all recognise to be a vital element in their national defences.

All this can be done—and to a large extent is being done, though with insufficient decision—without prejudice to the undoubted right of each Government to decide for itself whether and to what extent to take active part in any war. The Commonwealth is not an organisation for rigid and universal “collective security” among its members. Nothing proves this more plainly than the conclusions of the Imperial Conference. In Commonwealth affairs, as in the affairs of the wider world, it is only when that out-of-reach concept is laid aside that practical progress can be made towards firm and durable co-operation. The Imperial Conference, though it may not have advanced very far, set its feet on the right road.

IV. THE PROBLEM OF SHIPPING

THERE are other aspects of Commonwealth co-operation, having a less direct connection with defence, which nevertheless bear very decidedly upon the strength and security of its members. Foremost among them is the problem of civil communications by air and sea. The Conference took note of these problems, and in regard to civil aviation it went a good way towards constructing

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the fabric of a co-operative policy for the Commonwealth. It was unanimous in approving the pursuit by the member countries of “a vigorous policy in regard to their air services, embracing expansion within each of their territories and interconnection between members”; and it affirmed their willingness “to co-operate with each other to the greatest possible extent”. The exact nature of their policies and their co-operation was left for the practical opportunities of the future to determine. Certain broad general principles were laid down, however, especially as regards relations with foreign air services. The Conference said nothing of a proposal that had been put forward in some quarters for the establishment of a permanent Commonwealth air council or committee; but it will be generally recognised, as no doubt it was recognised by the Conference, that the necessary machinery for the conduct of a joint policy can be created with comparative ease and rapidity once the will to find and pursue such a policy is present.

That applies equally to shipping problems, of which the Conference's treatment fell far short of the ideal, having regard both to their urgency and to their absolutely vital character for a maritime empire. The committee entrusted with their consideration “realised that the maintenance of adequate British shipping is a matter of common concern to the countries of the Commonwealth”, and that “British shipping in certain areas is seriously prejudiced if not threatened with entire elimination” by the discriminatory policies of certain foreign countries. But the concrete recommendations to which this recognition led them did not in the least match the extreme gravity of the problem. In each case of “undue assistance” to foreign shipping, to the prejudice of our own, “there should be an opportunity of consultation” between the different parts of the Commonwealth concerned, “in order to determine the validity of the complaint and the best means of meeting the situation”. Past experience of consultation of this vague

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ad hoc kind, without any agreed long-term policy, shows the hopeless weakness of the system. The Committee took account of two particular cases: first that of "British shipping in Middle and Far Eastern waters, having regard to the increased competition of foreign flags", which, it was content to note, was being investigated by the Imperial Shipping Committee; second, that of the competition of subsidised ships in the Pacific between the United States and New Zealand and Australia. The latter question had already been examined by the Imperial Shipping Committee and was then under consideration by the four Governments of the Commonwealth concerned. It was therefore referred to a sub-committee representing those Governments, which, however, was forced to report that its discussions had not reached finality.

And so the question drags on, passed from committee to committee and back again to the Governments, while one British line formerly serving that route has already been driven off the ocean, and others are gravely threatened. The problem is no less urgent and even more dangerous in the second area to which the Imperial Conference Committee referred—Middle and Far Eastern waters. Nor is it by any means confined to those two areas. The issue may be stated in terms of one or two broad facts. In the middle of 1937 steam and motor tonnage under the British flag, at 20½ million tons, was slightly less than it had been in 1914, whereas foreign tonnage had increased from 25 million tons to nearly 45 million tons.* The proportion of the world's tonnage registered in the Empire had fallen from 45 per cent. to 31 per cent. The figure is more favourable if the smaller and older ships are excluded, but it is just in the category of new fast ships that the competition of subsidised shipping is most keenly felt. The four chief subsidising countries—the United States, France, Italy and Japan—together increased the number of their vessels of over 2,000 tons gross from 1,401

* *Lloyd's Register of Shipping.*

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in June 1914 to 3,291 in June 1936, whereas the number of such ships registered in Great Britain and Ireland fell during the same interval from 3,906 to 2,873.

This is not a United Kingdom problem alone. Indeed, in the notorious trans-Pacific case the line that has had to retire is one administered and registered in New Zealand, a line in which both Canada and Australia are directly interested as mail terminals. In the Far East the problem largely affects the shipping trading with the Dominions, India and the crown colonies. Moreover, in its wider implications the problem is essentially an all-Commonwealth one, if the security of the Commonwealth means anything to its members. For nothing would be more likely to result in defeat in the event of a renewed world war, and therefore in the disintegration and destruction of the Commonwealth, than weakness in mercantile marine. Merchant ships are required, not only as auxiliaries to the armed forces, but even more vitally to transport the supplies without which the scattered countries of the Commonwealth could not prosecute a war or could not even exist.

At the outbreak of war in 1914, the British Empire owned nearly one-half of the ocean-going merchant shipping of the world and could rely upon the tonnage of at least four principal maritime countries as allies, apart from neutral tonnage. Notwithstanding this, the country was brought close to starvation in 1917.*

The Imperial Conference definitely recognised the need for co-operation in defence—certain of its members with great emphasis—and it wisely took up, as a matter of common concern, the problem of supplies in an emergency. The logical and immediate corollary should clearly be the construction of a Commonwealth shipping policy which would arrest and reverse the dangerous trend of developments in the world's mercantile marine. As in other aspects of defence and external policy, there can be no question of

* Report of the Chamber of Shipping of the United Kingdom, February 1937.

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over-ruling the right of every nation of the Commonwealth to consider for itself its national needs and to adapt its policy to suit them. A Commonwealth shipping policy must be built up, like a co-operative defence policy for the Commonwealth, upon national policies freely accepted by the Dominions and by India as well as by the United Kingdom. What is required is a clearer recognition of unity of fundamental interest. If some nations of the Commonwealth recognise that unity of interest more plainly and frankly than others, let their needs and desires not be frustrated by the doubts and hesitations of their fellows. The world to-day is too dangerous a place in which to deceive the mind and confuse public opinion by means of verbal generalities. It is a time for decision and action, and that should surely be the function of the Imperial Conference. If the result of the 1937 Conference has shown that its present character and machinery are ill adapted for that purpose, then the necessary changes should now be occupying the thought and endeavour of leaders of public opinion in the different parts of the Commonwealth. Perhaps changes are needed less in administrative forms than in attitudes of mind, but it is certain at least that the need is urgent and that the penalty of neglect will not be cheaply paid.

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I. HAS BRITAIN A NEW FOREIGN POLICY?

FOR fifteen years the foreign policy of the British Commonwealth could have been comprised in the words "Support of the League of Nations". It is true that that policy has more than once failed—notably in Manchuria and Abyssinia—to achieve what most people regarded as its principal purpose. Nevertheless, partly because the League represented an ideal of world order and peace, partly because it helped to solve, in a transitional period, the relations between Great Britain and the new nations of the Commonwealth, and partly because it seemed to stabilise a post-war *status quo* of which the British Commonwealth was one of the principal beneficiaries, the League of Nations policy secured almost universal assent. A few diehards grumbled at being asked to substitute internationalism for nationalism as their faith; a few Left-wingers declared that the League was a mere device for consolidating the capitalist's grip on the world; a few thinkers asked whether a league of sovereign States could ever succeed in maintaining peace, and whether the "have-nots" were likely to acquiesce indefinitely in an almost unalterable *status quo*. But these voices did not disturb the chorus which was prepared to affirm that we needed no other policy than a League policy in our imperial and international affairs.

The events of the last few years, however, have given a rude shock to this comfortable view. It is clear, even from the jejune pages of the Imperial Conference report, that the principle of supporting the League of Nations no longer suffices as a definition of British foreign policy.

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The continued abstention of the United States, the withdrawal of Japan and Germany, and Italy's open defiance in Abyssinia of all that the League stands for, have wrecked all present hope of that universal membership which the proper functioning of the League system clearly requires. The adherence of Russia is no adequate compensation on the other side. There is a growing realisation that the greatest of all the failures of the League may have been, not its inability to withstand aggression in Manchuria and Abyssinia, but its inability to make the revisions of the treaty settlement in Europe which practically everybody now admits should have been made in the days of the German Republic. That failure paved the way for the National Socialist régime and for the achievement by unilateral action, based on military strength, of some of those changes which the League had been unwilling to accord to justice. Finally, universal rearmament, and the division of the nations into "ideological" groups, and into those who are satisfied and those who are dissatisfied with the *status quo*, have once more made power and the resolution to use it, rather than the Geneva conference table, the ultimately determining factor in international politics.

Present-day British foreign policy, therefore, has perforce become much more fluid. It has lost the universality and simplicity it had in early League days. It may, perhaps, be not unfairly summarised under two heads. On the one hand, the nations of the Commonwealth are as firmly wedded as ever to the underlying thesis of the League of Nations, as the ideal of a pacific international order which they seek to bring to practical fruition. They are resolved to adapt their own policy to those constructive principles of the Covenant which require its signatories to renounce war as an instrument of national policy, and to submit their disputes to international investigation or arbitration. They view this resolve as a practical contribution to that budding rule of law for which the League stands. On the

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other hand, the leaders of the Commonwealth now recognise that over a large part of the world League principles have almost ceased to apply, and that they certainly cannot rely upon the League for their own security, though in certain regions its members may be able to give one another collective support. They believe that the clear-cut obligation to provide automatic and universal "collective security" against aggression, contained in articles 10 and 16 of the Covenant, must be held in suspense until the League commands more universal membership and is equipped with more adequate machinery for the collective revision of an out-of-date international order than it possesses to-day. Perhaps the most significant aspects of the Imperial Conference report were the absence of all reference to "collective security", the emphasis on the need for enlarging the membership of the League, and the special attention given to the measures of rearmament which the several members of the Commonwealth are taking, largely recommended by their geographical position. The most positive authentic statement of British foreign policy is probably to be found in the declaration* made by Mr. Eden at Leamington in November last, with Cabinet approval, which defined the matters about which Great Britain would go to war. There is certainly no reason to suppose that the other members of the Commonwealth are prepared to go further than this in their military commitments, and most of them would be unwilling to go so far.

II. POWER AND PRINCIPLE IN WORLD POLITICS

THE central reason for this new indefiniteness in British foreign policy is the reality that governs international affairs in a world of sovereign States—a reality previously obscured by war-exhaustion and the idealist formulas of the League of Nations. It is that as between

* An extract from Mr. Eden's speech is printed at the end of this article.

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sovereign States policy is inseparably linked with power. Power, of course, and irresistible power at that, belongs to the State in its internal policy. Within the State, however, power and law-making are in the same hands, and the use of state power is restrained, in democratic communities, by constitutional checks and procedure, and is exercised, at any rate in theory, for the benefit of the community as a whole. But in the international field there is yet no law-making authority representing mankind as a whole, and no international constitutional control over the exercise of power. Power and the decision to use it remain in the hands of the sovereign States themselves. Although each sovereign State may bind its hands by treaties or by a more universal and ambitious contract like the Covenant of the League, it can at any time, as we have recently seen, repudiate such contracts and take its own line, unless its neighbours can deter it by the exercise of superior power, which in the last resort must take the form of war. So long as nations can agree there is no risk of war. But directly their policies, their interests or their ideals conflict, that risk appears; for the ultimate decision will depend, not upon any tribunal's view of the justice of the case, nor upon a majority decision, but upon the question which side has the superiority of power, coupled with the resolution to face the suffering and cost involved in using it. This is true whether the conflict be between individual nations, or between groups or alliances of nations, or between a combination like the League and those who dispute its authority or its will. Fidelity to moral principles may lend courage and resolution to one side, and disregard of principle may weaken the morale and determination of the other. But if it comes to conflict it will be strength, compounded of both moral and physical factors, and expressed in power-diplomacy or war, that will decide the issue.

Universal rearmament and the appearance of deep-rooted differences of interest and policy have brought the old

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brutal reality governing the relations of States with one another once more into full view. It may come as a shock to those who thought that contract was a qualification of sovereignty. But the rule that in international affairs power and the resolution to use it are the governing facts will remain true until nations are willing to substitute, for the anarchy of national sovereign rights, a federal sovereignty which can legislate and can enforce a reign of law. There is no war, and there is a reign of law, in the United States—an area almost exactly the size of Europe and containing every European race—because its forty-eight states, while retaining their sovereign independence in local affairs, are also members of a federal commonwealth which is sovereign in their common affairs. When Europe can create an equivalent federal organ for the twenty-six sovereignties into which it is now divided it will enjoy both law and peace. Indeed, every member of the British Commonwealth must now ask itself how far the present policy of national self-determination within the Commonwealth can be carried, or rather what parallel movement of integration is necessary, if self-determination is not to end in disaster for the Commonwealth as it has already ended in disaster for Europe. Will a common Crown without political power, and an Imperial Conference meeting for a few weeks every few years, suffice to preserve its unity, not only now, when there are half-a-dozen independent sovereignties within it, but also in years to come when there may be two or three times as many?

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IT is well to keep these ultimate principles in mind, because they save us from believing that anything short of the federal principle can end war, and from forgetting the rôle that force inevitably plays in a world of sovereign States. They are, however, of secondary importance in dealing with the dangerous controversies that lie in the

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forefront of international politics to-day. These controversies are three: the Spanish question, the Far Eastern question, and the question of eastern Europe. The outcome of these controversies will depend not merely upon what we desire, or what we think right in the abstract, but mainly upon the strength and the resolution that can be mobilised behind the rival points of view.

The civil war in Spain has its origin in the fact that during the nineteenth century Spain lay outside the stream of modern progress. Revolution became the only road to reform, and in a Europe already torn by the communist-fascist conflict the smooth triumph of democracy proved as impossible as it did in Russia in 1917. However we may assess the responsibility for the conflict, the liberal republic has been destroyed by the violence of the parties both of the Right and of the Left, and force and morale alone will decide which of the two sides is going to establish its control over the whole of Spain, or whether Spain is to remain, at any rate for a time, divided in two. Unfortunately, this civil war, while prompting the democracies to a policy of non-intervention, deeply affected the prospects of stability both of communist and of fascist States. Each wanted a victory for its own principles and was afraid of the triumph of the rival creed. So the fateful intervention from outside began, and once begun it soon became merged with the larger Franco-German rivalry in Europe and the British-Italian struggle for influence and power in the Mediterranean. While nobody wishes to see the Spanish struggle expand into a European war, France and Russia are unwilling to see the defeat of the anti-fascist side for want of assistance, and Italy and Germany are not prepared to see Franco defeated for a similar reason. So the Non-Intervention Committee staggers from crisis to crisis—keeping together as the best security against general war but unable to secure real non-intervention because neither group trusts the other to fulfil its promises or is really prepared to see its own friends

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overwhelmed. There does not seem, however, to be any question that if Great Britain and France choose to take a firm line they can prevent either Germany or Italy from obtaining any strategic or territorial foothold in Spain; for in the western Mediterranean and the Atlantic they still possess overwhelming naval and aerial strength if they are willing to use it or to make it plain to others that in certain eventualities they will use it. It will be a contribution to peace for them to make this plain.

The Far Eastern situation, which is analysed in another article in this issue, illustrates the same principle. There does not seem to be much doubt that Japan's advance in North China took place in July partly because all Europe was preoccupied in Spain and partly because the purge of Soviet generals appeared to have paralysed the efficiency of the Russian army. Russia's real power and her readiness to act remain unknown, but apparently no other country is prepared to intervene with military or economic power, and the issue therefore seems likely to turn on whether the national spirit of the Chinese will be strong enough to oppose Japan and to wear down, perhaps by a type of guerilla warfare, her superiority in organisation and equipment.

The third danger-spot—in the long run perhaps the most difficult and dangerous of all—is eastern Europe. There is the real cockpit of European politics to-day. The colonial question has fallen into a secondary place, simply because Germany, who is the country principally interested in it, cannot enforce her demands for colonies by the direct exercise of power except in a world war. The colonial question is therefore a matter for negotiation and agreement in which the big colonial and naval Powers still hold the trump cards. But in eastern Europe it is different. In that region there are, in effect, two questions. On the one hand Germany—especially the National Socialist party which to-day controls Germany—feels bitterly about the position of German minorities just

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beyond her eastern boundary. Let us see how the eastern European situation looks through German eyes. Austria is forbidden by the Treaty of Trianon to unite with Germany, even if she wishes to do so. There are three million Germans in a Czechoslovakia which has long been committed to a pro-French or pro-Russian and anti-German policy. Danzig and Memel, historic German cities, are forbidden to unite with the Reich. The Polish corridor and the position of Silesia, though accepted for ten years under Hitler's German-Polish treaty, are sources of bitter grievance to German people. In a sentence, Germany claims for Germans in eastern Europe that right of self-determination which has been applied to other nationalities and was the principle upon which, in theory, the peace settlement was based.

But that is only half the problem. Perhaps the more important half relates to the secular struggle between France and Germany for power and position. Bismarck made Germany, with her allies, the most important Power in Europe. The world war left Germany defeated and disarmed. Immediately the Anglo-American treaty of guarantee against unprovoked aggression had lapsed, France committed herself to the policy of maintaining an alliance system with Poland and the Little Entente designed to give her complete military preponderance in Europe and so ensure "integral" fulfilment of the Treaty of Versailles. The National Socialist party may almost be said to have come into existence to alter this position. To a large extent, it has already succeeded in doing so. The unilateral disarmament of Germany has gone. The unilateral demilitarisation of the Rhineland has gone. Reparations and practically all the other minor discriminations have gone. Germany to-day is already far on the way to being the most formidable military and air Power on the Continent.

The answer of France has been to consolidate her defensive "Locarno" arrangements with Great Britain, and to

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sign the treaty of mutual assistance with Russia. But her alliances with the smaller Powers of Europe are not so tight as they formerly were. If Poland had to choose between Russia and Germany she would almost certainly side with Germany. Rumania and Yugoslavia are now on friendly terms with the Reich. And the old collective guarantees against aggression in Europe have been weakened by the tacit withdrawal of Scandinavia, Belgium and the Netherlands from a willingness to take part in automatic sanctions against any great Power which is in a position to attack them militarily, unless they can rely upon instant and overwhelming military support from elsewhere. There is going on to-day, therefore, a silent but none the less intense struggle between France and Russia on the one side, and Germany on the other, for influence in that fragmented area which lies between Germany and Russia. Germany means to become the predominant and if possible the exclusive influence there. France and Russia are trying to keep as many as possible of those smaller States in their own orbit. To-day nobody can say, in view of such factors as the economic weakness of France, the recent purge of Russia, or the raw material shortage in Germany, where the balance of power lies.

The outcome will depend partly on the relative strength and resolution of the two groups, partly on the actual policy of National Socialist Germany. Is that policy to separate German minorities from their present States and incorporate them within her own frontiers, thus giving herself a strategic position of irresistible strength in central Europe—a policy that will be fiercely resisted by her neighbours, if only because of the imperialist adventures to which it might lead? Or is Germany willing to recognise the independence of the smaller States, in return for mutual economic concessions and mutual good treatment of minorities, provided they come into her own orbit instead of that of France and Russia, and thus to create a loose association under German influence but not German

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control, somewhat like the Monroe or British imperial system—a policy which Europe might accept as a final settlement?

Of the three main international problems that of eastern and central Europe is the one which, if mishandled, is most likely to lead to a general war. And it is the one in which British policy finds it most difficult to follow a clear line. On the one hand the electorates of Great Britain and still more of the oversea Dominions view eastern Europe as the field in which their own interests are least directly engaged, in which they can exercise the least direct military force, and in which they are least willing to commit themselves beforehand. Indeed, with a navy which cannot reach eastern Europe at all, an army which has practically no European expeditionary force, and a home air force which is unlikely to reach parity in numbers with Germany, the only way in which Great Britain could exert direct force would be by turning what might be a local conflict into a world war. On the other hand neither Great Britain nor any Dominion can be indifferent to alterations in the *status quo* in eastern Europe, especially if they are brought about by power politics or war, because of the far-reaching effect they may have upon the balance of power in the world as a whole.

IV. AWAKENING IN THE UNITED STATES

THERE is, however, another aspect of the international problem which in the long run, among present-day uncertainties, may have decisive influence—and that is the changing attitude of the United States. It is not now generally remembered that the keystone of the peace settlement drawn up by the Big Four in Paris was not only American membership of the League of Nations and the Reparations Commission but also the Anglo-American treaty of guarantee to France. Not only was the United States to be a member of the League, but at the heart of the

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League was to stand a solid democratic defensive core, the combination that had won the war. If that project had been realised the world would certainly not be in its present dangerous disorder; for the security that it would have given to France would have made possible a fair revision of the treaties in favour of republican Germany, instead of that insistence on the indefinite maintenance of the Versailles system which has produced Hitlerist Germany.

Events turned out otherwise. World exhaustion after 1918, coupled with the illusory stability given to Europe by the French alliance system, enabled the United States to retire to a complacent isolationism for fifteen years, just as it enabled Great Britain to disarm and spend her resources on social reform over the same period. Now there has come a reaction. Universal rearmament, the Manchurian and Abyssinian episodes, and the emergence of totalitarian dictatorships claiming world power, have brought about a profound change in the American outlook, just as in that of the British Commonwealth. The new situation led, first, to vigorous American rearmament both by sea and in the air. It led, in the second place, to the Neutrality Act, whereby the United States sought to prevent the growth of those financial and economic entanglements with Great Britain and France which a somewhat half-baked interpretation of the history of the period from 1914 to 1917 had persuaded many Americans to regard as the chief reason for the entry of the United States into the world war. It has led, more recently, to a definite alignment of the sympathies of American public opinion with the democracies in opposition to the military expansionism of the fascist Powers. Against this attitude there is a minority movement of criticism—partially hamstrung by America's own responsibility for making the peace settlement and wrecking the League—to the effect that it has been the weakness of British and French policy that has undermined the League and the Nine Power Pacific treaty, and that some restitution of colonies ought to have been made to Germany long ago.

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But a remarkable article by Mr. Walter Lippmann in the well-known American quarterly *Foreign Affairs* shows that under the surface of a public opinion still apparently wedded to isolationism—especially from Europe—a new movement of fundamental thinking is stirring. It points out that the Neutrality Act means, in practice and contrary to the intention of its original promoters, that “if Britain is again at war with Germany, only Britain and her allies will be able to supply themselves in the American market”. This is so because they alone, so long as the British navy is supreme in the Atlantic, will be able to fulfil the conditions of the “cash and carry” plan. But Mr. Lippmann goes on to more bedrock considerations. He thinks that even the kind of neutral isolationism prescribed in the Neutrality Act is possible for the United States only if a war is being fought “for a limited objective in a localised area” and not for supremacy of power over the larger part of the earth’s surface. His conclusion is best set forth in his own words.

The invisible, the unexamined and unrecognised premise of American isolation has always been an international system in which naval power in British hands is predominant over all other military power. . . . Such an international system existed in the century between Waterloo and the Marne, and all our preconceptions about world politics implicitly assume the continuation of some such system.

Thus when Americans speak of isolation and of being indifferent to the outcome of European wars they have already taken it for granted that there exists a power great enough to localise wars of aggression. In this situation the concept of neutrality can be made to work. But the concept itself rests on a deeper premise, on the tacit and unrealised assumption that the world as a whole will remain orderly under the final authority of sea power controlled by men who on the whole believe in the supremacy of law and in government by consent of the governed. Once that assumption is upset, once this pivotal organisation of human power is seriously disrupted, the basis of neutrality and of isolation is destroyed. A fatal blow struck at the heart of the British power would not merely destroy the international unity of the Empire; it would mean the destruction of all international order as we have known it.

We have only to imagine our own position if the British

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supremacy were to collapse under an attack by Germany in the North Atlantic, by Italy in the Mediterranean, by Japan in the Western Pacific. Could we conceivably be indifferent to such a world-shaking catastrophe as that? With whom would we then discuss amiably the idea of naval parity? Would it be possible for us not to care about how the innumerable fragments of that great political organisation were disposed of? We could not be indifferent. All that is familiar and taken for granted, like the air we breathe, would suddenly be drastically altered. A thousand relations to all parts of the world, so well established that we forget they exist, would suddenly be broken. The disruption of Austria-Hungary has changed the face of European politics. The disruption of the British Empire would have consequences so incomparably much greater that we cannot really imagine them. One might as well have asked a citizen of Rome in the time of Augustus to imagine Europe when the Roman power had disintegrated.

Thus, though it is no doubt written in the book of fate that Britain will no longer carry on alone the authority she exercised in the nineteenth century, it is also written in that book that our civilisation is doomed to another dark age unless that authority can be perpetuated by peoples who intend to live by the same political tradition. There is no alternative—except a century or more of wars fought savagely and indecisively by peoples contending for world supremacy. Whether the power that Britain exercised in the nineteenth century is to be perpetuated through Geneva is a relatively minor question. The great question is whether a nation placed as we are, and desiring above all else to live and let live, can preserve its isolation if there is no power in the world which preserves the order of the world.

The answer to that question is, I am convinced, that we can and that we will stand aside only as long as we feel that there is no fatal challenge to the central power which makes for order in our world. Our unconscious wisdom is the deposit of a century of experience. In that century of American isolation an organic and inseparable connection was formed between the life of the American nation and an international order held together through supreme authority exercised by men who in great matters think as we do. We cannot break that connection. We could not break it in 1917. We have declared that we cannot break it in 1937. We shall not break it. In the final test, no matter what we wish now or now believe, though collaboration with Britain and her allies is difficult and often irritating, we shall protect that connection because in no other way can we fulfill our destiny.*

* *Foreign Affairs*, July 1937, pp. 593 and 594.

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How far this view represents any widely spread body of American opinion it is impossible to say. It is nevertheless deeply significant, because it shows that some Americans are seeing world facts as they really are. There can be no peace in the world without government. We are a long way from any world government based on the federal principle whereby the Philadelphia convention in 1787 ended the disorder caused by the sovereignty of the disunited states. But after turning back to isolationism Americans are beginning to realise that even the Neutrality Act will not keep them out of war, if the war is to be concerned with the fundamentals of world civilisation. If we in the British Commonwealth had strayed too far in the belief that a universal peace system could be constructed without some pooling of sovereignty, Americans are beginning to realise that, in a world contracted by science in terms of time and space, action rather than neutrality may be the only way of avoiding war.

That fact may have far-reaching effects in the future. The reconciliation of national freedom with international security and stability seems likely, in the next phase of the world's advance, to follow the precedent of the Monroe system and of the British Commonwealth—the association of a number of smaller nations with a powerful State which can protect them and preserve order in the group—rather than that of the universal association of equals in the League. If Spain retains her independence at the end of the civil war, if the Far East can settle down again, after the latest trial of strength, without igniting a world conflagration, if a solution of Germany's relations with eastern and central Europe can be found on some such lines as have been described, it may be that international tension will relax and rearmament will end. In that event, a pacific international order based on agreement between the leading world Powers, and on a movement towards freer economic intercourse, may perhaps be established, at least until some new bone of international contention

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appears. But it is also possible that these tensions instead of relaxing may become more violent, and that the balance between fascist, communist and democratic States in Europe and Asia may become so even that there will be danger of another world conflict between liberty and autocracy even more savage than that of 1914. If so, then the policy of the United States may be decisive in preventing such a war, just as it was decisive in 1917 in winning the war for democracy.

For, if the world does not settle down, the practical issue may well be whether a local conflict in Europe or Asia must again inevitably drag all nations, one after another, into a world war. The only method of preventing that disaster would be to re-create a concentration of power, such as Great Britain herself possessed in the nineteenth century after Waterloo, not only invincible to direct attack but also strong enough not to feel its own security or the world order menaced by political changes in Europe or the Far East. Such a concentration could localise conflicts and use its political and economic influence to end them quickly on terms that did not disturb the world balance. Neither Great Britain nor even the whole British Commonwealth is to-day strong enough, compared with the rest of the world, to restore the nineteenth-century system. The intention of the framers of the Paris settlement in 1919 was to establish at the heart of the League a combination of liberal and democratic Powers which could do this very thing in a more impartial and more effective way through the machinery of the League, and so maintain the kind of liberal international order which Mr. Lippmann says that American public opinion has more or less taken for granted. That hope was shattered by the withdrawal of the United States. But, as Mr. Lippmann suggested in an earlier Armistice day address, the nations of the British Commonwealth and the United States are together strong enough, by reason of their resources and their control of strategic positions, to re-create that kind of international order. As

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its study of international problems develops, public opinion in the United States may come to see that its own avoidance of war may depend, not upon pacifism or the Neutrality Act, but upon a sufficiently active co-operation with other democracies to restore, possibly through a modified League system, a combination strong enough both to defy attack and to prevent local wars from repeating the tragedy of the world war.

APPENDIX

Extract from Mr. Eden's speech at Leamington on November 20, 1936

Our objective is international co-operation throughout the world—co-operation in which all the States shall participate. It would be wrong and foolish to pretend that nations can only co-operate in international affairs if their systems of government are similar. That is not true, nor is it desirable. . . .

There can be no doubt that attempts to uphold international law have not benefited from the comparative decline of British strength in arms which has existed in recent years. The equilibrium is now being restored—nobody but a would-be aggressor will complain. But, it may be asked, for what purpose will these arms be used? Let me once again make the position in this respect perfectly clear. These arms will never be used in a war of aggression. They will never be used for a purpose inconsistent with the Covenant of the League or the Pact of Paris. They may, and if the occasion arose they would, be used in our own defence and in defence of the territories of the British Commonwealth of Nations. They may, and if the occasion arose they would, be used in the defence of France and Belgium against unprovoked aggression in accordance with our existing obligations. They may, and, if a new Western European settlement can be reached, they would, be used in defence of Germany were she the victim of unprovoked aggression by any of the other signatories of such a settlement.

Those, together with our treaty of alliance with Iraq and our projected treaty with Egypt, are our definite obligations. In addition our armaments may be used in bringing help to a victim of aggression in any case where, in our judgment, it would be proper under the provisions of the Covenant to do so. I use the word "may" deliberately, since in such an instance there is no automatic obligation to take military action. It is, moreover, right that this should be so, for nations cannot be expected to incur automatic military obligations save for areas where their vital interests are concerned.

SMOKE AND FIRE IN THE FAR EAST

I. THE SPARK

IN the middle of July the anxieties of the peace-loving Powers, centred during the past few months on Spain, were enlarged by the crisis in the Far East. Trouble in North China was not wholly unexpected. The Japanese, interpreting more ingeniously than plausibly the Boxer protocol of 1901, have been keeping in North China a force of 7,000 men, and have been engaged in operations designed to create for Japan in that region a "special position"—a term they have carefully refrained from defining. Friction, inevitable between an armed alien force and a population that resents their presence, had in recent weeks become acute, and an explosion, whether accidental or deliberately planned, could hardly cause much surprise. But when on July 7 skirmishing began between Chinese and Japanese troops, the disposition at first was to regard it as a storm which, after a little tumult, would clear the air and be followed by a period of greater calm. Wolf! had been too often cried in the Far East for there to be anything but scepticism about a Sino-Japanese war. Besides, as Mr. Eden stated in Parliament, the feeling between China and Japan, except on the issue in the North, had in recent months much improved; and there seemed to be a growing doubt in Japan whether, in dealing with China, blandishment was not a cleverer line than bludgeoning.

These hopes of better relations have been utterly dashed, and the crisis has changed rapidly from a local to an international one. Events have been rapid and confused, and those that happened publicly can be understood

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only by reference to those that happened behind the scenes. Nevertheless, by a study of the situation in the two countries as it was just before the crisis occurred, it is possible to form a picture, at least fairly plausible, of the main factors that served to magnify the consequences of a clash in itself relatively unimportant.

II. FUEL, DAMP AND DRY

THE outstanding event in the Far East in recent months had been the return of self-confidence in China and the lifting of the gloom which had for so long overhung Chinese politics. Those who regard economic factors as decisive can point out that the revival dated from the currency reform of 1935 and the resulting improvement of the economic situation. It might nevertheless be questioned whether this improvement was well grounded or was likely to be permanent. It had been a recovery of the urban, rather than of the national, economy; famines on a great scale had continued to occur in some of the provinces; and the revolution of agricultural technique, and of agrarian organisation, which alone can permanently raise China's agricultural output and thus guarantee the equilibrium of her balance of payments and the long-run prosperity of her trade and industry, remained little more than a paper project. Moreover, as the Shanghai correspondent of *The Times* pointed out in a survey last May, many features of the new currency administration were disturbing.

In spite of these signs of instability, the commercial classes in Shanghai, being by nature of an optimistic turn, were bent on making the most of their existing prosperity. The merchants and bankers faced without apprehension the two great settlement days, the New Year and the Dragon Boat Festival; and their dependents had ceased to fear for their jobs. An inflation, so long as it is moderate and does not become fevered, is apt to bring with it an

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expansion of the mind. Reassured about their own business position, the Shanghai commercial classes were taking a rosy view of the position of the nation. Because they were no longer pressed by their creditors, they had ceased in some measure to be conscious of the pressure of Japan.

Their optimism was reinforced, and to some extent justified, by the increasing success of the Nanking Government. Eighteen months ago an analysis would have shown Nanking faced in many parts of the country by two competitors for its power, the war-lords and the communists. By July of this year, the war-lords seemed to have made their last throw, and the communists, from being hunted enemies, to have become valued, if not trusted, allies. After the failure, during 1936, of two formidable rebellions, Chiang Kai-shek delivered a counter-attack against the war-lords—in Szechuan, Hunan, Kwangsi and the north-west—and brought the prestige of Nanking to the highest point it had yet reached. The armies of the local generals were reduced in size; their administration was brought under closer supervision; and, most important of all, their finances were put in charge of a nominee of Nanking.

The communists, the other competitor, had not been conquered. But it had been known that for some time Moscow looked with disapproval upon a continuance of the civil war, which weakened Nanking *vis-à-vis* Japan, and which hindered co-operation between Nanking and the U.S.S.R. Discussion of a truce seems to have begun as early as August 1935. The details of the negotiations that followed; the part the communists played during the captivity of Chiang Kai-shek at Sian; * and the terms of any pact that was concluded, are not, and are not likely to be, known to Western observers. Japanese newspapers reported that one of the leading communist generals had been for some days the guest of Chiang Kai-shek at his country home; with him was a son of Chiang, who had

* See THE ROUND TABLE, No. 106, March 1937, pp. 295-307.

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formerly resided at Moscow, who used to enliven the communist press with revelations of the Chiang family life, and who now, according to the Japanese, was collecting his father's ideas upon the reorganisation of the Chinese red armies. The two communist leaders, Chu Teh and Mao Tse-tung, had also, according to the same reports, been invited to lecture on tactics to the Kuomintang officers whom they had for so long harried.

The truce, freeing the Nanking Government from its commitments upon one front—against the communists—turned the full gaze of public attention upon the other front—the one against Japan. The pressure upon Nanking to resist, and even to take the offensive, had in recent months become formidable. It came especially from the students and intelligentsia, to whose opinion every Chinese Government, however it may treat individual students, is singularly sensitive; from the junior officers; from a section—not the majority—of Shanghai business men, who in the heady atmosphere of recovery did not reflect too closely upon the possible consequences of jingo sentiments; and from the communists, whose avowed aim, in making the truce, was to contrive war between Japan and a united China. It was reinforced by the belief, widely held this summer at Shanghai and Nanking, that Japan was passing through such a grave political and economic crisis that she would go to great lengths to avoid war; and by the undoubted successes with which China had met whenever, in recent months, she had chosen to withstand Japanese aggression. Japan had won no spectacular success over China for two years. Last autumn she began negotiations to force Nanking to a "final settlement"; the Government, while acceding to minor demands, refused to yield on essentials; and Japan did not stir. In December, she organised an invasion, by irregular troops from Manchukuo, of the North China province of Suiyuan; this was repulsed, and again Japan accepted the rebuff. In March the Japanese Foreign Minister, under the influence

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of the business men who, for commercial reasons, wanted a rapprochement with China, made a number of statements that surprised the Chinese by their mildness rather than won them by their friendliness. The impression grew up that Japan was on the retreat, and there was a clamour for China to follow up.

Nanking certainly did not yield to its chauvinists. It had recently shown, however, a greater resolution in protecting its rights. Measures had been taken to combat the Japanese penetration of North China. Central government officials had begun to appear more frequently in that region, and the general manager of the Peiping-Mukden railway, suspected of conniving at Japanese smuggling, was impeached. Relations between Nanking and Sung Cheh-yuan, the general appointed two years ago, with Japanese consent, to command in North China, became more intimate; and Sung, who showed himself to be in fact as tenacious as he appeared accommodating, countered the diplomatic offensives of the Japanese by vanishing at the first sign of them to seclusion in the countryside. The Nanking Government ceased to be tactfully blind to the irregularity of the existence of the East Hopei Autonomous District, an area of five million inhabitants near Peiping which in 1936 was seized by a pro-Japanese politician, and was administered by him, under Japanese protection, as a kind of preserve for the Japanese drug traffic and as a strategic jumping-off place for smuggling and for Japanese political penetration. Nor were reminders lacking that Nanking had never recognised the independence of Manchuria.

Proposals for Sino-Japanese economic co-operation—of special interest to the Japanese army, which, in order to justify its adventures to an increasingly critical public opinion at home, needed to show that they were commercially advantageous—were politely examined; but of all the projects advanced only the air-line, the least likely to be profitable, had been taken up. The refusal of Nanking

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to waive, for Japanese benefit, the law that forbids the leasing of land to foreigners, and its veto of an agreement between a Chinese and a Japanese corporation whereby Japan acquired a coal mine, showed that the other projects—for railway building, cotton plantation, and the development of the iron industry—had little chance of fulfilment. Worse, the army's political activities had provoked China to measures very unwelcome to the Japanese commercial interests, such as the regulation of the export to Japan of the Chinese cotton crop, greatly needed by Japanese mills. In fact, if the Japanese army took a realist view, it must have recognised that, after the expenditure of large sums of money and of three years of effort, its footing in North China had become less, not more, secure. And, if it lost its game in North China, the army's position both in Japan and in Manchukuo would come up for reconsideration.

III. JAPANESE TINDER BOX

CHANGES had in the same period been occurring in Japan. Their nature, and the situation in Japan, were somewhat obscure, Japanese affairs being on the whole less adequately reported in the Western press than Chinese; but it was supposed, until the recent crisis began, that renewed aggression by Japan on a large scale had become less likely than hitherto.

It appeared that there had been taking place a kind of reintegration of some of the conflicting forces and groups making up Japanese political life. In all communities except totalitarian States (and even there in a disguised form) political power is dispersed and shared between cliques and parties; but this tendency, if carried beyond a certain point, ends in a confusion in which the identity of the national government is split. As, in pathological cases of human psychology, the personality sometimes disintegrates and divides into two or three distinct characters, so in recent years Japan has had its different personalities.

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The Tokyo Cabinet and rival wings of the army have each claimed, at different times and sometimes simultaneously, to be and to speak for the nation; and, as the policies for which they stood often conflicted, the direction likely to be taken by Japan was incalculable and negotiation with her was dangerous and baffling.

The first step to reintegration was the restoration, in the course of 1936, of discipline in the army. The army is split between officers coming from the hereditary aristocracy and those coming from the small landowners and middle class. The aristocrats are, on the whole, on good terms with the great capitalists, in whose hands is concentrated the control, to a degree unusual even in late capitalist societies, of the economic life of the country. The middle-class officers, on the other hand, are their fierce opponents, and demand a system which, though usually called fascist, would more resemble the system of the U.S.S.R. than that of Germany and Italy. Through their family connections with industry and finance, the aristocrats can maintain a standard of living that makes them well disposed to the established order; and they have a preponderance in, but not a monopoly of, the high command. For the middle-class officers, promotion is slow and difficult, and salaries, even at the top of their profession, do not rise above the income-level of a superior bank clerk in England. Both wings agree in their aim of foreign conquest; but they fiercely disagree upon the way in which, and for whose benefit, the conquered territories should be exploited.

Before 1930, both in the state and in the army itself, the middle-class officers were very much the junior partner; between 1930 and 1933, having thrown up two gifted leaders, Mazaki and the celebrated General Araki, they were in virtual control of the Army Council; since 1933 their star had been waning. The mutiny at Tokyo in 1936, when a number of Cabinet Ministers were assassinated and for two or three days strategic centres were held by the rebels—one of a succession of similar plots, the others

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having been detected before reaching an advanced stage—was their last throw. With its failure, and with the purge of disaffected officers that followed, they have been, at least for the time being, brought to order.

The struggle between the military aristocracy, now masters of the army, and the civilians—that is to say, the representatives of the bureaucracy and the great capitalist interests who are the only civilians with much influence upon Japanese politics—seemed to have been terminated or suspended, not by the outright victory of one side or the other, but by compromise. The issue between them was not internal but foreign policy. There were differences of opinion between the civilians themselves; the industries and banks concerned with the armament industry were, for example, more friendly disposed toward the army than were the exporters and the textile manufacturers. But all the civilian interests appeared to be more attracted by the idea of a commercial empire, based on the cheapness of Japanese goods, than by that of a territorial one based upon Japanese arms. They made little serious resistance to the army's conquests as long as these did not seem likely to involve war with the great Powers. The prospect of solving in Manchuria Japan's raw material problem was also not altogether unattractive. The enormous strengthening of the Russian army in the Far East, which was clearly provoked by Japanese action, and which Japan feared might pass from a defensive to an offensive measure; the rearmament of Great Britain; the realisation, with the reaction to the German-Japanese agreement, of the extent to which Japan had isolated herself; the increasing power and prosperity of China, and the handicap, as long as the tension lasted, to Japan's reaping the commercial benefits of China's increasing commercial demand; the failure, on the other hand, of Manchukuo as a commercial venture; and the danger to the country's finances and economy caused by the armament programme and the strained relations with the great

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Powers: these considerations caused them to pass from passive disapproval to active obstruction. Japan is governed by a Cabinet which, according to the constitution, is responsible to the Diet, but which is not necessarily composed of members of the dominant parties; and all Cabinets since 1932 have in fact been non-party ones. In the last six months, alarmed into action, the parties had, through the Diet and by other means, wrecked two Cabinets. Though not powerful enough to take over the government themselves, they reaffirmed that the Cabinet could not, beyond a certain degree, govern *against* them; and the government, while willing to force new elections, shrank from violating the constitution and suspending the Diet's existence.

To reconcile Cabinet and Diet, military and civilians, was the mission of the new Prime Minister, Prince Konoe. The selection of Konoe seemed to be an attempt to find, among the young and active generation, a counterpart to the famous Prince Saionji. Like Saionji, Konoe is an aristocrat enjoying the prestige and power of attraction which aristocracy still gives in Japan. He has powerful connections, and could thus bring pressure to bear upon the generals, who are disposed to pay little attention to the parvenu civilian. Like Saionji he has travelled, and like him again he has the reputation of having, in his youth, been disciplined for "dangerous thoughts". He had the advantage and the handicap of never having held Cabinet office: advantage, because he had no political past to entangle him; handicap, because he lacked experience. He was in fact an untried man, and his appointment was a gamble. The experiment indicated to what shifts Japan had been put by her recent crises.

Prince Konoe's policy, as followed from his position, was bound to look two ways. To reassure the civilians, he must bring Japan out of her isolation, and he continued the policy of the former Foreign Secretary, Mr. Sato, of seeking to restore the traditional amity with Great Britain. The price

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of an agreement with Great Britain, it was understood, was the cessation of armed violence against China. Simultaneously, to please the army, he was ready to discuss the economic policy it put forward. Designed for defence purposes, this aimed at greatly increasing, in some respects trebling, the industrial output of the country, especially of the aviation, shipbuilding and machine tool industries. The Planning Board of the Cabinet was instructed to draw up detailed projects; and special schools were established to train the personnel needed to man the new factories. (Japan has a shortage of skilled male factory labour, the majority of the workers in light industry, until now the most developed branch of her industrial activity, being women and children.) The Japanese Empire, being deficient to a remarkable degree in raw materials, depends for the smooth functioning of its economic life upon an export trade sufficient to enable it to import, in exchange, minerals, rubber, oils and raw cotton. The rising price of raw materials, combined with the check to Japan's export expansion, threatened to cause a crisis. To expand, at this stage, the industry manufacturing for home consumption, thus at once increasing the demand for raw materials and diverting the available supply of material and capital from the export industry, was certainly mistimed; and the attempt could only be made if there were to be a drastic extension of state control over the national economy. To this the business interests would certainly put up a very stubborn resistance.

IV. RISKS AND RESPONSIBILITIES

THE circumstances of both the Nanking and Tokyo Governments thus suggested that neither desired war; their early actions immediately after the July incident suggested that they were making considerable efforts to avoid it.

China's interest in her relations with Japan, and the line

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she had consistently followed, was to gain time. It was fully understood at Nanking that while China might hope to impose a severe strain on Japan, especially an economic strain, she could hardly expect military victory. China has no navy, and at the outset of a war the ports, on whose banks and whose customs revenues the national finances are based, would fall to the enemy or would be blockaded. Chiang Kai-shek was believed to be in indifferent health. The internal situation, in spite of the real improvement, did not permit war to be faced with confidence. It was believed, on the other hand, that if China could avoid war for five years her powers of resistance in the interior, the striking force of her air squadrons, and her relations with other Powers might so far have improved as to deter Japan from any further adventures that might provoke Chinese resistance.

Japan's interests also pointed towards peace. However quickly ended, war would be a financial strain which Japan could hardly afford. It would ruin her China trade. It would permit the countries with which she competes to steal a march on her. Even if completely victorious, she could hardly gain economic advantages which were not equally, and more securely, attainable by peaceful means; and, exhausted at the end of the war, she would probably be obliged by the other Powers, as twice before in her history, to forgo the best fruits of victory. War would play into the hands of the radical party in the army and might thus end the capitalist system in Japan. Mechanisation of the army had only recently begun, and the equipment of many units was, by modern standards, out of date. War in China would probably mean revolt in Manchuria, and possibly—what Japan fears more than anything else in the world—intervention by the U.S.S.R. Against a Sino-Russian combination success would be exceedingly doubtful; and failure would mean social revolution. The moderation at first shown by Prince Konoe, and the apparent reluctance of Tokyo to mobilise,

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suggested that these considerations, at least during the first days of the crisis, were very much in mind.

It is of course possible that a minority, reckless of consequences, may have been working for war. Alarmed by the growing strength of China, some of the generals may have been in favour of striking at once, either fatally to discredit the Nanking Government by forcing it into humiliating surrender, or to destroy it by a "preventive war". Or the radical officers, whose palmy days were those following the Mukden *coup* in 1931, may have been trying to restore their fortunes by staging a similar incident. Or, with their exaggerated but genuine fear of communism, they may have regarded the pact between Chiang Kai-shek and the Chinese red army as a threat which could be met only by military action.

The most plausible explanation seems to be as follows. The incident from which the crisis arose was an accident. The Japanese garrison in North China decided to utilise it to gain control of the North China railways, which are of strategic importance to Japan in case she was engaged in war with Russia; to redeem their waning prestige; to push a little farther their penetration of the North; to loosen a little the attachment between Sung Cheh-yuan and Nanking; to obtain redress for a number of grievances currently worrying them. The rapid collapse of Sung Cheh-yuan's Northern army emboldened them, and convinced them that, by acting resolutely, they could now achieve, at one stroke, the goal which they had expected to reach only slowly and by degrees—the setting up of a pro-Japanese Government over all North China, and the acquisition for Japanese industry of the coal, iron, salt, cotton and wool of this region.* In view of the crisis in

* It has even been suggested that the main cause of the crisis was the iron and steel famine in Japan; and that the Japanese army, unwilling to see any delay in its armaments programme, decided to seize the iron mines and deposits of Hopei. It seems more likely, however, that *after* the incident of July 7 the military saw in it a good opportunity to obtain control of the iron fields, than that they engineered the incident *in order to* seize those resources.

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Russia, and the preoccupation of Europe with Spain, they thought the international situation at least as favourable for such a coup as it was likely to be at any time in the future. The civilians, in part intimidated, in part carried away by excitement, fell in with their plans. They counted on Chiang Kai-shek's acquiescing, before a threat of war, to a *fait accompli*, and on his being able to do so without fatally endangering his own position. Or if, for reasons of domestic policy, he was compelled to resist, they expected that the scale of operations would be limited by a kind of "gentleman's agreement", and that an early and satisfactory peace would be arranged. Actual events may show that, at one point or the other, the Japanese calculation was wrong. The situation was indeed in some respects similar to that of Europe in 1914, when the governments played a game of bluff with one another, and a situation developed from which retreat became impossible.

V. THE FUTURE

THE Nanking armies include, besides great numbers of troops of inferior value, 200,000 men equipped and trained on a Western pattern, and an air force believed to consist of over 700 planes. But, apart from the scarcity of trained pilots, Chinese efficiency in air warfare is limited by the lack of factories to supply replacements. There can be no doubt that Chinese material and equipment is on the whole much inferior to the Japanese. But this advantage to Japan would be discounted if the war became a guerilla one. For guerilla warfare the Chinese soldier, as the Chinese communists have shown, is admirably suited, as is also much of the Chinese terrain; Japan would find her lengthening communications hard to defend; the longer the war lasted, the greater the possibility of financial collapse or social disturbance in Japan, of intervention by the U.S.S.R., or of mediation by other Powers. Japan's best weapons, on the other hand, are probably a

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blockade of the coastal ports, and "silver bullets"—the buying over of local governments and generals. A blockade, it is true, cannot be entirely effective. Chiang, in the past two years, has hastened the construction of roads linking his probable headquarters with the frontiers of Indo-China and the U.S.S.R.; and the latter has every reason for supplying material and for making good, as far as possible, the loss of China's customs revenues. The distances to be covered are, however, very great, and the roads imperfect and scarcely suited to heavy traffic.

This article is being written early in August, when it is still a matter of doubt whether general war between China and Japan will result. Already, however, the situation is such as to provoke discussion of British policy if that should happen. Failing the intervention of other Powers, it is clear that neither Great Britain nor the United States is likely to be involved. If Russia became engaged, an entirely new set of considerations would of course arise, testing the strength of the Japanese-German anti-communist pact. Great Britain has a large investment in China, and in particular has been basing high hopes upon her economic recovery and the demand expected for capital goods. War in any part of the world is a potential danger to the Empire. Mr. Eden has stated several times that he has been in consultation with Washington, that he has suspended the Anglo-Japanese conversations while the crisis lasts, and that he has offered his services to both sides in helping to preserve peace. There is perhaps little else that can be done—except to watch vigilantly for every chance of mediation; the U.S.S.R., not Great Britain, holds the trump cards that could persuade Japan to moderate her policy.

In the event of war, we should be obliged to make a number of decisions—for example, upon our attitude to a Japanese blockade, and upon the sale of armaments. It would surely be anomalous if, after the line taken in Spain, we should sell arms to Japan, about whose responsibility

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for the Far Eastern outbreak there can be no two questions. An embargo on supply to both sides, on the American model, might, in the circumstances, be the most satisfactory solution. It would be of substantial as well as formal importance, since Japan depends for war material largely upon imports, and in the present armaments race these would not be easy to obtain. It might also prevent many difficulties if Great Britain and France were to make it perfectly clear that a Japanese occupation of Hainan Island, a strategic point from which it would be possible to interrupt the communications between Hong-kong and Singapore, could in no circumstances be permitted.

THE PALESTINE REPORT AND AFTER

THE publication of the report of the Palestine Royal Commission* has had at least one effect which has not only been immediate, but is also manifestly—and happily—irreversible. The report has closed one chapter and opened another in the history of the Palestine problem. This effect follows from the very nature of the Commission's recommendations.

I. THE COMMISSION'S PROPOSALS

THE gist of the Commissioners' unanimous proposals is that the present mandate for Palestine should be terminated; that a new mandate should be conferred on the United Kingdom for the administration of a minimum territory (an enclave round Jerusalem and Bethlehem with a corridor to the coast, and another tiny enclave round Nazareth); that the policy of the Balfour Declaration should not apply to this zone under the new mandate; and that the whole of the rest of the territory that is now being administered under the existing mandate—including Transjordan—should be apportioned between two sovereign national States of unequal area: a relatively small Jewish State in the west and the north, and a relatively large Arab State in the east and the south. This is the plan put forward by the Commission under the title of "the Possibility of a Lasting Settlement". The Commission have also, it is true, submitted quite different recommendations to meet the case of a continuation of the present mandate in its

* Cmd. 5479.

present terms and throughout its present area, but in submitting them they have declared that, in their opinion, these are not the recommendations that the Commission's terms of reference require. They are only "palliatives" which "cannot cure the trouble". For practical purposes, therefore, the Commission's proposals may be treated as consisting in the plan for that "surgical operation" in which, in their firm conviction, lies "the only hope of a cure" for a "disease" which is "deep-rooted". On this showing, the best service that we can render in this article for the readers of *THE ROUND TABLE* is to concentrate attention upon the plan that the Commissioners do put forward with a whole-hearted belief that its adoption will open the way to the solution of a problem insoluble—in their view—on any less radical lines.

The report is a great state paper which is full of character. One of its outstanding features is its extreme intellectual ability, a quality frankly admitted by its critics. Another feature is its moral courage in facing facts, a virtue that is not converted into a vice by giving it the bad name of "defeatism". But there is a third feature in which courage and ability are blended, and that is the report's constructiveness, which is admirable as far as it goes, even if we are right in suggesting that in some respects it may not go far enough. Bold construction and devastating criticism are in this case both crying needs; we have been fortunate indeed in being given a report in which these needs are largely met; and, since the qualities of the critic and the man of action are all too rarely combined, this capital feature of the report is a tribute to the perspicacity of His Majesty's Government at Westminster in making its choice of Commissioners.

The negative service (and it is a great one) that the report performs is to sweep away a whole cobweb of academic attitudes and unrealistic expectations which, for years past, have been standing in the way of any effective attempt to deal with the Palestine situation. That situation

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(as the Commission trenchantly point out again and again) has itself neither been standing still nor improving, but has been going from bad to worse at an ever accelerating pace.

To begin with, the Commission have shown common sense in refusing to be drawn into the labyrinth of conflicting arguments about British pledges. The Arabs and the Jews have each taken the line that they are entitled respectively to be granted everything that they ask for (without regard to practical consequences) if only they can demonstrate that their demands are covered, explicitly or implicitly, by some authentic British promise. The Government at Westminster, for their part, have been all too ready to assume that they themselves will be beyond reproach if only they can succeed in demonstrating, on their side, that their written undertakings are legally compatible with one another and with the terms of the present mandate—even though these retrospective British interpretations of British promises made during the war may be demonstrably quite different from other equally reasonable interpretations which the Arabs or the Jews, as the case may be, actually placed upon these promises at the time *bona fide* and without any immediate expostulation from the British Government.

Again, the Commission have shown up a piece of "British hypocrisy" over the present mandate, an error that has always been tiresome and has latterly become pernicious. While the juridical position is that a mandate for Palestine has been conferred upon the United Kingdom by the Principal Allied Powers to be administered to the satisfaction of the Council of the League of Nations as advised by the Permanent Mandates Commission, the historical fact is that the terms of this legal instrument were drafted virtually at the dictation of the Government at Westminster in order to incorporate pledges which His Majesty's Government had already given on their own account and to implement a policy upon which His Majesty's Government had already decided for themselves. The

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fiction is one in which, like the Britons that we are, we have come almost genuinely to believe. As Mr. Ormsby-Gore put it in the House of Commons on July 21, "the mandate in the minds of some people has become a sort of Bible, every word of which is inspired"; and he was right in adding that "this is hopeless"—for how can a document be supernaturally sacrosanct when one has drafted it oneself for one's own convenience? Moreover, time is not on the side of the present mandatory régime. To quote Mr. Ormsby-Gore again, we cannot any longer go to Geneva and say: "The mandate is working all right; it can be implemented, and it can never be changed". The Commission give cogent grounds for believing that, under this régime, "peace, order and good government can only be maintained in Palestine by a rigorous system of repression". In their opinion, they would be failing in their duty if they "said anything to encourage a hopeful outlook for the future peace of Palestine under the existing system or anything akin to it". "An irrepressible conflict has arisen between two national communities within the narrow bounds of one small country"; and "it is not easy to pursue the dark path of repression without seeing daylight at the end of it".

The Commission give a number of weighty reasons for their conclusion that "the situation in Palestine has reached a deadlock". For one thing, "self-governing institutions cannot be developed in the peculiar circumstances of Palestine under the mandate"—though their development is one of the principal duties imposed on the mandatory by the mandate itself. "To maintain that Palestinian citizenship has any moral meaning is a mischievous pretence; neither Arab nor Jew has any sense of service to a single State." In these circumstances the mandatory Administration in Palestine—which ought not to be made a scapegoat for having failed in a task that has proved to be an impossible one—has vainly displayed an unwearying conciliatoriness and an impartiality so pedantically

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meticulous that the Commission nickname it "government by arithmetic". But "conciliation, like impartiality, has failed"; and the Administration has been reluctant to resort to the *ultima ratio* of unsuccessful Governments. "The elementary duty of providing public security has not been discharged." Lord Snell was certainly right when he said in the House of Lords on July 20 that the Commission, in making their findings, were asking us "to confess now that we were unable to do what we solemnly engaged to do". But Lord Peel (the Chairman of the Royal Commission) was surely equally right, and more to the point, in replying that "he saw no discredit if we said that we had failed in what we believed to be an impossible task". And Lord Dufferin was unanswerable when in the same debate he submitted on the Government's behalf that it was far better to admit defeat and boldly change our course "than to attempt . . . to disguise a failure which affected the lives and the happiness of so many thousands of Jews and Arabs alike".

II. THE FRUITS OF NATIONALISM

BUT why has the present mandate failed? We may usefully pause to ask a question that must throw light upon the prospects of the Commission's alternative plan. But this raises the prior question: what was the miscalculation that led British statesmen, some twenty years ago, to believe that the arrangements that have now broken down could be made to work? The Commission have probed down to this original mistake. It was a "belief that the obligations . . . undertaken towards the Arabs and the Jews respectively would prove in course of time to be mutually compatible owing to the conciliatory effect on the Palestine Arabs of the material prosperity which Jewish immigration would bring to Palestine as a whole". *

* Lord Balfour's biographer, in a letter to *The Times* of July 29, has definitely attributed this view to the author of the Declaration in favour of the Jewish National Home.

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This belief did indeed show a lack of psychological insight which it is rather humiliating now to have to confess. It was stupid because it assumed that the Palestinian Arab would be truer to the type of our own classical political economists' imaginary *homo economicus* than any European or American specimen of humanity had ever yet been known to be in real life, while at the same time it assumed that this obliging Arab would conveniently remain utterly "Oriental" in the sense that he would remain immune from the nationalism of our Occidental *homo politicus*. As we must now ruefully admit—after having been taught by trial and error—this incongruous pair of expectations was pathetically unrealistic. For it is patent that the Arab was bound either to be impervious to both elements of our Western civilisation or else to be infected by both of them; and, as it has turned out (most unluckily for us), the Palestinian Arab has caught the political virus of our Western culture a good deal more violently than the economic one.

The behaviour of the Palestinian Arab community as a whole under the present régime has been governed, not by the Arab landowner's will to profit by selling real estate at fancy prices to Jewish buyers, but by the Arab intelligentsia's will to be "like all the nations" of an irresistibly fashionable Western world. Political snobbery has weighed with the Arabs more than economic greed. That is hardly to their discredit. They have been unwilling to sell for a mess of pottage a claim to sovereign national independence which they have been taught to regard as their birthright—taught by a Western political education which they have absorbed through innumerable channels, including our own British war-time propaganda. That is why the Commission "have found that though the Arabs have benefited by the development of the country owing to Jewish immigration, this has had no conciliatory effect; on the contrary, improvement in the economic situation in Palestine has meant the deterioration of the political situation". They are incontestably right in seeing no hope that

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material prosperity will operate as a political panacea in the future any more than it has worked that way hitherto. Nationalism, as Mr. Ormsby-Gore put it without exaggeration in the House of Commons on July 21, is the "one thing in the world to-day for which men are prepared to sacrifice all material interests and the most cherished traditions".

It is the widespread ferment of nationalism—not among the Palestinian Arabs only but among all the Arabs in Asia and Africa, and not only among the Jewish settlers in Palestine but also among the Jews throughout the world and among the Gentiles in eastern and central Europe—that has latterly brought to a head in Palestine a local conflict of nationalisms which was perhaps bound to break out in any case sooner or later. The Commission acutely point out that the present crisis in Palestine is the immediate result of two sets of political events—one in the Middle East and the other in central Europe—which have happened to coincide in date, though each has developed independently of the other except in the sense that they are both products of the same world-wide political movement.

In the Middle East, where there was not one independent Arab State on the map before the war, there is now not a single Arab territory, outside Palestine, that has not by this time either attained, or come to the verge of attaining, its sovereign independence. First Saudi Arabia, then Yemen, then Iraq, then, last year, Egypt have successively arrived at this goal; Syria and the Lebanon have concluded treaties with France that will bring them their independence within three years; and even the Transjordanian half of the present British mandated territory already enjoys a large measure of autonomy. Cisjordanian Palestine is to-day the only fragment of an Arab world extending from the Tigris to the Nile and from the Orontes to the Indian Ocean that remains under an alien government "of the crown colony type" which is "unsuitable in normal

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circumstances for governing educated Arabs or democratic Jews".

These Middle Eastern events are enough to account for the present revolt of the Palestinian Arabs against the British mandatory régime and against the provision in the mandate for the establishment in Palestine of a Jewish national home. Zionism has been, in the first place, an obstacle to the attainment by the Palestinian Arabs of the national independence that has been gained by one Arab community after another in the surrounding countries; and in the second place it has threatened to deprive the Palestinian Arabs not merely of the prospect of independence—which, after all, they have never yet tasted—but also of the possession of land and homes that they have inherited from their forefathers. And now, during the last four years, progress in the building up of the Jewish national home in Palestine—the very name of which is a monument of the nationalism that has been captivating Jewry throughout the world—has been almost sensationally intensified as an indirect consequence of the development of nationalism in Germany, where under the National-Socialist régime a morbid idolisation of a hypothetical "Nordic race" has found expression in a militant anti-semitism. An influx of Jewish refugees into Palestine out of Germany and neighbouring countries that have caught the same infection has thus coincided in date with the conclusion of the Anglo-Egyptian, Franco-Syrian and Franco-Lebanese treaties last year. Under the double pressure of these two sets of events, our long-since embarrassed British attempt to work the present mandate has now broken down; and the hard fact of this breakdown has forced the Commission to conclude that the only hope of a cure for the disease from which Palestine is suffering lies in a "surgical operation".

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III. A SURGICAL OPERATION

THE supreme merit of the Commission's drastic plan for a lasting settlement is that—as Lord Peel put it in the House of Lords on July 20—"it will start both races on a new keel and on a new course". At present, both the Arab and the Jewish communities in Palestine are completely thwarted politically, since both are living—and necessarily so, while they are living together—under an alien, crown colony government, whereas each wants something quite different, namely, national self-government. The Commission's surgical operation—and this alone—can give both the two parties the substance of what they both desire. If the whole of Palestine except two small residual enclaves round Jerusalem and Nazareth is withdrawn from the British mandatory régime and divided between a Jewish and an Arab State, then the Palestinian Jews and the Palestinian Arabs will at last each have a national home of their own to be masters in. Though neither will have, or can have, the whole of their present Palestinian arena of conflict for themselves, they will each have sufficient territory for their fundamental needs. The Arab State will be large and strong enough, when its share of Cisjordanian Palestine is united with Transjordan, to take its place alongside the existing Arab States that are its neighbours. The Jewish State will have room—even within its narrower limits—for the close settlement of many more hundreds of thousands of east and central European Jewish refugees, without being shackled by the immigration restrictions that are at present necessarily imposed by an alien mandatory authority, which is trustee not only for the Jews but also for the Arabs.

These advantages of the proposed surgical operation are indeed enormous, and the Commission's political surgery does not stand condemned because (as Lord Samuel has pointed out) "they have put a Saar, a Polish Corridor, and half-a-dozen Danzigs and Memels in a country the size of

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Wales", and have left a quarter of a million Arabs in a Jewish State the size of Norfolk. The surgeon's knife can never be wielded without some cost; but a paralysed man to whom the knife has restored the power to walk cannot reasonably complain if his leg comes out scarred or even partially withered. After all, these corridors and enclaves have not been created out of sheer perversity by the would-be peace-makers in Palestine, or in Europe either. Such blemishes are an inevitable toll upon any attempt to draw frontiers and build States on purely national bases; for nationalism, after all, is only a grand name for tribalism, and tribalism is a rather crude political ideal which never can work out in practice very satisfactorily. But that does not mean that either the Palestine Commission or the makers of the peace settlement of 1919-20 have been wrong in adopting the view that the most statesmanlike course is to make a sincere effort to meet the demands of nationalism to the utmost possible extent. Though we may regret the hold that nationalism possesses over most of mankind to-day, it is folly to ignore the fact, as the history of the Palestine mandate shows.

Nor should prejudice be excited against the proposed surgical operation in Palestine by giving it the invidious name of "partition"; for the word "partition" implies the destruction of some historic or natural unity. In the European peace settlement, one such unity—the ancient kingdom of Hungary, which coincided with the middle Danube basin—was sacrificed on the altar of nationalism, while another—the ancient kingdom of Bohemia, coinciding with the upper Elbe basin—was preserved in the peace settlement at the cost of withholding national self-determination from the Bohemian Germans. But the territory that was placed in the peace settlement under a British mandate with the label of "Palestine" is not a unity of this Bohemian or Hungarian kind; for its frontiers represent neither natural geographical boundaries nor historic political divisions. The Arab population of this

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arbitrarily delimited area has no traditional "Palestinian" consciousness. As far as its horizon extends beyond the village it embraces the whole of Dar-al-Islam; and the capital city to which these Arabs instinctively look is not Jerusalem but Damascus. Reunion with Damascus would probably mean more to most of them than separation from Haifa (or from Tel Aviv!). And as for the Zionist settlers in Palestine, they are new-comers who cannot reasonably claim an emotional stake in any particular plots of Palestinian ground beyond the limits of their own settlements, with the one immense exception of Zion itself, which is equally sacred to Christians and to Muslims; and the Commission have proposed to meet the Zionists' legitimate demands by including all but a very small fringe of the Zionist settlements in the new Jewish State, while Zion, under the new British mandate, is still to remain a common possession of Jews, Muslims and Christians.

IV. BUILDING FOR THE FUTURE

IF the Commission's plan is open to criticism, it is not so much for what it contains as for what it omits. Its merit is that it gives both Jewish and Arab nationalism the widest possible scope. Its weakness is that it does not, perhaps, sufficiently allow for the evident and important fact that this provision for a maximum possible satisfaction of diverse national aspirations cannot be the end of the story. If and when the present mandated territory has been successfully carved up into a Jewish national State, an Arab national State, and a residual mandated area, what are to be the future relations between these three separate political entities? The Commission propose that each of the two national States shall enter into a treaty with the United Kingdom; but this can hardly be an effective substitute for a direct treaty between the two neighbours. They also recommend that each of the three entities shall be assured of free transit for goods in bond across the

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territories of the other two; and they express a pious hope that the three administrations will go as far as they can towards introducing identical customs tariffs. But this modicum of political and economic co-operation is surely much too little to make the plan really workable, and we welcome Lord Samuel's suggestion (which, so far from being an alternative to the Commission's plan, is a necessary complement to it) that "Great Britain, with the full co-operation of the Zionist Movement, should assist in forming a great confederation of Arab countries" in the expectation that "the hinterland would then come to the markets of Palestine".

The whole course of economic development in Palestine and throughout the Middle East since the war shows that this hinterland is the key to the prosperity of any States, whether Arab or Jewish, that may arise on Palestinian ground. The great economic event in this part of the world since the war has been the conquest of the Syrian desert by our modern technique. The semicircle of Arab countries—Palestine, Lebanon, Syria, 'Iraq—which used to be a "fertile crescent" with an almost impassable desert between its horns, has been transformed into a bow with quite a number of strings to it: an air route, a motor route, a pipe line, and possibly a railway to follow. In consequence, Palestine—situated, as it is, at the western tip of the bow—has become the Mediterranean vestibule of a hinterland that stretches away eastwards to Baghdad, and even to Teheran. It is paradoxical that in the pre-war age, before the desert route was opened up, the Arab countries which this route has since brought so close together should all have been under a single flag, whereas to-day, when science has physically knitted them up, nationalism is politically partitioning this area, now for the first time a natural unity, into no less than five sovereign independent States: an 'Iraq, a Syria, a Lebanon, and finally a couple of new States, one Arab and one Jewish, in Palestine. "Closer union", to use the apposite African

term, is a crying need for south-western Asia; and we submit that His Majesty's Government ought to act on the view that one of the indispensable conditions for a lasting settlement in Palestine is that a concerted effort should be made by the British and French and Arab and Jewish Governments to bring these five countries into a close association that will be not merely economic but also political.

There are the elements here for a bargain which would facilitate a happy settlement of the serious problem of the Arab minority that is bound to be netted within the frontiers of the Jewish State, however skilfully these may be drawn. The Arab States' command over the Jewish State's economically vital hinterland is a consideration that ought to move the Jewish State, on its side, to deal generously with its considerable Arab minority, giving extensive minority rights to Arabs who stay, and assisting financially in the re-settlement of Arabs who emigrate, in return for an Arab assurance that the Arab hinterland will be thrown open to Jewish economic enterprise.

The contribution that a settlement of the economic problem could make to a settlement of the minorities problem is direct and manifest; but the minorities problem, while perhaps the most urgent of the political questions that will be raised by the present, and indeed by any, plan for a lasting peace in Palestine, is of course not the only political factor that has to be reckoned with. Sovereign independence means, among other things, responsibility for national self-defence; and when sovereignty is conferred upon different communities which are in physical contact with each other at close quarters, and whose national feelings have been heated by friction to a supra-normal temperature, there is a danger of each party's seeing in its neighbour's measures for self-defence a menace to its own security. Anything like an armaments race or a border warfare between the infant successor-States of the Ottoman Empire in south-western Asia would be fatal to

the prospects of each and all of them; and this is a danger that must be exorcised. Under existing and proposed arrangements in both the French and the British mandated territories, the onus of keeping the peace between the new States (in the one case between Syria and the Lebanon and in the other between the Arab and the Jewish States in Palestine) is being left for the moment to rest on the shoulders of the European Powers that have hitherto held mandates for the guardianship of these Asiatic countries. This, however, is merely a provisional treatment of the military problem, and to count on it as a permanent solution would be a serious mistake. If the wards are to become fully adult, they must eventually manage to settle this military problem by direct agreement between themselves, and we believe that they will be able to take this final step towards genuine political independence when their essential community of interest has been brought out by a practical illustration in the economic sphere.

With such constructive additions, we believe that the Commission's plan is capable of producing a lasting settlement not in Palestine only but throughout the rest of the Middle East, with which the destinies of Palestine are inextricably bound up.

It only remains to touch briefly upon the reception of the report up to date. The Government at Westminster lost no time in announcing that they found themselves in general agreement with the arguments and conclusions of the Commission, and that they proposed to take steps "to obtain freedom to give effect to a scheme of partition"; but in the debate in the House of Commons on the nights of July 21 and 22 they accepted an amendment to their motion on a point, not of policy, but of procedure—to the effect that, after the Commission's proposals had been submitted to the League of Nations, a definite scheme, framed in the light of them, should be presented by His Majesty's Government to Parliament. At the turn of July and August, the Commission's report was duly considered

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by the Permanent Mandates Commission; the Council and the Assembly have still to pass upon it before it comes back to Westminster again. By a large majority the Zionist Congress at Zurich, while rejecting the actual scheme of partition proposed, authorised its executive to negotiate with the British Government for the creation of a Jewish State in Palestine, subject to reference back to a newly elected Congress. The resolution denied that the national aspirations of the Jewish people and of the Arabs of Palestine were irreconcilable, and offered to seek a peaceful settlement with the Arabs "based on the free development of both peoples and the mutual recognition of their respective rights". The Arabs, like the Jews, have been divided in their attitude; special prominence has been given to a Note from the Iraq Government to the League, declaring that the only hope for a permanent settlement "depends upon the recognition of an integral independent Palestine, in which the Jews accept now, once for all, the position of a minority". It is evident that scarcely anybody likes the Commission's plan for its own sake; but it is equally evident that nobody has either any workable alternative to put forward in its place or any effective answer to give to the Commission's contention that the present régime in Palestine can no longer be made to work.

In our belief, the proper way to deal with the Commission's constructive proposals is not to whittle them down but to use them as foundations for a more ambitious piece of political architecture. If the three areas into which the Commission propose to divide the present British mandated territory can be built into the larger structure of a customs union—and, if possible, a political association—embracing not only the Palestinian Arab and Jewish States and mandated area but also all the Arab countries in south-western Asia, then the weaknesses in the Commission's design will have been overcome, and "the possibility of a lasting settlement", which the Commission see in their plan, will in truth be in sight.

CANADA AND THE PRIVY COUNCIL

THE historian, looking back upon events in Canada during the 1930's, may well come to consider January 28, 1937, as a most significant date. For on that day the Privy Council rendered its decisions on eight of Mr. Bennett's reform measures, and in so doing destroyed once for all the hope that social and economic change in the Dominion might be directed along national lines by the use of existing constitutional powers. From that moment it became clear that the Canadian people would either have to trust for their salvation to economic forces over which they can exercise little governmental control, or else have to undertake the exceedingly difficult task of changing the constitution in order to make the Dominion Parliament an efficient instrument for carrying through a positive national policy. As the realisation of this inevitable choice begins to sink into the popular mind, Canadian politics are likely to become more and more concerned with constitutional issues. The defeat suffered by the federal authorities has been so serious that, until some new agreement has been reached between the Dominion and the provinces, Canada will be unable either to set her own house in order or to co-operate effectively with her sister nations in the solution of world problems.

I. THE BACKGROUND

THE reason why so many constitutional questions were all referred to the courts together is to be found in the peculiar political situation existing in Canada in 1935. It

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will be remembered that Mr. Bennett went through an extremely rapid conversion during his last years in office. He began his administration in 1930 as a staunch conservative of the old school; he ended it as an advanced liberal, well to the left of Mr. Mackenzie King. In 1930 Mr. Bennett was endeavouring to cure the depression with high tariffs, "sound" money, and rigid government economies; by 1934 Canada was off gold, the Ottawa agreements had been negotiated, the first Dominion marketing Act was in force, and the Stevens enquiry was busy unearthing the shadier transactions of certain corporations and awakening public opinion to the need for extensive reforms. In 1935 came an even more rapid advance, culminating, in the last session before the general election, in legislation to provide unemployment insurance, to regulate unfair competition and monopolies, and to implement the International Labour Organisation conventions dealing with limitation of hours, minimum wages, and the weekly day of rest.

Mr. King and his Liberal followers obviously could not object to most of this legislation while in Opposition, since in principle it had long been part of their party programme. Their line of attack upon the Government was not to fight the Bills as they were introduced, but to question their constitutionality. Both Mr. King and Mr. Lapointe took the stand that some of the matters dealt with, particularly those covered by the I.L.O. conventions, fell within the domain of the provinces, and they thought that the legality of the measures was so dubious that the question of legislative jurisdiction should first be cleared up. When Mr. King came into office he accordingly took steps at once to discover what the law was. On November 5, 1935, making use of the special power under the Canadian constitution whereby hypothetical questions of law may be referred by the executive to the judiciary, he submitted eight of Mr. Bennett's most important statutes to the Supreme Court of Canada. Thus was created the rather

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curious situation of a Government having to defend before the courts certain laws which it had itself declared, when in opposition, to be *ultra vires*. Scarcely the most impassioned plea for the Dominion was to be expected under such circumstances, and Mr. Bennett has since charged in the House that the case for federal jurisdiction was very poorly presented to the Judicial Committee. On one question decided adversely to the Dominion in the Supreme Court, namely, the validity of section 14 of the Dominion Trade and Industry Commission Act, providing for the approval of certain agreements entered into by industries to avoid wasteful competition, Mr. King did not even trouble to take an appeal.

II. THE DECISIONS

THE general purpose of the statutes under discussion was to give protection to farmers and workers, and to remove some of the worst abuses produced by cut-throat competition on the one hand and unregulated private monopoly on the other. Of special concern to the farming population were the Farmers Creditors Arrangement Act, enabling compositions to be made between debtors and creditors with the purpose of avoiding farm bankruptcies, and the Natural Products Marketing Act, under which a Dominion marketing board was established to approve and enforce marketing schemes adopted by groups of primary producers. The latter Act, which was largely modelled on English control schemes, had been especially welcome in the country. Every one of the nine provinces had adopted similar legislation, with the intention of supplementing any want of jurisdiction that might exist in the Dominion Act viewed by itself. Neither the Supreme Court nor the Judicial Committee, however, appeared to consider this co-operative effort of any relevance, and held the Dominion Act *ultra vires* because it dealt in part with trade within the provinces, which is a provincial matter, as well as with trade between provinces or with foreign countries, where

Dominion jurisdiction is unquestioned. Thus the entire national marketing scheme, supported by the statutes of all ten legislatures, fell to the ground through a flaw in one part of the Dominion statute. On the other hand, the Farmers Creditors Arrangement Act was upheld in both courts as being a matter falling within the Dominion jurisdiction over bankruptcy and insolvency.

Four of the statutes were designed to alleviate the position of the industrial workers, whose wages, as revealed by the Stevens enquiry, had been driven down to shockingly low levels in many industries. The first of these, the Employment and Social Insurance Act, established a Dominion Commission with power to administer an unemployment service and an insurance fund collected from compulsory contributions by employers and workers. Canada had never previously made any provision for unemployment, and throughout the depression was, and still is, carrying the unemployed on direct dole payments raised through taxation or borrowing. The new Act was not based on any international convention, and was sought to be justified as an exercise of the Dominion power over taxation, over trade and commerce, or else over all residuary matters affecting the "peace, order and good government" of the country. The Supreme Court by a majority of 4 to 2, and the Judicial Committee, held the Act invalid on every ground. Lord Atkin pointed out that just because the Dominion can raise a fund by taxation it by no means follows that legislation disposing of it is valid. Ottawa, it seems, cannot spend its own money in any way it likes. Arguing from this position some critics now suggest that the present old age pensions legislation in Canada may be illegal, since pensions are in part paid out of a Dominion fund in much the same manner as was provided in the Employment and Social Insurance Act.

The other three statutes of interest to the working population were the Weekly Rest in Industrial Undertakings Act, the Minimum Wages Act, and the Limitation

of Hours of Work Act. Each of these Acts was based upon, and was preceded by ratification of, the related I.L.O. convention. Canada has been very slow in the past in ratifying the Geneva conventions, partly through doubt of her capacity to implement those dealing with matters normally of provincial concern, partly on account of the *laissez-faire* attitude of her previous Governments. Mr. Bennett determined on a courageous policy of ratification and enforcement. This action raised the most important constitutional question of all—namely, the right of the Dominion to enter into and give effect to purely Canadian treaties with foreign countries. In the Supreme Court the question was resolved in favour of the Dominion by reason of an equal division of votes. Three out of the four English-speaking judges upheld the legislation, while the two French and one of the English members of the court declared it *ultra vires*. The Privy Council agreed with the latter. The Dominion, Lord Atkin said, has not acquired any new legislative capacity by her attainment of Dominion status. The British North America Act does not provide for her acting alone in international affairs. Section 132 of that Act says that

the Parliament and Government of Canada shall have all powers necessary or proper for performing the obligations of Canada or of any province thereof, as part of the British Empire, towards foreign countries arising under treaties between the Empire and such foreign countries.

But it cannot apply here, since these obligations are not obligations of Canada as part of the British Empire, but of Canada by virtue of her new international status. The question of jurisdiction must be decided by reference to sections 91 and 92 dealing with the general distribution of powers, and here it will be found that the subject-matter of the conventions falls within the heading "property and civil rights", which is assigned to the provinces. Nor was there anything to suggest the existence of any "abnormal circumstances" or "extraordinary peril to the material life

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of Canada", which would place these subjects in the Dominion residuary clause. The kind of peril that would justify invoking this clause must apparently be something more serious than the world economic depression.

The two remaining statutes that were considered in the consolidated appeals dealt with the regulation of monopolies and unfair trade practices. The Dominion Trade and Industry Commission Act set up a new Dominion body with power to administer the Combines Act, to investigate the use of undesirable competitive methods, and to fix commodity standards by adoption of a national trade mark. These regulatory powers were given legal sanctions by the addition of section 498A to the Criminal Code, which makes it a crime for dealers to give varying rebates to different purchasers buying under similar conditions, or to sell at unnecessarily low prices in Canada in order to eliminate a competitor. Both statutes were upheld by the Privy Council, which in this respect overruled part of the Supreme Court's decision adverse to the Dominion claims.

The immediate result of the decisions, therefore, is that the five statutes dealing with control of marketing, unemployment insurance, minimum wages, limitation of hours and weekly day of rest were totally invalidated, while the three relating to farm debts, the Trade and Industry Commission and criminal trade practices were maintained in full save for the one point, noted above, on which no appeal was taken. From the social and political aspect, however, the importance of those declared *ultra vires* far outweighs those that were upheld.

III. THE CONSEQUENCES

CONSTITUTIONAL experts in Canada are now busy trying to fit the decisions into the general body of Canadian constitutional law, and to estimate their effects upon the working of the constitution in the future. The entire June number of the *Canadian Bar Review* was devoted

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to this discussion, to which many authorities contributed. Certain important conclusions emerge. First and foremost, it is obvious that Canada's international position has been grievously injured as a result of her inability henceforth to give legislative effect to international conventions touching upon property and civil rights. This interpretation, which virtually overrules the previous decision of the Judicial Committee in the *Radio* case, throws the whole treaty-making power of the Dominion into the utmost confusion. In the words of Dean MacDonald of the Dalhousie Law School,

The source of treaty-performing power in Canada now turns first upon the type of treaty, *i.e.*, upon how and by whom it was brought about, etc. If it is of one type (Empire) the power resides in section 132; if of another (Canadian) the power resides (a) in section 92 or (b) in section 91, and in the latter case it may reside either in (i) the enumerated heads or (ii) (in case of national emergency) in the "Peace, Order and Good Government" clause. This is the judicial labyrinth through which Canadian diplomats and Canadian legislators must be able to see their ways if effective treaties are to be made, while their legal advisers will be tortured by very real doubts as to what constitutes an "Empire" treaty under section 132 and whether "conventions" differ from "treaties" for this purpose, and how far either differs from "inter-governmental agreements"; and by the inescapable necessity of determining whether the topics covered, or to be covered, by the document are in pith and substance in relation to "classes of subjects" assigned to the Dominion or to the provinces.

To put the matter another way, the Privy Council now informs Canadians that their achievement of Dominion status has destroyed their national unity in world affairs: in regard to an "Empire" treaty the federal Parliament is fully competent to legislate even for provinces, but in regard to a Canadian treaty the federal Parliament is incompetent over a whole range of important matters. Dominion status, it appears, raised the international position of the provinces and lowered that of the Dominion. This *reductio ad absurdum* represents the actual state of affairs, unless some future Judicial Committee will distinguish

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I.L.O. conventions from full treaties made between Heads of States, and will allow the Dominion to enforce the latter.

Two further constitutional consequences of the decisions are of far-reaching effect. The Dominion residuary clause is to all intents and purposes ruled out of the constitution. An emergency power whose use the world crisis does not justify is no power at all. The Canadian federation has become one in which the central body has specified powers only, while the provincial bodies have both specified and residuary powers. The "property and civil rights" clause of section 92 has been expanded beyond reason, to include all the important new subjects of legislation, even to the implementing of certain Canadian treaties. Judicial interpretation, almost exclusively the work of the Privy Council, has thus completely reversed the text and intent of the framers of the original Act, who deliberately avoided the American model in which all powers not named were reserved to the states or to the people. In the years to come this principle of interpretation will continue to decentralise Canada, as laws become more and more concerned with social and economic matters not named in sections 91 or 92. And, secondly, the decisions cast grave doubts upon the utility of Dominion-provincial co-operation as a way round constitutional difficulties. It seemed logical to suppose that if every legislature in Canada agreed to carry through a particular policy and so legislated, all questions of jurisdiction would be overcome, since there would be a general pooling of every necessary power. This method is being used for old age pensions and for the settlement of industrial disputes, but it did not avail to save the Marketing Act. The courts do not intend to be deprived of their legal subtleties by any legislative unanimity.

The social and political consequences of the decisions are less easy to foretell but are of more immediate concern. The first whole-hearted attempt in Canada to deal with the problems arising out of the depression has been frustrated

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by the courts, exactly as occurred in the United States. Canada is now back approximately where she stood in 1929. The basic problems are still unsolved, and the fact that the Dominion Parliament seems to lack the power to solve them dampens the ardour of reformers and creates a sense of futility inimical to progress. Provincial reforms and provincial legislation are helpful up to a point, but cannot be an adequate substitute for Dominion action, since the provinces never pursue a uniform or consistent policy and are themselves hampered by lack of jurisdiction and of money. While the obvious remedy is to set about amending the constitution, the obstacles in the way of this solution are enough to deter even the hardest statesman. There has never yet in the history of the Dominion been any amendment to sections 91 and 92 of the British North America Act, and there is not even in existence an agreed method of amendment. Moreover, provincial and sectional feeling is running high. The leaders in the provincial fields, like Mr. Hepburn in Ontario, Mr. Duplessis in Quebec, and Mr. Aberhart in Alberta, are more colourful and certainly much more daring than Mr. King and his colleagues, and tend to prevent a unity of political thought in the country. The French Canadian nationalists in particular will drive a hard bargain before they surrender an inch of Quebec's autonomy; the Privy Council has played fairy godmother to their cause. Bold leadership from Ottawa, a well-devised and simple scheme of amendment and several years of public education will be necessary before any movement for constitutional reform is likely to be successful. At the moment all three prerequisites are wanting. The recently appointed Royal Commission upon the financial relations between the Dominion and the provinces should prove helpful, since financial problems are inseparable from those of legislative jurisdiction over the costly social services, but it will obviously be some time before a report from this body can be expected. Meanwhile there is a feeling that the sands are running out.

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The appeal to the Privy Council has been criticised many times in Canada. That a self-governing Dominion should continue to use an external court staffed by nationals of another part of the Commonwealth as its final court of appeal is an anomaly which no logic can justify. The effect of the recent decisions has been to crystallise the opinion opposed to the appeal. It is now being pointed out that the somewhat haphazard method of selecting the judges who will hear any particular case results in a discontinuity of personnel which is reflected in the confusion in the stated law. Not a single member of the board that heard these recent appeals was a member of the board that decided the *Radio* case in 1932; yet the *Radio* reference was far and away the most relevant previous decision. Only two out of the five members were present at the *Aeronautics* hearing. Canadian constitutional law, after seventy years of independent development, is a comprehensive and difficult subject. No *ad hoc* tribunal, out of touch with Canadian sentiment, can bring to the interpretation of that law the nice balance between legality and wise adaptability that is needed in the evolution of every written constitution.

Canada,
July 1937.

BOOMS, SLUMPS AND ARMAMENTS

I. FIVE YEARS OF RECOVERY

MORE than five years have now passed since the first hesitant signs of world recovery appeared. In July 1932 prices on the London and New York stock exchanges touched their lowest points, as did those of many of the most important world commodities; at about the same time the British unemployment figures, adjusted for the normal fluctuation from season to season, reached their peak. Australia, first to feel the effects of the world slump, was already giving definite evidence of recovery. In Great Britain, the depreciation of sterling was beginning to show its effect in insulating the British economy from further deflation. The success of the Lausanne reparations conference, coming at the psychological moment, induced the first burst of confidence in the world's markets. The corner had been turned.

Five years, judging by all past experience, is a long (though not unprecedented) time for the upward phase of the trade cycle to last. Not unnaturally, then, the horizon of the immediate future is being scanned with increasing care by those responsible for business and government.

To the general public, the world still appears deep in depression. That conclusion would, indeed, seem inescapable if one gave but a superficial glance at some of the more generally understood indicators of the state of trade. International trade, for example, lags far behind internal revival. Unemployment in Great Britain is still more than a third higher than the figure that was considered proof of depression in 1929; the unemployed of the United States

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remain in their uncounted millions. But these surface indications are deceptive. In Great Britain, at least, there are many signs that the slump is over, and even that the boom has arrived. Unemployment may stand at over 1,300,000; but there is a definite shortage of skilled labour, except in one or two industries. While exports are running at only four-fifths of their 1929 volume, many domestic trades show astonishing activity. Steel production is more than a third larger than in 1929; there are twice as many cars on the roads as there were eight years ago; nearly double the number of houses are being built; the output of rayon is not far from three times as large.

Slowly the recognition that the depression—in its cyclical aspect, at least—is past is spreading over public opinion. We have lived through too many lean years since 1929 to change quickly our habits of economic thought. But subconsciously the impression has been produced; it can be seen in the dwindling of public discussions of unemployment in general, and of advocacy of magic panaceas, and in the transfer of attention to the particular problem of the “special areas”. That term is, almost in itself, a recognition of the prosperity of the country as a whole.

In these circumstances, it is not surprising that an increasing number of people have been talking about the “next slump”. Some of the more gloomy economists have been predicting a crash ever since 1932; they seem almost to have a grudge against recovery for failing to avenge the gold standard. In recent months the warning voices have been more frequent and more authoritative. Before the sharp fall in commodity and stock markets that preceded and followed the budget, few observers anticipated an immediate change in the trend. But the business world was warned that trade cannot improve for ever, and that the severity of to-morrow’s headache depends upon the sobriety of to-day’s rejoicing. The retort of the business men—or of many of them—has been to scout the whole notion of trouble ahead. One company chairman, only

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slightly more cheerful than others, was reported not long ago to have assured his shareholders that “he saw no reason why we cannot, with the added wisdom that our sufferings have taught us, continue indefinitely with that steady yet progressive ‘going on’ which was accepted to be our due in Victorian years”. To which the economist can justly reply that precisely the same mood among the leaders of industry has always in the past presaged, first, a speculative boom, and later a collapse. Moreover, the appeal to “Victorian years” is far from safe, since it is from those years that we derive the bulk of our historical knowledge of the behaviour of the trade cycle.

The study of the trade cycle at this moment is thus as appropriate as the purchase of furs in autumn. Nor need we be deterred by the perennial argument whether there is anything that can justly be called a trade *cycle*. Booms may, or may not, be caused by slumps, and slumps by booms. But the hard historical fact remains that the curve of economic activity has never gone up without coming down again, or gone down without eventually returning. And five years is a long time for an uninterrupted rise to last.

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THIS alternation does not mean, however, that the pattern of the trade cycle is invariable. On the contrary, the exact pattern scarcely ever repeats itself. The experience of Great Britain between 1922 and 1929, for example, can hardly be called a boom, at least without some qualification. It is true that the state of trade was slowly improving. It is true that, compared with some of the later years, 1929 seems in retrospect to have been rather more than moderately prosperous. The stock exchange contrived to have what was indubitably a boom in 1928, and company profits have not yet exceeded the levels they reached in 1929. But at the height of this “prosperity” a Government was turned out of office for failing to conquer

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declaring flatly that the boom had arrived. Commodity prices were rising with sensational rapidity. One after another the various restriction schemes were relaxing the control of production in an attempt to keep pace with the ravenous demand. Both in Great Britain and in the United States, the forces of labour were demanding their share in rising profits.

It is now apparent that the pace last autumn was too hot. Early in the New Year the markets became uneasy. The seriousness with which an inherently improbable rumour about the supposed intention of the American Government to lower its buying price for gold was received showed how sensitive were the over-bought commodity markets. In Great Britain, Mr. Neville Chamberlain's National Defence Contribution * served as the occasion for a fall of stock and commodity prices which at times bordered on the hysterical. Markets have been painfully sensitive—perhaps with reason—to the succession of international disturbances and anxieties that represent the greatest of all obstacles to world prosperity and peace. As a result, voices have not been lacking to ask whether the boom had not only arrived but already departed. Prophecy in such matters is hazardous. But it is difficult to find a single sign of immediately impending depression. The markets, having run ahead of the movement of expanding trade and rising prices, had to fall back. But the underlying upward movement continues. That, at least, is the outlook as it appears at the moment.

The conclusion that recovery is in an advanced phase is not in the least incompatible with the unemployment statistics in Britain or elsewhere. The United Kingdom total is still over 1,400,000; but when allowance has been made for the normal minimum amount of unemployment that exists at any time, and for the exceptional distress of the special areas, which is due to the decline of particular industries rather than to the more general influence of the

* See THE ROUND TABLE, No. 107, June 1937, p. 629; and below, p. 822.

WHERE ARE WE NOW?

trade cycle, the formidable total is whittled away to almost nothing. According to one calculation, there are less than 100,000 "cyclical unemployed" in Great Britain. If this is true, any further recovery will be limited by the speed with which labour can be transferred out of the stagnant pools of "special" unemployment into the livelier waters of normal industry. And if demand is maintained at its recent level it will have to expend itself mainly in causing an increase of prices rather than an increase of production. Wages will, and should, be among the first "prices" to rise. All this, set out here in theoretical terms, can to-day be seen happening under our eyes.

This is what is meant when it is said that recovery has reached the stage of maturity. Does it necessarily follow that the next stage must be one of recession, even perhaps of collapse? The answer of economic history is quite clear: every boom has been followed by a slump, though its severity has varied greatly. But may there not be some exceptional circumstance this time that would justify us in the belief that we can avoid the usual fate? Mr. J. M. Keynes has been arguing, with all his persuasive force,* that such an exceptional circumstance can be found in the continuance of low interest rates. In the theory of industrial fluctuations developed by Mr. Keynes in recent years (which is regarded with deep respect, if not yet with full acceptance, by his academic colleagues) the rate of interest plays the central rôle. "Avoid a rise in interest rates as you would avoid hell-fire," says Mr. Keynes, and all will be well. He does not attach primary importance to rising prices or a rapid expansion of bank credit or any of the other usual signs of inflation. The balloon may go up as high as it likes, he seems to be saying, but if interest rates remain on the ground it will not come down again.

In 1929, it will be recalled, the same importance was attached to commodity prices; and the sequel is sufficient

* See THE ROUND TABLE, No. 106, March 1937, pp. 409-410.

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to justify an attitude of scepticism towards any proclamation of exceptional circumstances, however eminent the proclaimer. But Mr. Keynes is not a theorist who can be dismissed out of hand; he has been right against the whole world before now. For our present purpose, there is fortunately no need to express even an opinion on the correctness of his views. For his theories and those of the more orthodox economists can be amalgamated into the statement that the best way to prevent recovery from degenerating into an inflationary boom and a later collapse is to prevent any substantial rise in commodity prices *or* in interest rates. Some would lay more emphasis on one element than on another; but for the combined recommendation there would be almost unanimity of support.

IV. THE PLACE OF REARMAMENT

HITHERTO in this article we have been playing "Hamlet" without the Prince of Denmark. It is time for his entrance. How far is universal rearmament responsible for recovery to date, and what will be its effect on future developments?

The part played by rearmament up to the end of 1936 can be determined without very much difficulty. In Germany, its importance has been great, especially if the word be extended to cover everything done with a strategic end in mind, though even in Germany a greater part has been played by the slow revival in international trade than the official propaganda will admit. Broadly speaking, rearmament has been both the originating cause and the dominating influence of German recovery. At the other extreme stands the United States. Until very recently rearmament, American or foreign, has had there a completely negligible effect on the progress of recovery. Even to-day, in that vast economy, its influence must be very small.

The raw-material-producing countries have also, by

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and large, recovered substantially without rearmament. Exception may perhaps be made for countries largely dependent upon the production of non-ferrous metals, though even there the rise in price cannot be ascribed to rearmament demands alone, since the reviving peaceful industries have also greatly increased their consumption of metal. In the textiles, especially cotton, it would be possible to trace a rearmament influence. But in the raw commodity trades as a whole the general industrial revival has greatly outweighed any munitions influence; and as for foodstuffs, European preparation against war, by increasing European self-sufficiency, would have had a depressing effect, if it had any at all.

Great Britain has been neither as unaffected by rearmament as the United States, nor as dominated as Germany. Until the end of 1936, the effect of rearmament on British industry was almost certainly very small. This can be gauged by the amount of government expenditure. The expenditure of the three defence forces in the calendar year 1936 was only some £40,700,000 higher than in 1935 and £56,100,000 higher than in 1934. Admittedly, not all the cost of rearmament is reflected in these figures, since contracting firms were busy expanding their plant. But even when multiplied by three or four the figure looks small in comparison with the increase of £650,000,000 in the national income in the same period of two years. Clearly, up to this year rearmament had been only one among other and probably much more important influences.

Up to this year—but the acceleration of spending for defence in 1937 has already been very rapid and is likely to be even swifter before the year is out. With every month that passes, rearmament becomes a more important factor in the continuance of recovery. What will its economic effects be? That is the question that is exercising Government and business alike. Recovery which is based on rearmament financed by borrowing is, of course, "unsound" and will doubtless bring its retribution, in some vague

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way and at some unspecified time. So much is generally agreed. But what are the immediate effects likely to be, and in what order will they present themselves?

The impact effect of rearmament upon certain industries is plainly visible. It has contributed to the rapid rise in the prices of all metals; it has assisted in raising steel production to the capacity of the industry and beyond the highest figure ever previously attained; and it is already sucking dry every reserve of skilled labour in the country. The marvel is that the ordinary peaceful production of some industries, such as the motor industry, has not been more directly affected than it has. It is perhaps going too far to say that without rearmament recovery would already be over; for there is very little sign of a reaction in any important trade. Even the often-threatened building industry is maintaining a remarkably high level of activity. But it is true at least that the sudden, hurried and enormous outlay on rearmament is increasing the pressure for expansion of production at a time when it might otherwise be merely maintained. The company chairman already quoted may be taken as representative of many of his fellows:

The vast national expenditure on armaments cannot do other than create confidence. Armaments cannot be made without [his company's product] (and neither can war), so for this industry at least it would seem that the future holds nothing in the way of cause for immediate despondency.

That rearmament is prolonging the present period of high industrial activity cannot be doubted. But prolongation is also becoming intensification, and activity is turning into boom. We have suffered so much from unemployment since the war that we tend to think of little else. The sole aim of economic policy, it seems, is to reduce unemployment to a minimum. But there are other factors to consider. The old economists maintained that the aim of policy was to increase to a maximum the average real income per head—in other words, to maximise the average standard of living. The old economists were

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wrong in ignoring unemployment, but the new economists will be wrong if they ignore the standard of living. It is one of the most striking facts about the recent depression that, despite the doubling and trebling of unemployment, the average standard of living increased. More food has been eaten, more houses occupied, more clothes bought, more wireless sets and bicycles acquired in the depression years than ever before. If rearmament is reducing unemployment at the cost of a lower standard of living for the great majority who are employed, who shall say whether its immediate effect is gain or loss? There is very little sign yet of any serious impairment of the standard of living. But prices of necessities are rising; and such an effect is all but inevitable, since industry, in the majority of cases, is already working close to capacity. If £300,000,000 worth of armaments is to be produced each year, some curtailment of peaceful production is essential. A fall in the standard of living (small, perhaps, but nevertheless noticeable) will not be an avoidable by-product of rearmament, but the instrumentality through which it achieves its purpose.

This is not the only charge that can be laid against rearmament. For the demand comes most heavily on precisely those industries which tend to grow immoderately in the boom phase of the trade cycle. The rise in commodity prices is thus likely to be intensified. Furthermore, the pressure for working capital to finance munitions contracts causes an enhanced demand for bank advances, and inclines the banks to sell their gilt-edged investments in order to provide the necessary funds. At the same time, the decision to finance rearmament partly by borrowing throws yet another strain on the gilt-edged market. It is arguable—as Mr. Keynes has argued—that all these things *could* happen without raising interest rates. But the fact is that they *are* raising interest rates, as a glance at the price of Consols will show. Thus both prices and interest rates are liable to be raised and every school of thought to be

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offended. It would be rash to speak in absolute terms. But, if an eventual slump was inevitable before rearmament intervened, it is even more surely inevitable to-day. And if, before, it could have been avoided by maintaining cheap money, it cannot be so avoided now.

V. THE RISK OF COLLAPSE

THE impact effects of rearmament are most evident to-day in Great Britain; for the acceleration of expenditure is at the moment greatest here, and the British economy, being furthest advanced in recovery, reacts most impressively to further stimuli. But effects of the same kind, different only in degree, can be observed in many other countries. In each the effect of rearmament is, for the moment, to heighten industrial activity. But it does so only at the cost of distorting the balance of the national economy, driving sound recovery into unsound boom, and gathering labour into industries where its future employment depends on the continuance of world-wide political madness. Even if rearmament could last for ever without provoking an explosion, its virtues in finding jobs for men would be more than offset by its defect of taking food out of the mouths of the children, as well as their parents. Since it cannot last for ever, it is merely ensuring that the next slump is a bad one.

It is not even certain that the change from boom to slump will be deferred by rearmament until the rearmament itself collapses. For rearmament, though large, is not yet (save perhaps in Germany and Italy) so large as to dominate the whole economic life of the nation. If every other factor were pointing towards depression, how much expenditure on armaments would be necessary to maintain activity and employment? A total war will keep industry working at full throttle until the armistice; but a war might well cost £3,000,000,000 a year. Expenditure of £1,000,000,000 a year would probably do the trick. But

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would £300,000,000? Nobody knows. And, until we know, we shall have to wait to see whether rearmament on the present scale can wholly suspend the trade cycle or merely distort its shape.

In either case the consequence seems likely to be an intensification of the oscillation between boom and slump, unless counter-measures on an immense scale can intervene. That is not the least part of the price that will have to be paid for international anarchy. The sooner rearmament can be arrested, by international agreement, the less damage it will have done, and the less difficulty there will be in devising an alternative, in expanded international trade or in peaceful public works, to absorb the displaced armament workers. But in the economic sphere, no less than in the political, rearmament can only be an interim phase. When it is ended, the world will have come no nearer to solving its real problems, but will have enormously increased the risks and dangers of failing to find a solution.

PROBLEMS AHEAD IN AMERICA

I. DEFEAT FOR THE PRESIDENT

ON the afternoon of July 22, as the Senate was driving the last coffin nails into the President's Supreme Court plan, Mr. Roosevelt himself was having an interesting and agreeable time. He was enjoying a visit from the Polish Ambassador, Count Potocki, who came to show him a hand-colored print of Thomas Jefferson, done by the great Polish patriot, General Kosciusko. Mr. Roosevelt, an expert in old prints and a disciple of Jefferson, had an unusually pleasant afternoon.

This little incident illustrates the *insouciance* with which President Roosevelt took his first major defeat: a defeat that might have meant the end of the New Deal and the doom of all his hopes, a defeat that would certainly have destroyed the morale of a President of different temperament, a defeat that might well have meant in Mr. Roosevelt's eyes a tragic downward turning in American history.

But of course the defeat meant none of these things. The New Deal is going on. It is early in the President's second term. He has more than three years in which to work, and much of his majority in Congress—which deserted during this fight—will be doubly glad to come back and support a program of legislation in the fields of executive reorganization, wages-and-hours regulation, farm planning, housing, and so on.

The atmosphere in Washington is now far clearer than it has been since last February 5, when out of a clear and hopeful sky the President began his historic attempt to alter the then-existing Supreme Court majority. At that time, as someone has said, the President was regarded as an

irresistible force and the Supreme Court as an immovable object. But it has since been proved that the President is not an irresistible force, and that the Supreme Court majority is not an immovable object.

Last February, the President had suffered a succession of unfavorable decisions of the Court, which had nullified much of his program. In previous Court terms, there had been 11 vital decisions against the President, and only two in his favor. In the term that was just reaching the decision period on February 5, there have been 17 tests of New Deal legislation, and all 17 decisions have been favorable. Moreover, one of the elder members of the Court has retired, affording the President the opportunity to make his first appointment to the bench. There are persistent rumors that another Justice and possibly a third will retire now that the President's Bill has been defeated. The President would then have as many appointments to the bench as he has any right to expect, and he already has on the books the 17 favorable decisions, with all the precedents they set up.

Practically speaking, therefore, the President has come out of his duel with the judiciary with a good deal of success. But his trouble, as is so often the case with leaders of men, was that he did not know when to stop. He was not willing to take a moderate success, and, like the stock-market plunger, he wagered once too often. But, unlike that gambler, he has not lost everything. His prior gains are tucked away in the stocking.

The President's major blunder was that he did not realize when he had won. After the completion of the unbroken series of New Deal decisions, after the resignation of Justice Van Devanter, the President should have withdrawn his Bill, announcing that the fight was over. Plenty of people told him so at the time. Even then he might have pushed through a Bill allowing him to appoint two additional justices, though that is open to dispute. But no, Mr. Roosevelt has gone the whole bitter way, and is

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tasting the fruits that came to Woodrow Wilson. Unlike President Wilson's, however, his losses are not irrevocable and his gains may be more secure.

What of the future? Well, so much of the President's program as is already on the statute books and has been upheld by the Supreme Court now appears to be free from threat of strained judicial interpretation. In that sense, he has definitely won. Now it is his problem to help heal the wounds in his party in Congress, and to restore his personal prestige. These tasks, though great, should not be insuperable. Soon Congress will adjourn. Its members will commune with Nature and their constituents. Nature is a great restorer of tempers and spirits, while the constituents—if the New Deal theory has any validity—will indicate that they still support President Roosevelt's general program, however they may have disagreed about enlarging the Supreme Court.

In future, it appears, the President will have to work a little more conciliatorily to get what he wants from Congress. No longer will it be possible for Tom Corcoran and Ben Cohen (the two young brain-trusters who have been mentioned before in these pages *) to sit up all night with damp towels about their heads and draft legislation to be enacted by Congress in the morning. Congress will resume once more its traditional place as a coordinate branch in the government. So, too, may the Supreme Court—coordinate. And that is good news for America all round.

President Roosevelt has the politician's task of re-establishing his standing with the people and their elected leaders. This he should be able to do by following the path "just to the left of center" which was his avowed course during his first term. His "leftward" deviations this year—in the effort to "pack" the Court (if that be "leftward") and in his general support of John L. Lewis's aggressive labor offensive—must be balanced by opposite

* See THE ROUND TABLE, No. 107, June 1937, p. 601.

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swings. The obvious method would be to follow the several hints that have come out in the past few months, and to strike more forcefully for government retrenchment and a balanced budget. President Roosevelt's first and highest prestige with American opinion was built upon his courageous economy drive in the first weeks of his administration.

At the same time, behind a conservative fiscal policy, the President can press ahead toward his industrial and agricultural controls, toward enlargement of the career service in American government, toward tax reform, toward better housing. These are all greatly important goals. They are jobs that remain to be done. There may well be disagreement over method, but the objectives are agreed, and the methods could be worked out "just to the left of center" without a fundamental cleavage in public opinion.

None of these tasks should lie beyond a President who has hardly begun his second four-year term, and who still has a towering majority in Congress which is eager to be conciliated. It is perfectly possible, of course, for things to work out in a far different pattern, far less agreeably for Mr. Roosevelt. But the outcome is in his hands. If he has learned the obvious lessons from the Supreme Court fight, and does not attempt to make Congress walk over the raw coals, but avails himself of the great political advantages of concession and sweet reasonableness, his future should be clear. It may be worth recording that Mr. Roosevelt, in various private and semi-public contacts which this correspondent has had with him during the past crucial days, has been cool, poised, and fairly realistic.

There is a fundamental issue in the outcome. President Roosevelt failed to get his Court Bill through Congress, not because his adversaries were too clever and supple, not because he was too stubborn and unyielding, not because he created a perfect rallying-ground for his opponents, but because he was proposing to upset forcefully the balance between the three branches of the American

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frame of government. Granted that the Supreme Court has been "packed" before in the interests of the established order; granted that many of its decisions have been dictated by what Justice Stone called "personal economic predilections"—the fact remains that the American constitution guarantees the independence of the judiciary from violent upsets by the executive or the legislature. The Supreme Court is regarded as an ultimate guardian of civil liberties, and has sometimes been so. It is a vital part of the American system of checks and balances. It is an essential unit in the purposely cumbersome machine of government in this federal union: part of the deliberate factor of cumbersomeness which most of us believe makes democracy possible at all in a country of this size, diversity, and political indiscipline.

The American people sensed these facts in the recent struggle, or at least a majority of those who are politically coherent did so. There is and was much sympathy with the President's objective, but a pretty general conviction that he should have gone about it in a different way. It is certainly true that the President started his drive on the Court after extreme provocation. He had been steadily balked and blocked by those 11 consecutive unfavorable decisions. Finally, in June 1936, at the height of anti-New-Deal fervor, the Court killed the New York minimum wage law, after it had nullified the Guffey Act in ruling that wages and hours were no federal concern. These were the most extreme acts of the tribunal, bitterly regretted by the Chief Justice—who voted in the minority—and by most of the Court's friends; for they set up a broad "no-man's-land" in which no government could operate.

Moreover, the average age of the Supreme Court justices was at the highest point in history, and for the first time an American President had served a full term without making a single appointment to the Supreme Court. In 1789 the average age of the justices was less than 50 years; in 1841 it was 60 years; in 1889 it was 65 years; in 1937 it

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was over 70 years: there were on the bench six justices over 70 years of age and five over 75 years of age. President Taft had during his term of four years five appointments to make; President Harding in a scant two years had four appointments. There was some justification in concluding that the Court under President Roosevelt was on a "sit-down" strike. Having had no opportunity to "reinvigorate" the bench, seeing none ahead of him, and facing instead the possibility of even more unfavorable and handicapping decisions than he had yet received, President Roosevelt interpreted his overwhelming re-electoral mandate as permission to create his own opportunities of appointment to the bench.

He mistook the temper of public opinion, and he and his advisers made blunder after blunder in tactics. The original arguments for his Court plan soon exploded and were thrown away. The later, better arguments were not skilfully used. And then—supreme blunder—he did not realize after 17 favorable decisions and one Justice's retirement that he had really won.

American public opinion has had an exhilarating experience. It has been shown that there are great underlying currents which prevent any Administration from going to extremes. The same sort of public opinion has also rebuked John L. Lewis, with his C.I.O. drive for industrial unionism, and he has pulled in his horns with greater speed than the President.

So people are concluding that the defeat of the Court Bill was the very best thing that could have happened for the country. Far from crippling the New Deal, it can only tend to make it more moderate. And in an enormously important sense it has proved the vitality of public opinion in holding government to the middle of the road. The drift toward authoritarian rule in other countries was of impelling influence in holding President Roosevelt back. People were anxious to show that "It Can't Happen Here", and they included some of the President's best

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friends. Now the way is open for Mr. Roosevelt to show what he can do with a straight legislative program.

II. TASKS FOR CONGRESS

CONGRESS is, however, expected to adjourn fairly soon and to save up its most important tasks either for the regular session in January or for a special session in October. There are four major fields for legislative action.

First, reorganization of the executive side of the government. Back in January, an expert committee (which had, incidentally, travelled in Great Britain) brought out a report which restored the administrative machinery to a neat blueprint basis after decades and generations of unplanned growth. But, more important than that, the experts recommended extension of the permanent civil service right up to American Cabinet officers and their immediate assistants. In so recommending, the experts took advantage of deep-seated sentiment that had grown and been cultivated with great zeal for the previous year. Various Bills for the abolition of the patronage system, which is the bane of American government and the real enemy in the New Deal's house, had made rather promising progress in the 1936 Congress. Both Republican and Democratic parties warmly endorsed the principle of extending the civil service upward. In January, the stage seemed set for swift and decisive action.

Then, on February 5, the President blanketed the entire project with his Supreme Court drive. Little more was heard of executive reorganization. The experts' report was handed over to the tender mercies of Congress, and the late Senator Joseph T. Robinson actually re-wrote the proposals in such a fashion that the civil service, instead of being extended, would have been curtailed still further.

To those in other English-speaking countries, accustomed to high civil service standards, the American system must seem incredible. Every member of Congress has at his

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disposal a considerable list of jobs. First of all, Senators have a decisive hand in the appointment of the lesser federal judiciary—they help to pick judges in the vitally important circuit courts of appeal and the federal courts generally. That is a real iniquity in the judicial system to which the President might have turned his attention. All but the lower clerical employees, with a few technical expert jobs, are subject to this patronage system.

At the beginning of an Administration, especially when there has been a change of parties, there is a wholesale house-cleaning in every government department. If the Democrats have won the election, then the Republicans are thrown out, from the highest jobs down to a certain median level, and then at the lowest stratum of all. In between there is a hard-pressed group of civil service employees, of two species: the one, a number of genuine and devoted "career-men" experts, and the other, an atrophied group of plodding routine workers.

While the house-cleaning is proceeding in the departments, the offices of every Senator and Representative are besieged by hordes of job-hunters, in the flesh and by importunate correspondence. They are all constituents of the member of Congress, they insist, and of course they all voted for him and worked loyally for his election. They must be served. They demand jobs.

In 1933, the Democratic National Committee got out a volume—looking like a metropolitan telephone directory—listing all possible jobs. If you were a hungry office-seeker you could buy this book, pick out a job that looked well, get the endorsement of your Congressman, present your claims to the personnel officer of the department in question, and if your political credit was high enough you got the job.

Even high-minded young zealots who came to Washington with rolled-up sleeves, to "make America over", found it necessary to get political endorsements. And despite the immense total of jobs available in the regular

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departments, despite the unprecedented additions of new agencies and alphabetical organizations, Congressmen still clamored for more jobs to meet the irresistible demands of their constituents.

One poor official—a civil servant and a good one, exempt from politics—had to engage a secretary through the political channels. He was sent a languid, gum-chewing, unbelievably blonde young person. She evidently felt that her days might be numbered, and one afternoon came into her employer's office to say sweetly: "Oh, Mr. Blank, I want you to meet my sponsor". Into the office strode a high-placed Democratic party figure; he had "sponsored" the useless blonde; and her discharge had become impossible.

This state of affairs, crippling to efficiency anywhere, was particularly dangerous in an Administration attempting the vast, uncharted tasks of the New Deal. On the other side, it must be said that many of the especially New Dealish agencies were staffed by the best people their personnel officers could hire, irrespective of patronage. Many such an agency was subsequently punished by Congress. And daily compromises were necessary. But such good work as was done was accomplished either through defiance of the patronage system or by dexterous compliance with the endorsement rule on the part of genuinely qualified workers.

Nevertheless, it became obvious to almost everyone by 1936 that no ambitious experiment in expanding government could hope to survive without civil service reform. Hence the proposals for extending the civil service before Congress last year, and hence the report in January of the reorganization experts.

Now that the Court Bill is interred, it may be possible to proceed with civil service reform. In the six months since January the drive has suffered immense setbacks, and at present civil service reform is entirely missing from the Bills in congressional committees. But a drive was started, on the very day of the Court defeat, to introduce

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fresh legislation based on the "merit system". Probably it will not be enacted until next year, but success is imperative sooner or later if democracy is to function in the United States.

The second major legislative field now challengingly open to Congress is in wages and hours regulation. In the midst of the Court fight, a Bill was introduced to set up a national Labor Standards Board, with broad powers to fix minimum wages and maximum hours, and to define as unfair practices such still contemporary devices as the employment of labor spies and strike breakers. The Bill did not receive any warm endorsement from labor, it was met by wide criticism flourishing in the atmosphere of the Court fight, and it was re-drafted in emaciated form. As it now stands, the Bill simply permits the Labor Standards Board to fix minimum wages at any desired point but not above 40 cents an hour, and to establish a work week never less than 40 hours. Though greatly cut down, the measure still does not elicit strong support. Some of its supporters consider that its passage now, though a mere skeleton, will serve to set up necessary administrative machinery upon which later progress can be built.

And then there is farm legislation. Since the collapse of the A.A.A., after a Supreme Court veto, farm production has been only slightly controlled by the Soil Conservation Act, although farmers did reap generous benefit payments which were particularly helpful in last summer's drought—and in the political campaign! Secretary of Agriculture Wallace has a complicated plan—the "ever normal granary"—which is now combined with a crop insurance project, soil conservation payments, and an elaborate scheme to furnish the farmer "parity" prices. All of these highly problematical projects are rolled up in one omnibus Bill. With the continued shortness of the American export market, and the prospect of big crops this year and next, the chances of another price collapse are definite and premonitory. To avert such a collapse, the Administration

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and the organized farm groups are pressing for legislation, but without the old enthusiasm. Here, too, it is urged that to set up an organizational framework will make possible improving amendments later on, and by next January the Administration would be able to meet a possibly thickening farm crisis. Legislation to curb the sweeping growth of farm tenancy—one of the gravest of American problems, with the most serious social implications, since misery, low consuming power, and high birth rates go hand in hand among the tenant farmers—is likely of passage, but in Secretary Wallace's words is "less than half a drop in the bucket".

Housing problems, another serious challenge to good social order and a stable economy in the United States, remain virtually untouched by the Administration. There is now estimated to be a shortage of around 1,000,000 family housing units, and the shortage is growing. Rise of building material prices, partly under the influence of labor troubles, has choked off a somewhat promising building boom. But the prospects of adequate housing legislation are very dim. Year after year the problem has been postponed.

The immense question of tax revision and reform is due to emerge in the next few months. Treasury experts are working on a wholesale re-drafting of our federal tax system. Surface details, such as "evasion and avoidance" by wealthy income-tax dodgers, have been aired for political purposes. Far more important for the future of good government here is the revision of the tax base downward and the simultaneous decrease of indirect taxes. Such a program of change would be intended not only to equalize the tax burden—which would likewise be achieved by tightening up at the top—but also to let the man who pays \$24 a year tax on his cigarettes know that his government is costing him that much. Indirect taxes are still a prime contributor to bad citizenship in the United States, perhaps more than elsewhere, and tax reform fits

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in with civil service reform as a fundamental step necessary for the foundations upon which new tasks of government can be erected.

• III. THE UNITED STATES AND THE WORLD

THE orientation of the United States on the side of the democracies in the world cleavage has become more definite than ever in the past few months. There is still an isolationist group, who believe that strict "moral neutrality" toward the European conflict is the only safe policy for the United States. On the other side are those who want American policy clearly expressed on the side of world justice and stability, not for the sake of the "have" Powers, but to perform something of the American share in keeping the peace. And also on this side are all those whose emotions and prejudices have been powerfully worked upon. Among them are the "liberals", the Jewish community, organized labor, and many others who are enlisted in a struggle—internally and externally—against "fascism".

An interesting, and largely unreported, decision between the two groups was taken on July 16. It was in the midst of the North China crisis. The State Department had been in effective consultation with Downing Street during the entire crisis, as Mr. Eden was able to announce in the House of Commons and Secretary Hull did not deny—which is something of an important event in itself, considering all the talk there used to be about the perils or importance of consultative pacts. But on July 16 Secretary Hull decided to issue a statement. Shortly before, he had asked some of his assistants to draft a text applicable to Europe and Asia alike. Some of these men, belonging to the strict neutrality group, drafted a declaration urging American opinion to remain rigidly aloof from the current conflict of ideologies.

To their considerable surprise, Secretary Hull issued

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quite a different statement, not only emphasizing the sanctity of treaties and the importance of non-intervention, but also threatening that American armaments could be increased as well as decreased. His statement was entirely on the side of the democracies, following the line previously marked out by President Roosevelt's numerous speeches. So it seems clear that American policy is headed guardedly parallel to that of Great Britain, in Europe as well as in Asia. At the same time, Secretary Hull and Under-Secretary Welles have recently made occasion to emphasize American support of treaty revision when necessary, and of the right of nations to have access to raw materials and markets. These gestures to Germany, Italy, and perhaps to Japan did not go unmarked, at least in Berlin, where favorable comments were issued.

President Roosevelt's own viewpoint on the European situation was newly and crisply defined by himself the other day. It was after another crop of rumors from Europe, arising partly out of George Lansbury's Cook's Tour of the chancelleries, which urged President Roosevelt to "call a conference" or take some decisive step toward world peace.

"The European governments and peoples", Mr. Roosevelt said in substance (these words are a paraphrase, since the President may not be quoted directly from his press conference) "have the feeling of being up against a stone wall. They feel that nobody in Europe has an answer to their problems. So they look outside Europe and they look to me. They seem to think that I have a hat, and that in the hat there must be a rabbit. Alas! I have no hat, and there is no rabbit."

United States of America,
July 1937.

THE IRISH VOTER'S DECISION

I. THE DEBATE ON THE CONSTITUTION

THE debate in the Dail on the draft constitution, which began on May 11 and was protracted for over a month, led to no startling changes in that document * and aroused very little general interest. The public attendance was small, and on several occasions the proceedings were suspended owing to the absence of a quorum. Although the Irish text is to be the official version, the debate was conducted almost entirely in English, because, as Mr. de Valera himself frankly admitted, the great majority of the members did not understand the Irish language and would therefore be quite incompetent to pass judgment on the text. In fact this text is clearly only a competent translation of the original English version, which was drafted by Mr. de Valera himself with expert assistance. The official pretence that Irish is the national language has in this matter reached an extreme of absurdity. It may be easily imagined what Gilbertian situations will arise when the Supreme Court, which is ignorant of Irish, has to interpret the official text.

Mr. de Valera's speech introducing the measure was largely explanatory, but he dealt at considerable length with the allegation that the new President or Head of the State would possess dictatorial powers. He pointed out that on almost every occasion, except in regard to the dissolution of Parliament and the power to order a referendum in certain circumstances, the President would act on the advice of the Prime Minister or Government. The one thing, he claimed, that shone out through all the provisions

* See THE ROUND TABLE, No. 107, June 1937, pp. 588 *et seq.*

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of the new constitution was that the people would be the masters. He also replied to the criticism to which he had been subjected over the clauses dealing with the position of women. He said that he had always stood for equal rights for women, and that nothing in the draft constitution detracted from the rights they now enjoyed. He promised that any amendments moved in good faith would be considered by the Government with an open mind, but added that there were certain fundamental principles for which they must fight.

In fact, the debate in committee proceeded on the usual party lines, and Mr. de Valera made very few concessions to his critics. The most important were that the name of the State in English should be Ireland and not Eire—a concession to sentiment rather than accuracy; that a President should be eligible for re-election only once; that the panels of candidates from which the vocational portion of the Senate is to be elected, and its method of election, should be settled by law instead of being fixed by the constitution; that free criticism of Government policy should be expressly permitted; that no person should be excluded from Irish nationality and citizenship by reason of sex; and that the phrasing should be amended in certain articles dealing with fundamental rights, which were alleged to be a covert attack on the equal status of women.

As finally passed, these articles declare that the State recognises that, by her life within the home, woman gives to the State a support without which the common good cannot be achieved, and that the State shall therefore endeavour to ensure that mothers shall not be obliged by economic necessity to engage in labour to the neglect of their duties in the home. They also provide that the State shall endeavour to ensure that the strength and health of workers, both men and women, and the tender age of children, shall not be abused, and that citizens shall not be forced by economic necessity to enter avocations unsuited to their sex, age, or strength. It is difficult to find fault

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with these praiseworthy sentiments, and it must be confessed that most of the agitation on the subject seemed to be directed rather to discrediting Mr. de Valera with the women voters than to safeguarding their social or political rights. Moreover these fundamental rights are really only noble platitudes, because they are expressly declared to be not cognisable by the Courts and to be merely principles of social policy laid down for the general guidance of Parliament. Indeed, when a practical proposal was made by Mr. Frank MacDermot that every head of a family should have two votes, as a recognition of the patriarchal structure of Irish rural life and a natural corollary of the declaration in the constitution that the State recognises the family as the fundamental unit of society and as a moral institution possessing inalienable and imprescriptible rights, Mr. de Valera, although admitting its merits, refused to consider it, on the ground that it would cause a great deal of controversy. There can be little doubt that the premature granting of adult franchise has been responsible for many of our political misfortunes; whilst no one is foolish enough to believe that this can now be undone, more weight might well be given to responsibility and experience without any derogation from democratic principles.

During the debate Mr. de Valera explained that his aim was to put our external relations outside the constitution and to treat them as a matter of foreign policy to be determined from time to time as the people decided. The law could exactly prescribe those relations, and, as such a law had already been passed, the constitution would make no change in the existing position. Speaking in the debate on external affairs in the Dail on May 19, he claimed that the central aim of his policy was to arrive at a foundation on which good relations between Great Britain and Ireland could be permanently based, a consummation that was possible only on a basis of fair play and justice. He was perfectly certain, he added, that the new constitution would mean a tremendous advance towards laying such a

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foundation. But he also made it clear that he could not consider any final settlement of the existing dispute unless we were permitted to retain the land annuities, the British garrisons were withdrawn from the occupied Free State ports, and the partition of Ireland was ended. In return for this complete satisfaction of our claims, he indicated that his Government would be prepared to guarantee our neutrality and to prevent any other Power from using Ireland as a base for an attack on Great Britain.

Mr. Frank MacDermot, however, whose valuable contributions to the debate on the constitution make his retirement from the Dail all the more regrettable, moved the rejection of the draft constitution on the grounds that it offered no basis for union with the North and contained provisions tending to prolong partition. He aptly pointed out that partition can be cured only when we attain some unity of thought, heart, and mind, and are able to gather up our conflicting traditions and aspirations and fuse them into one national life. We ought to remember, he said, not only the heroic struggle of our fathers to regain national independence, to which the preamble of the constitution referred, but also the guarantee of the preservation of that independence that was given by full membership of the British Commonwealth, the share our forefathers had taken in its development, and the place our kith and kin had to-day in guarding its destiny. It was we, he said, who sought unity, and on us lay the burden of showing vision, kindness, and courage.

During the committee stage, he moved to insert a new article to the effect that the Irish nation declared its free and equal membership of the British Commonwealth of Nations as a sovereign State, and, so long as such membership continued, recognised King George VI and his successors as Monarchs of Ireland. Mr. Cosgrave and eight other members of his party, who were present in the House, took no part in the discussion and did not vote. Mr. de Valera refused to accept the amendment on the

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ground that our relations with Great Britain were a matter of controversy which should be kept outside the constitution and altered by Act of Parliament as the people thought fit. The amendment was defeated by 56 votes to 3. In a statement subsequently published Mr. Cosgrave explained that his party could not vote for the amendment because it endeavoured to introduce an entirely new principle, which was contrary to the constitutional position achieved through the Treaty and to the accepted principles and practice governing the relations of the Crown to the various members of the British Commonwealth.

In the concluding debate on June 14 Mr. Cosgrave, who had taken practically no part in the previous discussion in committee, said that the draft constitution was the work of one man, conceived and introduced in response to no insistent demand from the people and received generally with indifference. It endangered freedom of speech, the right of public meeting, and the equality of the sexes. The people, he claimed, had been given neither the time nor the opportunity to exercise a wise judgment upon it, and in the circumstances he proposed to vote against it and to state that he could not advise any citizen to vote for it on the referendum.

Mr. de Valera, in reply, claimed that the only limitations in the constitution on the rights of the individual were designed to prevent those rights from conflicting with the rights of the community, and that it contained no barrier to the activity of any future party, no matter what its internal or external policy might be. The constitution would enable all parties to come together and resolve their differences without violence. We could not, he said, go further than we had gone in this constitution to meet the views of those in the North without sacrificing, to an extent to which we were not prepared to go, the legitimate views and opinions of the vast majority of our people. There was behind it, he claimed, the possibility of uniting the Irish nation as it had not been united for fifteen years,

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and he appealed to everyone who wished to see the nation advance to support it regardless of party considerations. The final approval of the draft was carried by 62 votes to 48.

The Opposition had more scope for legitimate criticism in the discussion on the Government's proposal to pay Mr. Donal Buckley, the late Governor-General, a lump sum of £2,000 and a pension of £500 a year. Mr. Buckley, who was legally entitled to a salary of £10,000 per annum for effacing himself, in fact received only £2,000; but it was on this basis that he accepted the position, and it is difficult to see any justification for the proposed gratuity and pension except as a reward for political services in a non-political office. Mr. Norton, the Labour leader, did not hesitate to remind Mr. de Valera of his previous statement that a thousand pounds per annum was a sufficient salary for any Minister or official in the Free State. The Government, and presumably Mr. de Valera, have nevertheless learnt by experience, and one of their last acts before the dissolution was to appoint a committee to recommend what salaries should be paid in future to the Ministers and other functionaries provided for in the new constitution.

II. THE ELECTION CAMPAIGN

THE Dail was dissolved on June 14, in accordance with the new procedure, by a proclamation signed by its Chairman, and the election was fixed for July 1. The campaign that followed was the shortest and most peaceful that has taken place since the Free State was established. The fact that the various party funds were not in a flourishing condition was no doubt responsible for its brevity.

Mr. de Valera, speaking in Dublin on June 16, said that the new constitution placed no bounds to the march of the nation; no one who loved Ireland could hesitate about voting for it. Referring to the suggestion that he was to be the first President of the State, he said that if his will

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was to be the determining factor, and if he was given a majority, he would remain where he was, doing the sort of work he had been doing for the last five years. There was a great deal of work to be done and he did not think he had any right to leave the front-line trenches. He declared that the chief political task of the next five years, no matter what form it might take or how it might be effected, would be to restore the unity of Ireland. He believed that the new constitution could form the basis of that reunion, which, if he were returned, he would make his principal aim. In other speeches he said that the fate of the constitution in the plebiscite did not carry with it the fate of the Government, and he wished it to be regarded as something apart from and above political parties. The bigger the vote for it the more stable would be the political life of the country. Dealing with the agricultural policy of the Government, he claimed that the fall in prices had been due, not to the dispute with Great Britain, but to the general world depression, and that rising prices now heralded a period of prosperity. On several occasions he asked the people to give him a strong majority in order that the Government could carry out their policy without interference.

Mr. Cosgrave, who also made a tour of the country, claimed that the choice before the people was between re-electing the present Government, with its policy of high prices, low wages, crushing taxation and the ruin of our agricultural industry, and replacing it by a Government with a sound constructive policy for the rebuilding of national prosperity. He pointed out that the value of our agricultural production had fallen between 1931 and 1935 from £64,000,000 to £40,000,000, and concluded that the only feasible and constructive remedy was a satisfactory settlement of the economic dispute with Great Britain. A settlement was in the interest of both countries and could be reached given good will on both sides. It would have to be accompanied by assistance to repair the injuries

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inflicted on agriculture, and by economies in expenditure. The new constitution, he said, was merely an election slogan and would not solve our problems. The issue in the election was not words or formulas or constitutions, but whether or not the powers that the Irish people had won for themselves were to be used by an Irish Government to enable the people to avail themselves of every opportunity of industrial progress and agricultural prosperity, and to earn their livelihood in their own land. The present Government shouted out the battle-cry of freedom at home but, by making coal-cattle pacts, surrendered in London. There was now, he said, no politician so foolish as to assert that we could consume at home all our agricultural produce.

The Labour leaders, while advocating an advanced programme of social legislation and criticising the two bigger parties, made it clear that they intended to follow an independent line in the new Parliament. Their campaign received considerable impetus from the existence of several strikes and labour disputes in the country. The propaganda of all the parties was extremely poor.

The extreme republican element put forward no candidates and contented themselves with making various declarations which only revealed their own dissensions and their detestation of Mr. de Valera's constitution. A statement issued on May 24 by the surviving members of the second Dail, who apparently regard themselves as the sole guardians of the pure republican faith, if not the *de jure* Government of the country, declared that for the first time in Irish history the people of twenty-six counties were being asked to kill and bury the Republic under an avalanche of votes. That was the most sinister, although the least apparent, aspect of the new "Free State" constitution. It did not break the connection with England, it declared the government and army of the Republic illegal, continued the humiliating position that Irish citizens abroad were recognised only as subjects of the King of England,

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denied the right of equal opportunities to all citizens, and was a subversion of the Republic of Ireland. One extreme republican, Mr. Frank Ryan, lately returned from fighting on the Government side in the Spanish civil war, did venture to offer himself as a candidate in one of the Dublin constituencies, and his overwhelming defeat at the polls is perhaps the best revelation of the popular attitude towards this disgruntled and discredited faction.

The only sensational event in the election was the publication, first in the *Poblacht*, the extreme republican organ, and then in the *Irish Press*, Mr. de Valera's journal, under the heading "Cosgrave Letter Bombshell", of a personal letter written to Mr. Cosgrave by Sir W. Haldane Porter, one of the directors of Guinness and Co., concerning the action of Mr. Cosgrave's party in abstaining from voting for Mr. MacDermot's amendment to the constitution, proclaiming the adhesion of the Free State to Commonwealth membership. In this letter Sir Haldane declared that he was forced to the conclusion that as regards the attitude of the Free State towards the Commonwealth there was really no difference between Mr. Cosgrave's policy and Mr. de Valera's. He added that Mr. Cosgrave's argument about the Crown seemed to be an attempt to turn it into a sort of abstraction which could be separated at will from the person of the King—a sheer impossibility. Discussing the attitude of the British Government to the new constitution, he said that, although in the present condition of Europe they would probably do nothing to precipitate a controversy with the Free State, it was unfortunately true that the British public no longer took any interest in Irish affairs.

Mr. Cosgrave complained that the publication of this letter, which was marked "Personal" and addressed to him by mistake at "Government Buildings, Dublin", was a breach of the ordinary rules of public decency. Mr. de Valera replied by denying any suggestion that the Government was in some way responsible for tampering

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with this letter. He also offered to have the matter investigated and to punish anyone who might be found responsible. It may be doubted, however, whether this incident affected any votes.

The return of General O'Duffy's battalion, misnamed a brigade, from Spain on June 21 passed almost unnoticed amid the election excitement. On landing in Dublin they were carefully searched for arms, much to the gallant General's annoyance. They would not, he said, take any part in the election. The total casualties of the force in Spain are given as seven killed and 150 wounded, but many more suffered from illness due to unfamiliar food and bad water. The principal casualties were suffered, ironically enough, from an attack made upon them by mistake by some of General Franco's troops, who naturally did not recognise the special uniform in which, by General O'Duffy's orders, the Irish "Brigade" were attired. The reason given for the ignominious termination of this foolish adventure, which it may be hoped will also terminate the public activities of General O'Duffy, was that owing to the opposition of the Irish Government fresh recruits could not be obtained to keep up to strength a force that was constantly being depleted by sickness; but the lack of efficient officers and ignorance of the Spanish situation were evidently contributory causes. It may be surmised that General Franco, who will have to foot the bill, is not likely to forget General O'Duffy's assistance.

III. THE ELECTION RESULT

THE result of the election, if not actually a defeat, undoubtedly constituted a serious setback for Mr. de Valera's Government, and seems to indicate that he has passed the zenith of his power. In order to understand its full implications, one must remember that through the abolition of the six university seats, four of which were held by the Opposition, the alteration of the boundaries of

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many constituencies, the reduction of the Dail membership from 153 to 138, and the creation of fifteen three-member constituencies in which the proportional representation system could not properly function, his party began the election with a substantial advantage over their opponents.

After the general election in 1933 the strength of the parties was as follows: Fianna Fail (de Valera party) 77, Fine Gael (Cosgrave party) 59, Labour 8, and Independents 9, giving Fianna Fail a majority of one over all the other parties combined. At the dissolution there were three vacant seats, and as the result of several by-elections the strength of the various parties then was: Fianna Fail 78 (including the Speaker), Fine Gael 52, Labour 8, and Independents 12. The Fianna Fail party (excluding the Speaker) had therefore a clear majority of five over all other parties. Under a system of proportional representation, where small majorities are the rule and not the exception, this was a completely secure position. Following the election, the ninth Dail of 138 members will consist of Fianna Fail 69, Fine Gael 48, Labour 13, Independents 8. In other words, Mr. de Valera's party, in spite of its electoral advantages, now constitutes only half the new Dail. It has undoubtedly lost ground, and is in exactly the same position as it held after the general election of 1932, when it first took office with the support of the Labour party, an uneasy alliance that forced Mr. de Valera to go to the country again within a year.

Compared with the position at the dissolution, Fianna Fail has lost 9 seats, Fine Gael 4, and the Independents 4, while Labour has gained 5. The total first preference votes, which are the best indication of party strength in an election under the P.R. system, show that the total Fianna Fail vote has decreased by 89,519, whilst that of the other parties combined has increased by 28,077. The total majority of the other parties' first preference votes over those cast for Fianna Fail was 125,879. Fianna Fail received only 45.2 per cent. of the votes, and its poll

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represented only 33.2 per cent., or roughly one-third, of the electorate. The manner in which the revision of the constituencies helped the Fianna Fail party is proved by the fact that whilst they secured a seat for every 8,816 valid votes the other parties taken together required 12,083 valid votes for each seat won. The Independent candidates, who should have secured 13 seats in proportion to the number of votes they obtained, suffered most from this gerrymandering.

The real surprise of the election was the success of the Labour party, which nominated 23 candidates and secured the return of 13. It is now in a position of strength such as it has not enjoyed since 1927, when it held 22 seats. Its first preference votes in this election amounted to 135,758, compared with 79,224 in 1933. This increase would seem to indicate that the working class have had enough of flag-waving and fruitless external quarrels, and want Mr. de Valera to realise that they are more anxious for the solution of social and economic problems, but it is unfortunately doubtful whether the Labour party as at present constituted has enough ability and courage to drive this home. The results also show that Mr. de Valera still draws most of his support from the impoverished counties on our western seaboard, where his policy of grants, relief works and doles has been most beneficial, and where the people are most out of touch with outside influence and lacking in political experience.

Two of Mr. Cosgrave's principal lieutenants, General Richard Mulcahy and Mr. Desmond Fitzgerald, were unseated in the election. General Mulcahy, who was Chief of Staff in the I.R.A. during the Anglo-Irish struggle, Commander-in-Chief of the Government forces during the civil war, Minister for Defence and later Minister for Local Government in the Cosgrave Government, was one of the most industrious and competent members of the Dail. The egregious Mr. Belton,* the leader of the Christian

* See THE ROUND TABLE, No. 107, June, 1937, p. 594.

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Front, and one of the loudest advocates of intervention in Spain, was also obliterated mercifully.

The results of the plebiscite on the constitution were more decisive than the election results. Of the 1,329,246 votes polled out of a total electorate of 1,771,147, there were cast 686,105 for the constitution and 526,945 against, showing a majority of 158,160 for the constitution. The spoiled votes numbered 116,196. The reason for the large number of spoiled votes was that every person who voted at the general election was also given a ballot paper for the constitution plebiscite, and many who found it impossible to approve or disapprove of the constitution without serious qualifications, or who regarded it with complete indifference, returned blank papers. Even if all the invalid votes had been cast against it, however, there would still have been a majority in its favour, though only a small one. The number voting for the constitution exceeded by 86,581 the total number of first preference votes given to Fianna Fail candidates. This proves, of course, that a large number of people, who dislike Mr. de Valera's general policy, were prepared to vote for the constitution in the hope that it would lead to greater political stability, or at least would be an improvement on the present constitutional position, under which the country's fate is at the mercy of a majority of one vote in the Dail without checks or safeguards of any kind. On the other hand, it is clear that if a vote had been taken of the whole country, including Northern Ireland, which the constitution claims as portion of the natural area of the new State, the constitution would have been decisively rejected.

The plebiscite also proves that the extreme republican element have become a negligible force in Irish politics and that the overwhelming majority of the people are satisfied to remain in association with the British Commonwealth, even if that association be described as "external" in order to justify Mr. de Valera's attitude to the Treaty in 1922.

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The Fianna Fail orators were in fact careful to keep the republican issue well in the background during the election campaign, and Mr. Sean MacEntee, the Minister for Finance, speaking in Dublin on July 15, after the result was known, said that it was essential that good relations should be established with Great Britain. Responsibility is a great teacher.

Having been approved by the people the draft constitution, as amended by the Dail, will come into operation on December 29 next or such earlier day as the new Dail may resolve. In a statement issued on July 7, immediately after the election result was known, Mr. de Valera said that the enactment of the constitution by the people must be a source of joy to everyone who had been working in the cause of Irish independence. It marked an epoch in our national history. As regards the new Government, he said that if Fianna Fail assumed the responsibility of government it would do so on the clear understanding that it meant to pursue its own policy and none other. It would not be diverted either to the Right or to the Left by any form of political pressure.

Mr. Cosgrave, on the other hand, pointed out that, although the Fianna Fail party had entered the election with three great advantages, namely, the large sums spent by the Government on public works, social legislation, and pensions, the re-arrangement of the constituencies already referred to, and a full party war chest, they had nevertheless failed to secure a majority of the votes cast. The indefinite depression of the people's standard of living, and growing emigration, he said, were clear signs of a steady national economic decline. To avert that decline, vigorous measures were necessary to restore our main natural industry, agriculture. The election showed that the people were beginning to realise this. When they acted on that realisation the country would resume the progress it was making before Fianna Fail threw away the substance of progress for the folly of believing that what they wanted

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to be true was true, instead of working for the achievement of objectives capable of achievement.

The Labour party, in a statement issued on July 9, after pointing out that they were the only party that had increased its representation in the election, promised to pursue a completely independent policy. They would, they said, support every proposal that had for its object the strengthening of the national status of the country and the raising of the standard of living, and would oppose any policy to the contrary. After references to the serious emigration, to unemployment, and to the "condition of chronic misery among large sections of our people", they said that in the new Dail the Labour party would strive to concentrate on those grave evils and to assist in their speedy eradication. They also proclaimed their opposition to those articles in the new constitution which they claimed were calculated to give undue, and possibly dictatorial, powers to the new President, or which made it possible for the legislature to curb the effectiveness of the trade unions. Mr. William Norton, T.D., who had been re-elected leader of the party, repeated and amplified this declaration in a speech at Kildare on the same day.

It is obvious that the only way in which Mr. de Valera can avoid some kind of working arrangement, if not a complete alliance, with the Labour party, and thus secure a strong Government, is through the establishment of a *modus vivendi* with Mr. Cosgrave's party on the basis of loyally working the new constitution coupled with a sincere attempt to settle the economic dispute with Great Britain. This course was strongly advocated on July 8 in a remarkable editorial article in the *Irish Times*, which is the organ of intelligent and patriotic conservative opinion. Unfortunately the personal and political animosities that are the inheritance of the civil war, together with Mr. de Valera's stubborn mentality, make such a solution virtually impossible. The only real way out would seem to be through the virtual elimination of the leaders of the two principal

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parties; this could be achieved if Mr. de Valera were elected unanimously to the new office of President of the State and if Mr. Cosgrave were prepared to serve under his successor as Prime Minister in a coalition Government. The establishment of such a National Government, prepared loyally to work the new constitution and accepting as the basis of its external policy the undoubted fact that no two countries are more closely allied by real, common and complementary interests than are Great Britain and Ireland, would be an act of the highest statesmanship, and would undoubtedly translate into action the true verdict of the people at the election. Unfortunately such an eventuality is not probable.

It would certainly have been much better for both Ireland and England if Mr. de Valera had obtained a decisive majority that would have placed squarely on his shoulders the responsibility for the continuance of the stupid quarrel between the two countries. If this had happened it is quite probable that he would have endeavoured to settle the dispute, in a characteristically elusive fashion, by an agreement to pay the sum in dispute, now levied in penal duties by Great Britain to meet the land annuities, as a contribution towards the joint defence of Great Britain and Ireland. He may even yet attempt to arrive at a settlement on some such basis.

Under present conditions, however, failing an agreement with Mr. Cosgrave, he must compromise with and consider first the internal claims of the Labour party, which has unfortunately no considered policy towards Great Britain, nor apparently sufficient intelligence and courage to formulate one. Mr. Davin, one of the more independent Labour members, has recently suggested, it is true, that there should be a private conference of representatives of the three principal parties to seek agreement upon the best means of settling the Anglo-Irish dispute; although Mr. de Valera is not likely to agree to such a proposal, it indicates that the Labour party is anxious for

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peace. The present political situation, however, does not seem likely to produce decisive results, nor is it probable that it will be speedily ended; for Mr. de Valera will not be inclined to risk another appeal to the electorate at an early date. He will probably remain in office, trusting to the chance of a few by-elections to release him from his present predicament and enable his Government to continue for its full term. In the meantime he must perforce be polite to Mr. Norton and hope for the best.

IV. THE NEW DAIL

THE ninth Dail met for the first time on July 21 and re-elected Mr. de Valera to the position of President of the Executive Council, or Prime Minister, by 82 votes to 52, the largest majority he has so far received on election to that office. His re-election was supported by the thirteen members of the Labour party and by two new Independent members, Dr. Hannigan and Mr. James Larkin, the famous labour leader, who is not a member of the official Labour party. On behalf of the Opposition Mr. Cosgrave opposed Mr. de Valera's re-election on the now familiar grounds that the Government had disregarded the hardships inflicted on the people by the high cost of living, had obstinately refused to settle the dispute with Great Britain, and were over-represented in the Dail. He said that any party or parties pledged to find an enduring and satisfactory solution of these problems would receive his party's whole-hearted support and co-operation, but that there was no indication that the Dail could secure such a pledge from a Government formed by Mr. de Valera. Mr. Norton, on behalf of the Labour party, supporting Mr. de Valera's re-election, said that his party's position was no different from what it had been in 1932. They would welcome a just and honourable settlement of the economic war, but would oppose a dictated

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settlement or one that was not fair and honourable from the standpoint of the Irish nation.

After his election Mr. de Valera announced the personnel of his Government, which was the same as that of his last. The only notable speech during the proceedings was made by Mr. J. J. Cole, an Independent farmer member from Cavan, who refused to vote and appealed to Mr. de Valera and Mr. Cosgrave to forget past differences and enmities and see if it was not possible to form a coalition Government. He asked them to realise that Ireland is greater than any party and that her welfare ought to take precedence over all party advantage. This appeal, however, fell on deaf ears, and so the old familiar tunes will be played again in the new Dail. It has now adjourned until October 6, after giving a first reading to several Bills, including measures to make provision for the election of the new President of the State and of that portion of the Senate which under the new constitution is to be elected by the universities and vocational bodies. Reflecting on the results of the election, a cynic might say that being faced with a choice of two evils we had chosen both. But we must not forget that out of evil sometimes cometh good, and that, as Burke reminds us, experience is the school of mankind, and they will learn at no other.

The Irish Free State,
August 1937.

AN INDIAN MILESTONE

I. THE END OF THE CRISIS

THE constitutional crisis in India ended on July 7, when the Congress Working Committee, meeting at Wardha, authorised Congress members to accept ministerial office "where they may be invited thereto". The decision, which was received with genuine satisfaction throughout the country, was recognised as a triumph for moderate forces, and completely altered the political outlook. A political party which, a few years ago, had been declared an unlawful body thus found itself in positions of power in six of the eleven provinces of British India. A few days after the decision was announced, Congress Ministries were formed and are now functioning. This development introduces an entirely new policy on the part of the Indian National Congress; although the future is not likely to be free from serious difficulties, the acceptance of constitutionalism by the party is a political advance of extraordinary significance.

The Wardha resolution indicated that official interpretations of the working of the new constitution that had been given during the crisis had not met the Congress demand for an assurance from Governors, although they had exhibited a desire to make an approach to the Congress case. The Working Committee, however, had also to consider the views of elected Congressmen and of the party generally. It came to the conclusion that office should be accepted for the purpose of working in accordance with the party's election manifesto and of furthering in every possible way the Congress policy of "combating the new Act on the one hand and prosecuting the constructive programme on the other". Opinion favourable

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to the party's assumption of responsibility had undoubtedly been influenced by the successive statements made by Lord Zetland, Mr. Butler, Lord Lothian, the various provincial Governors, and finally by Lord Linlithgow, whose message to India was generally regarded as the turning point in the controversy. Indian opinion definitely veered round in favour of office acceptance after the Viceroy's statement was issued, some important political leaders and newspapers saying frankly that the Viceroy had made it possible for Congress to assume office with honour.

Mr. Gandhi is generally regarded as having been responsible for the actual decision. Before the Wardha conference opened, private discussions took place between the Mahatma and Pandit Jawaharlal Nehru, the Congress President, who has never obscured his opposition to office acceptance. These preliminary discussions apparently convinced Pandit Nehru that the logical line for the party was to assume responsibility; and the opposing view appeared to receive little support in the Committee. The resolution embodying the decision was carried unanimously, and was heralded with jubilation in the press, Congress as well as non-Congress. As the nationalist *Tribune* of Lahore remarked,

For the first time in their history the majority of the Provinces in India are going to be under a national democratic government in the modern sense, and for the first time in their history the Congress will cease to be His Majesty's permanent opposition.

The realities of constitutionalism were accepted nearly everywhere, and there was general appreciation of the opportunities now lying ahead of the Congress party in the fields of social and economic reform.

II. THE VICEROY'S INTERVENTION

THE crisis had existed for nearly three months before Lord Linlithgow intervened. During that period various statements were made, on the Congress side chiefly

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by Mr. Gandhi, and on the Government side chiefly by Lord Zetland and the provincial Governors. These successive declarations tended to lessen the existing differences, and Mr. Gandhi undoubtedly played a large part in bringing the problem to a position in which it could be solved. By a process of elucidation the issue was transformed from a demand that the Governors would never use their special powers to a request that they should dismiss their Ministers when they were unable to follow the latter's advice. It was at this stage that the Viceroy issued a message to India. For several weeks his silence had been severely criticised in the Congress press, but it became clear by the time Lord Linlithgow spoke that many of the difficulties had been removed. Earlier intervention on his part might have done little to ease the situation and possibly much to complicate it.

The Viceroy's message to the country assembled all the relevant arguments that had been expounded on both sides, analysed the Congress demand for the automatic dismissal of Ministers in preference to their voluntary resignation, and indicated the constitutional procedure that would be followed by Governors when in disagreement with their Ministers. The Viceroy naturally was unable to say much that was new, but he gave authority to what had already been said. While he indicated that the right to dismiss and the right to resign should remain unfettered, he conceded that in certain circumstances it might be incumbent on Governors to dismiss their Ministers. This practically met the Congress case, although no assurance of the kind originally sought was given. The Viceroy made it clear that the Governors' reserve powers were essentially emergency powers and gave no authority for gratuitous interference in day-to-day administration. He emphasised that parties in power, no matter what their political allegiances might be, could depend upon the most cordial co-operation and collaboration from the Governors and the services generally.

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It was the spirit of the speech rather than the matter that captured public opinion and set the tide flowing in favour of acceptance of office. It was quickly recognised by Indians that, although the Viceroy had not given the Congress the assurance that had been desired, he had interpreted constitutional procedure in such a way that an assurance was no longer essential. Nationalist newspapers as far apart as Lahore, Madras and Calcutta urged the Congress to assume responsibility. The Viceroy's message was subjected to a searching analysis and in some quarters was strongly condemned, although nearly all sections of the press recognised the sincerity underlying its interpretations. Mr. Gandhi and the upper hierarchy of the Congress party declined to discuss the statement, pending the meeting of the Working Committee, and by the time that body was in session public opinion was definitely in favour of office acceptance.

The position had changed materially since the Committee's previous meeting at Allahabad in April, and differed completely from the circumstances that surrounded the party when the demand for an assurance was framed at Delhi in March. In Delhi, the party had just come from the polls, flushed with an electoral victory that had surprised many, including Congressmen themselves. For nearly 20 years the party had been in opposition, frequently in open conflict with the authorities. Distrust of British intentions ran deep; the demand for an assurance indicated the depth of the distrust. The party had never favoured the new constitution and was, indeed, pledged to "combat the Act" with a view to ending it. Straightforward acceptance of office did not imply "combating the Act", much less ending it, and as Congressmen had always contended that real provincial power was enshrined in the safeguards it was natural that they should seek some assurance regarding their use. Many misconceptions underlay their original demand, and the subsequent controversy has done much to clear them away. The Act of 1935 has

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been subjected to a critical analysis which has been informative and valuable both to Indians and to British officials in India. This was emphasised particularly in a statement made by Sir Maurice Hallett, Governor of Bihar, whose elucidation of the relations between Governors and Ministers did more than almost any other single statement to convince Congress of the genuineness of British intentions. The Viceroy's statement set an authoritative seal on all the previous pronouncements, and Congress leaders set about the formation of their Cabinets convinced that, if in the letter they had failed to secure the assurance they sought, they had at any rate achieved something in having the purposes of the Act explained in a manner that should greatly assist its successful operation.

III. REASONS FOR THE CHANGE

VARIOUS factors contributed to the Congress decision to accept office. There was a growing weariness with the public controversy, and even Congress politicians and newspapers began to see the uselessness of pursuing constitutional discussion to further lengths. The *Hindu*, of Madras, after supporting the Congress case for several weeks, advised the party

not to waste its time in trying to evoke a manifestation of good will, but resolve upon taking office, confident that, assurances or no assurances, it can do substantial service to the people from that vantage point.

There was an increasing recognition among Indians that the minority Ministries, with all their patent weaknesses, were achieving something; while all believed that these Ministries must in the nature of things be short-lived, what they were accomplishing was undermining the Congress claim that they could accomplish nothing.

It became clear that the minority Ministries, as well as those where majority elements were in control, were obtaining the friendliest co-operation of their Governors

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and that the constitution was being harmoniously worked. There was bitter opposition to the minority Ministries in the nationalist press, which realised that they had to a large extent counteracted the policy that the Congress had in view when the demand for an assurance was made. In those provinces where majority Ministries were functioning the value of the Act was even more distinctly proved. In Bengal, the Chief Minister had taken steps to release, by degrees, some of the political prisoners, and in the Punjab the Ministry released prisoners convicted under the Martial Law of 1919. These actions won general approval, and convinced many people that Indian power under the Act was real. Leaders of most of the minority Ministries also made it clear that they were unfettered by official interference, the Premier of Bihar remarking that

the Governor, far from interfering in any action of the Ministry, has always been willing to accord all co-operation and to help us. We have been receiving loyal and sincere co-operation from the permanent officials.

Various Congress leaders urged the need for a settlement, and the way to that objective was made easy by Mr. Gandhi's final interpretation of the Congress case, in which he indicated that the issue had been narrowed to a single point—that the Governors should dismiss their Ministers when in "serious disagreement" with them, rather than expect the Ministers to resign. The extremer elements considered this to be a surrender on the part of the Congress, but more moderate opinion recognised the new interpretation as a logical fulfilment of the Congress demand for an assurance, which was largely intended to secure official recognition of the status of the Congress in Indian politics. The Viceroy definitely responded to Mr. Gandhi's overtures, by recognising that his contributions to the controversy had been helpful, and by analysing the Congress case in its later form and proving that interference by Governors was a contingency none

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desired to see converted into reality. The sincerity and earnestness underlying the Viceroy's appeal found a ready response from Indians.

IV. THE CONGRESS IN OFFICE

THE unconditional acceptance of office does not necessarily imply that smooth times lie ahead. The Congress assumes responsibility with a dual purpose. The party's election manifesto, and later pronouncements, show that a political campaign will accompany its legislative activities. The political campaign is designed to "combat the Act with a view to ending it", and will be fostered both inside and outside the Legislatures. Pandit Nehru has indicated that it is not to work the constitution in a normal way that the party has assumed office. It is not clear, however, how the party can destroy the Act by working its provincial sections, unless deadlocks are deliberately created. No better deadlock for combating the Act could have been devised than the one the party created in its demand for an assurance from the Governors, and the logical inference is that in discarding that position the party will work the Act reasonably. Outside the Legislatures it intends to develop its hold upon the masses, presumably in preparation for a further trial of strength with the British Government, when "sanctions" have been forged that will put the party in a stronger position than it is in to-day. Even the Congress press admits that the party is not ready for civil disobedience; nor is the country willing to countenance such a policy at present. It is pointed out, however, in various quarters that civil disobedience as a political weapon has never been discarded and may at any time be employed again.

The country as a whole inclines to the view that in taking office the Congress is fired by the ideals of service to the people. The party outlined an advanced programme, which many of the electors wish to see implemented.

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That programme may create difficulties, particularly in the United Provinces, where the agrarian policy of the party aims at fundamental readjustments in land revenue and rents. But in many other respects the social and economic policies to which the party is pledged may be carried out under the Act, and there is every reason to believe that the party will conscientiously work for improving the lot of the peasants and bringing about realignments in the social scheme of things in India. It is admitted that the party lacks outstanding provincial talent, although in one or two provinces some of the principal Congress leaders are assuming control. A greater weakness is the absence of any administrative experience, which doubtless accounts for the desire of the upper hierarchy to retain some definite control over policy in all provinces where Congressmen are Ministers. The idea is encouraged that the provinces should be administered under an all-India policy, but this is certain to come into conflict with provincial conditions, which vary everywhere. It will be difficult for Congress Ministries in Madras to follow lines exactly similar to those found suitable for Bihar, and the belief is expressed that the new provincial Ministers must inevitably adopt policies appropriate to their particular provinces. This implies that it will only be in the party's political, or extra-legislative, activities that all-India unity will be retained.

The Congress leaders will have to decide whether they intend to wreck the constitution and return to the political wilderness, or to work the Act in order to prove that its limitations are such as to prevent the expression of Indian aspirations. One of the most significant statements in the Viceroy's message, and one that has been widely overlooked, was Lord Linlithgow's contention that politics, by their very nature, are ever dynamic; to imagine that their expression in terms of a written constitution can render them static, he said, is to disregard the lessons of history and the dictates of common sense. In this light there is every reason to believe that the Congress party,

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like all other parties, will find ample scope and opportunity for service within the constitution.

V. THE MASSES AND THE MINORITIES

THE Working Committee's resolution contained some significant assertions which have a direct bearing on the whole question of Indo-British relations. It stated that the committee was unable to subscribe to the doctrine of partnership propounded in official interpretations of the Act. It claimed that a proper description of the relations between the British Government and the Indian people was that of exploiter and exploited, which implied that representatives of the two peoples held an entirely different outlook upon almost everything of vital importance. This belief is one of the root causes of Indian discontent with the reforms and is largely based on Indian distrust of British intentions under the Act. The elimination of this distrust is essential to the successful working of the reforms.

On the British side efforts should be made to prove that the Act does in fact completely alter the constitutional relations that obtained before April 1, and that bureaucracy has been superseded by responsibility, restricted only in a very limited sphere. Lord Zetland and others have proved conclusively that parliamentary intervention in provincial affairs has been greatly circumscribed by the Act, but there is a strong body of Indian opinion which inclines to the view that officials in India are too "set" in their attitude and too hostile to the Congress to reorientate their policy towards the party. On the Indian side there is need for a more appreciative understanding of the Act and its implications. Proof of the changed relations will emerge only after the Act has been working for some time, but if the spirit of partnership is lacking in its working little success will be achieved. Much of Congress distrust is unjustified and derives more from past experience than from any

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genuine appreciation of the changed relations that the Act implies.

The best proof that the Act of 1935 marks a great constitutional advance on its predecessor may be gauged from the decision of the Congress to assume responsibility. It is emphasised by the growing belief among Indians that opportunities are now available for the Congress to bring some of its economic and political theories into effect. Much has been made, in some obstructionist quarters, of the fact that the electorate, however expanded, represents the enfranchisement of only about 10 per cent. of the population, and that the great mass of the people still lacks the vote. But, as the Simon Report indicated, the masses are greatly affected by political movements, and particularly by those leaders who are willing to concern themselves with the welfare of the peasants. Although Congress claims to speak for the masses, it is largely a self-appointed spokesman, deriving no direct authority from the vote-less population. That is why Pandit Nehru is so keen to broaden the political basis of the organisation by including the peasants within its fold, and to expand its nationalist basis by bringing in the Moslems. There is no doubt whatever that the Congress is genuinely interested in bettering the lot of the poor; but until the masses, and particularly the vast minorities, are ready to accept the Congress leadership from choice, the party has no authentic justification for the claim that it represents all Indian interests.

To constitutional purists one of the distressing features of the Act is the protection it affords to special interests and minorities, chiefly at their own request. These safeguards are anathema to Congressmen, whose theorisings about freedom and liberty sometimes obscure the realities of Indian conditions. In effect, the removal of distrust between Indians is as important, if not more important, than the removal of Congress distrust of British intentions. The political disunity in this country makes it obvious that

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the British Parliament in framing the Act was circumscribed by prevailing conditions, and that British obligations will remain until the politically-minded elements in India resolve themselves into some form of cohesion.

Pandit Nehru has appreciated this and has inaugurated a campaign to convert the Moslems to the Congress political philosophy. He claims that the Congress failure to secure greater electoral support from the Moslems was entirely due to lack of Congress organisation within the Moslem community. He contends that the younger Moslems are anxious to discard the communal thinking of their forbears and are willing to affiliate themselves with a nationalist organisation like the Congress. He is fully aware that until the two main communities are working in political harness the cause of nationalism will be stultified.

All will agree that a united India is a desirable goal, and many will argue that its achievement will mark the beginning of the end of British sovereignty. But underlying most Indian opinion is a strong faith in the value of the British connection, and there is no evidence that India will cut adrift from the British Commonwealth of Nations, even if the fullest measure of national independence is obtained. The political relations between the two countries have been marred in recent years by contrasting economic interests, although Indians tend to exaggerate the conflict by implying political motives where frequently none exists. Indians recognise only too well that British political institutions are much more liberal than those of most other nationalities; and their intense hostility to the activities of some totalitarian States suggests that a fruitful partnership between the British Commonwealth and the Indian people will long endure.

India,

July 22, 1937.

GREAT BRITAIN

I. THE NEW GOVERNMENT

ON May 28 Mr. Stanley Baldwin resigned the office of Prime Minister, which he had held for three periods totalling over seven of the previous fourteen years. He had passed, not long since, through an interval of deep popular discredit after the Hoare-Laval episode, but his part in the abdication episode had fully restored his prestige, and he retired from active political life amid spontaneous praise from all parties and all the countries of the Commonwealth for his patient statesmanship and his determination at all times to do right as he saw it. He saw it through the eyes of an English country gentleman, anxious to preserve the traditions and dignities of national life, and to adjust the relations between economic classes to the patriarchal pattern of rural society; unimpressed by purely pecuniary argument or by "isms" of Right or Left; reluctant to meddle with international affairs, which might disturb the peace of the country he loved. His character and leadership have left a deep mark on British public life, on the affairs of the Commonwealth, and in a largely negative sense on those of the whole world. The first act of his successor was to advise the King to confer on him an earldom and the Garter.

Mr. Ramsay MacDonald, who shared with Mr. Baldwin those fourteen years of the Premiership, and whose personality has had scarcely less influence upon our political history, resigned at the same moment. He was generally believed to have been also offered a peerage, but to have declined; and he retains his seat as National Government member for the Scottish Universities. Mr. Walter Runciman, the most experienced in office of them all, received

a viscounty on his retirement from the presidency of the Board of Trade, which he first held twenty-three years ago.

Mr. Baldwin was succeeded, as everyone expected, by Mr. Neville Chamberlain. Mr. Chamberlain represents an entirely different political tradition, that of the business man whose grounding in public affairs lies in provincial municipal life, and it remains to be seen what changes this may entail in the course of our political development. His conservatism is likely to show at least a streak of the radicalism that marked his father's earlier career. Sir John Simon took his former place as Chancellor of the Exchequer, and Lord Halifax that of Mr. Ramsay MacDonald as Lord President. Sir Samuel Hoare went to the Home Office, Mr. Duff Cooper to the Admiralty, Mr. Hore-Belisha to the War Office, and Dr. Burgin to the Ministry of Transport, these being successive links in a chain of translations. Mr. Oliver Stanley, who succeeded Mr. Runciman, was himself succeeded as Minister of Education by Lord Stanhope. The latter, Dr. Burgin, and Lord de la Warr, who became Lord Privy Seal in the room of Lord Halifax, were the only newcomers to the Cabinet. Since in party colour they are respectively Conservative, Liberal National, and National Labour, like the retiring Ministers, and since the remaining offices were retained by their former holders, the balance of parties in the Cabinet was disturbed only by the reduction of its numbers by one, the First Commissioner for Works, formerly the Conservative Mr. Oliver Stanley. Thus after six years and two general elections we still have "the mixture as before". The chief criticism of the reconstruction was directed against the changing of horses in mid-stream at two of the service Ministries, especially at the Admiralty, every one of whose three political representatives was replaced by a novice in naval administration. It certainly seems unfortunate that at this time of crisis the political exigencies of promotion and precedence should appear, however falsely, to have over-ridden the

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need for pressing forward the rearmament campaign with the utmost concentration.

II. THE NATIONAL DEFENCE CONTRIBUTION

MR. CHAMBERLAIN took office amid an extraordinary political situation for a new Prime Minister to face. He had been responsible for introducing a tax proposal which had been received with almost unanimous outcry by his own supporters and had found scarcely a friend anywhere.* The Finance Bill embodying the detailed terms of the National Defence Contribution, which was published on May 24, contained a number of concessions to his critics. The standard period, in relation to which the taxable increase of profits would be calculated, which had originally been fixed as the average of 1933 to 1935, would now be either the average of any three of the years 1933 to 1936 or any two of the years 1933 to 1935. The rate and gradation of the tax were adjusted in favour of the taxpayers. Additional relief was afforded to small businesses and new businesses. Industries which on account of their inevitably speculative nature or for other reasons had been allowed a specially large standard rate of profit under the war-time Excess Profits Duty would be similarly privileged under the new tax.

These and the other concessions introduced were presumably thought by the Government to be sufficient to appease the critics. It was a grave miscalculation. Three days later a meeting of representatives of British industry passed a resolution declaring that the provisions relating to the National Defence Contribution

must involve major hardships and inequities, particularly upon those industries which have been peculiarly subject to depression in recent years, and must severely restrict the growth of enterprise and the development of new forms of industrial activity.

The industries represented recognise the necessity that industrial profits must provide £25,000,000 per annum to the national

* See THE ROUND TABLE, No. 107, June 1937, pp. 629-635.

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revenue in view of the heavy outlay for rearmament, but . . . drastic amendment of the present proposals is essential to make the contribution operate with that degree of justice which alone can render it acceptable to the taxpaying community and ensure that it shall be paid with the willingness which is traditional.

When the Finance Bill came before the House on May 31 Sir John Simon had fallen heir to this awkward inheritance as Chancellor of the Exchequer. He found himself attacked on all sides, and his admission that the modifications had reduced the prospective yield from £25 million to £15 million only added to the armoury of his critics. Mr. Dalton's advice, from the Labour benches, was to "take it back and try again". An Opposition Liberal described the tax as a "national endowment of accountants and lawyers". A Liberal National told the Prime Minister that he was "presuming on his position and upon the loyalty of his supporters". Mr. Winston Churchill, in an irresistible speech, offered his "avuncular advice". He hoped they "would not have a draggled-tailed, tattered tax forced through sulky lobbies". The Prime Minister and the Chancellor would, in his belief, be right and courageous if they now dropped the whole thing and made a virtue of dropping it. Mr. Chamberlain took the advice, and industry at its word. He would, he said, be not only something less than prudent, but would be stupid if he were to persist in a particular method of getting what he wanted if he could get it by a simpler method and get it in larger amounts and in a much better way. He proposed to withdraw the present proposals and substitute a simpler tax with a larger yield. Mr. Attlee, leader of the Opposition, instantly congratulated the Prime Minister on his responsiveness to the will of the House.

The substitute plan, published on June 16, discarded the model of Excess Profits Duty for that of another war-time expedient, Corporation Profits Tax. A tax not exceeding 5 per cent. would be levied on trade and business profits in excess of £2,000. Professions and public utility undertakings would be excluded, and the tax might be remitted

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on new industries established in the "special areas". The gross yield was estimated at £25 million, but the tax would be deducted before computing profits assessable to ordinary income tax. The revised provisions, though receiving some detailed criticism and amendment in committee, were accepted almost meekly on both sides of the House, and duly passed into law.

The incident is not, in retrospect, entirely easy to understand. There must be many industries and firms whose burden will be much higher under a tax yielding £25 million than under one yielding £15 million or less, and it is safe to assume that some of them were among those that protested vehemently against the original tax even in its modified form. The willing acceptance of a heavier tax for the sake of greater simplicity in calculation is not a usual business trait. It is reasonable to ascribe a large part of the agitation to uncertainty concerning the exact incidence of the original tax, its widely different weight on different industries and companies, and its stern gradation against firms whose profits had most rapidly increased and therefore had most keenly tempted the speculative investor—all characteristics that entailed a maximum degree of depreciation of stock exchange values, by comparison with a super-tax on profits which applied uniformly to all industries. But if—as there is plenty of evidence to suggest—this financial, capitalist consideration was a prime motive in the criticism of Mr. Chamberlain's plan, why should the Labour Opposition have marshalled itself in the same camp? Politics are certainly full of paradoxes.

III. THE LABOUR PARTY

THE Labour party has not, indeed, been altogether happy in its rôle of chief parliamentary Opposition. There have been hints of discontent with its leadership and of a demand for more vigorous anti-Government tactics. When Mr. Shinwell, himself a keen parliamentary

fighter, circulated a memorandum among his fellow members suggesting that their policy be "gingered up", it was rumoured that his action had been inspired by Mr. Attlee's congratulations to the Government on their submission over the National Defence Contribution. Mr. Shinwell, however, denied that this had been the occasion or that his intention was rebellious, and his memorandum was amicably discussed at a meeting of the parliamentary party. Nevertheless, there has been apparent, both to its own members and to others, a fatal want of decision and unity in the Labour party's attitude. Certain incidents, of minor importance in themselves, have cumulatively served to lower Labour's prestige in the House and in the country. Thus a motion for the adjournment, which had been demanded by the Labour party itself in order to discuss foreign policy, was deliberately talked out by one of its own members. A few days later occurred the overruling of the party executive by the back-benchers in a decision on the party's attitude towards the defence votes. The leaders, including Mr. Attlee and Mr. Herbert Morrison, wished the party to challenge the defence estimates in the lobbies, but an opposition led by Mr. Hugh Dalton mustered a majority, and party discipline secured compliance with the decision to abstain from voting. Only six members of the party's pacifist wing joined the members of the Independent Labour party in publicly opposing rearmament.

The trade union movement has also been passing through a period of conflict between its Right and Left wings, in which so far the Right has triumphed. In more than one trade dispute, counsels of compromise have gained the day, and the clouds of industrial warfare that threatened so ominously a few months ago have been dispersed. When the last issue of *THE ROUND TABLE* went to press, the London bus strike was still in progress.* The representatives of the busmen, acting against the known opinion

* See *THE ROUND TABLE*, No. 107, June 1937, pp. 639-641.

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of the upper hierarchy of the Transport and General Workers Union, had rejected a settlement along the lines suggested by the official board of enquiry. The busmen's next action was to try to increase the effectiveness of the strike by bringing out the tramwaymen and the trolley-bus workers, but a delegate conference of this section of the union, held on May 20, refused to extend the dispute on unofficial lines, and pledged itself to assist in carrying out any action that the executive council of the union might desire. Five days later, the executive council decided to relieve the busmen's committee of responsibility for the further conduct of the dispute.

On May 26, after a meeting with representatives of the London Passenger Transport Board at the Ministry of Labour, the executive ordered the busmen to return to work. The terms of the understanding with the Board were that all strikers should be reinstated without penalty, that existing terms of work and wages should continue for the time being, that both parties accepted the report of the board of enquiry, and that they would immediately meet to negotiate a new agreement and to establish joint machinery for the investigation of various aspects of the busmen's conditions of work, especially in relation to the effect that those conditions might have upon their health. Such investigation was to be followed by the "immediate and appropriate steps" required, either through a reduction of hours or otherwise. The busmen had been on strike for a day short of four weeks, and 25,000 drivers and conductors had been involved. The settlement left open the main issue in the strike, namely the claim for a 7½-hour working day. A new agreement, largely favourable to the men but keeping the maximum working time at eight hours, though subject to later revision, was signed in the middle of June.

The agreement had been negotiated by Mr. Ernest Bevin and other central officers of the union. A week before it was reached, the union executive had suspended the central

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bus committee, which had been responsible for the strike, from all its duties. Full control of all matters relating to the busmen's section would be vested in the executive until the investigation of existing conditions had been completed. Mr. Bevin's campaign against the extremists, and against "unofficial" leadership and action, was pressed home to the end. The union executive submitted a special report to the annual conference of the union in July recommending that an end should be put to rank-and-file organisations within the union and to all bodies not acknowledged by the rules, and asking the conference to authorise disciplinary action against members who took part in them. The report was adopted by an overwhelming majority, the chief opposition coming from the busmen's leaders. This decision was promptly followed by the expulsion from the union of three of the leaders of the bus strike, and the suspension of four others from the right to hold office for three or five years. Mr. Bevin had established his position as virtual dictator of the transport workers and the outstanding leader in British trade unionism to-day; at the same time he had expressed the violent antagonism of the majority of the trade unionists to the subversive forces of communism and extreme socialism.

The Labour movement is divided between those who believe that only in moderation is the secret of electoral success to be found, and those who believe that it is to be sought, on the contrary, in unity of all Left-wing forces, inflexibly campaigning against the forces of capitalism and fascism. Both sides to the controversy agree on one point, that something needs to be done to increase the strength of the Labour party among the electorate. The last few months have seen a long series of by-elections which have been popularly described as a miniature general election. This description is not altogether fair to the Opposition, since all but a few were safe Conservative seats. Twelve by-elections took place between June 10 and July 13, all of them in constituencies formerly held by

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the Government. In every case the result was "no change", except at Cheltenham, where the official Government supporter was beaten by an independent Conservative, a popular mayor of the borough. It is true that Mr. Isaac Foot, a veteran leader of Liberalism, came within 210 votes of defeating the National Government candidate at St. Ives, Mr. Runciman's old constituency, and that another Opposition Liberal gave the Conservatives almost as close a shave in North Dorset. The Liberals also managed to increase their voting strength in Hemel Hempstead and Bewdley—in the latter constituency by comparison with 1929, Mr. Baldwin having been returned unopposed in 1931 and 1935. This encouragement to Liberalism was one of the most notable features of the by-elections, since the cause has languished for so long under the progressive handicap of the popular belief that it was already lost.

But still more notable was the regular decline of the Government polls. Omitting Cheltenham and two seats where there was no contest in 1935, and aggregating the Liberal and Labour polls in those constituencies where they competed in opposition, we find that the average Government majority fell from 10,809 in November 1935 to 5,881 in June–July 1937. The ratio of the polling to total electorates was generally low, but not lower, on the whole, than in 1935. Yet in spite of the slump in Conservative votes, the Labour party did not come within hailing distance of winning a single seat. They were, indeed, leading forlorn hopes in most constituencies, and the opposition to Conservatism is traditionally Liberal in the West country. But it is almost an axiom of British politics that Labour will not get a majority in Parliament until it starts winning "safe" Conservative seats. The average number of votes received by the Labour party for each contested seat has actually fallen since the general election, and all that can be said in mitigation is that it has not fallen as fast as the corresponding figure for the

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Government candidates. "No change" may therefore be interpreted, in terms of public opinion, as "no enthusiasm but no alternative".

The failure of the Labour party to establish itself in the popular eye as a sound alternative Government is perhaps the outstanding fact in national politics since the panic election of 1931. It is not due to any terrifying extremism; for the recent trend has been all towards moderation in Labour counsels and the suppression of Left-wing agitation. Nor is it due, it seems, to any insurmountable objection to socialistic reform among a bourgeois population; for since 1931 Labour has not merely won but further consolidated a majority in the local government of the largest city in the world, London, and has done so on the strength of a positive programme of housing and other social expenditure at an acknowledged cost to the rate-payer. Indeed, it seems not unfair to surmise that the present lack of appeal of the Labour party in national politics owes a good deal to its failure to concentrate on such social and economic problems, and to its dissipation of political energy on issues remote from the interest of the ordinary man. It may be unjust to criticise the Labour party in Parliament for devoting so much time and effort to criticism of the Government's foreign policy, since it is only against an international background of order and peace that social progress at home can be safely pursued. But from the purely electoral point of view, it seems, there is little positive popularity to be gained by agitation in favour of greater commitments abroad, whether in the name of collective security or in that of opposition to fascism. Rearmament is in truth a national policy, and non-intervention, it seems, is rapidly becoming one.

CANADA

I. FEDERAL AFFAIRS

DURING the three months since the close of the parliamentary session in April, all has been quiet on the front of Canadian federal politics. The calm may in part be attributed to the absence of the Prime Minister, who has been in England for the Coronation and the Imperial Conference. From the Conference has come no news to accentuate conflicts of opinion about defence and foreign affairs. The provincial elections in British Columbia and Nova Scotia reveal that the tide has not yet turned against the Liberal party; and a recent declaration by Mr. Hepburn of Ontario of his independence of the Federal Liberal party does not seem to have fluttered the doves of Ottawa.

The calm, which critics call inaction, may be taken to reflect the general improvement in Canadian business. The national revenue is increasing and Canada is moving even more rapidly than Mr. Dunning predicted towards a balanced budget. The statistics of external trade are impressive. There is no longer a vast overhanging surplus of wheat, and prices are relatively high. The volume of business is increasing in almost every industry. The index of employment continues, if slowly, to rise.

There is, however, a darker background. The state of provincial finances is not encouraging. For the last fiscal year, every province in Canada except Ontario reported a substantial increase in public debt. On the provinces, heavy relief charges added to the burdens of interest have placed an almost unbearable strain. The numbers of unemployed and of people on relief have unfortunately not

declined in proportion to the revival of business. The unemployment figure still stands around 500,000. Well over a million Canadians, or nearly 1 in 10 of the population, are reported to be receiving direct relief. It is now recognised that unemployment on a large scale may have become a chronic problem in Canada, and the report of the National Employment Commission appointed in May 1936 is eagerly awaited, in the hope that it may offer some guidance towards a wise, long-term policy.

The slow recovery of agriculture in the prairie provinces is not without relation to the problem of unemployment. There the prospects for the 1937 harvest are discouraging; the future of the drought areas, particularly in Saskatchewan, is highly uncertain; and recovery on the prairies is still gravely impeded by serious accumulations of private and public debt. The circumstances that led Alberta in 1935 to grasp the straw of Social Credit and later to repudiate debts, and last year required a vast scheme of debt-adjustment in Saskatchewan, still exist. It is not surprising that the contrasted tempos of recovery in east and west should emphasise one of the perpetual conflicts in the Canadian economy and in Canadian politics—the conflict of the agricultural and debtor west with the industrial and creditor provinces of the older Canada. The west again thinks of its colonial status in the economic empire of Toronto and Montreal; again it speaks loudly of the unequal incidence of the Canadian tariff. Last winter, there was an agitation in the west for a national commission to consider the special difficulties of the prairie provinces. The federal Government met the demand with the promise of a Royal Commission to investigate generally the division of powers of taxation and of financial responsibilities between the Dominion and the provinces. The Commission, however its specific terms of reference may be drawn, will undoubtedly evoke discussion of some of the fundamental issues of Canadian politics and economics. Behind the question of the distribution of the taxing power lie the problems that arise in the constant

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effort to adjust the various regional economies from sea to sea in a somewhat artificial national economy. The hearings of the Commission are sure to precipitate a discussion of the revision of the British North America Act. Indeed, that question is already to the fore. The constitution of 1867, as interpreted by the courts, is widely considered to be inadequate to the needs of contemporary Canada. It has been sardonically described as one that gives all the money to Ottawa and all the powers to the provincial capitals. The recent decisions of the Privy Council on the validity of Mr. Bennett's social legislation * are shattering to those who wish to strengthen the unity of Canada and to improve the social order. Critics of the judges in London do not blame them for failing to take cognizance of the extreme difficulties in the way of amending the constitutional law of Canada; they do attack their apparent treatment of the constitution of 1867 as a mere compact between the original provinces. The federal Government itself does not escape criticism for failure in recent years to exercise its powers of disallowance, especially in respect of certain legislation in Alberta, the repudiation of contracts by the province of Ontario, and the Quebec statutes directed against the status of the English language and civil liberties. "Conflicting sectional interests," says one critic, "are fast driving us toward the same kind of deadlock in government which existed in Canada during pre-Confederation days."

Separatist tendencies are strong in Canada in 1937. Prosperity seems to be the true cement of Canadian unity in the everlasting struggle against geography. The lean years from which the country is just emerging have strengthened the centrifugal forces. The depression has stirred to new life the nationalism of Quebec. It has awakened the chronic suspicions of the west towards the east. It has even led Ontario into courses eccentric to the orbit of Ottawa. At such a time the decisions of the Privy Council come most inopportunistly. A few voices have been heard

* See the article on "Canada and the Privy Council" above, p. 755.

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once more to advocate a National Government to deal with the constitutional problem.

II. PROVINCIAL POLITICS

THE first provincial elections since Quebec returned the Union Nationale in August 1936 took place in June in British Columbia and in Nova Scotia. The victories of the existing Liberal Governments were a reflection of improving business conditions on the Pacific and Atlantic coasts. In British Columbia Mr. Pattullo was returned suffering minor losses to the Conservative party, which will now replace the Co-operative Commonwealth Federation as the official Opposition. The C.C.F. held its ground with seven seats. Supporters of Social Credit commanded only 1,600 votes and did not win a seat; the lesson of neighbouring Alberta had been fully learned. In a straight two-party contest in Nova Scotia, the Liberals under Mr. Macdonald won 25 seats against 5 for their Conservative opponents.

These elections have caused little comment. The journalistic spot-lights have been fixed on Alberta, Ontario and Quebec, whose politics may be taken to illustrate the diverse patterns of Canadian affairs.

Alberta.

In Alberta, the comedy of Social Credit is still being played. The Government lives on promises as if one really could fool all the people all the time. The experiment in prosperity certificates or scrip, launched as a red-herring in the summer of 1936, has been abandoned. At the turn of the year, disgruntled private members were framing a belated plan of Social Credit action with the assistance of Mr. J. G. Hargrave, an expert from England. In January, the disillusioned expert made a dramatic exit from the province after making a statement to the press in which he said:

Having done my utmost to help, I am leaving Alberta because I find it impossible to co-operate with a Government which I consider a mere vacillating machine which operates in starts,

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stops and reversals. . . . I still feel that the first Social Credit Government in the world is not yet publicly committed to the principles of Social Credit. I still feel that it lacks technical knowledge and that, as a consequence, it has over the past 16 months groped its way like a man stumbling along on a pitch-black night. There were indications that it was groping its way in the right general direction but I should now hesitate to say even that.

In February, the Supreme Court of Alberta declared invalid the Acts of the special session of the summer of 1936 reducing private debts and rates of interest on public and private debts. The Government replied by imposing a moratorium on private debts.

During the regular session of the legislature from February to April, a revolt against the Government developed among the rank and file of Social Credit members. The revolt was directed against the procrastinations of Mr. Aberhart, whose 18 months of grace had expired, and against the orthodox budget of his Government. The Social Credit miracle apparently does not require additional taxation. The budget did not increase the income tax, but it did raise the tax on corporations and the provincial sales tax, in order to meet the deficits that still exist in spite of defaults on maturing bond issues and the arbitrarily lowered rates of interest. The insurgents objected to the increased taxation. Mr. Aberhart faced his opponents with the power of dissolution and the battle ended in a compromise. Mr. Aberhart set up an Alberta Social Credit Board of five private members to be responsible for what is presumably the major policy of his Government. The insurgents were to take their turn in squaring the circle. They consented to vote interim supply. The budget was suspended and a special session of the legislature was announced for June.

In May, the factions waged a spirited battle on platforms throughout the province while the chairman of the new Social Credit Board took counsel with Major Douglas in England. Major Douglas announced that he would come to Alberta when party harmony was restored, and two

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lieutenants were sent to the Social Credit front. At the adjourned meeting of the legislature in June, harmony was restored; the budget was accepted; a radical Bill for the reduction of the principal of debts was abandoned; the earlier Debt Adjustment Act was extended to protect all debtors and all debts contracted before July 1, 1936. The main argument for peace seems to have been the simple fact that insurgent members receive a sessional indemnity of \$1,800 a year; for, as a woman member devoted to the cause of Mr. Aberhart ingeniously explained during the forays of May, insurgent members would now be on relief had they not received Mr. Aberhart's benevolent approval in 1935.

The reconciliation of the factions, the creation of the Social Credit Board, the new liaison with Major Douglas, and the arrival of the experts allow the Government to offer new hopes of Social Credit achievement and to win a new lease of political life. Actually, faith in Utopia is waning. In 1935, 54 per cent. of the electorate voted for Mr. Aberhart. They included many who cast their ballots for reasons other than enthusiasm for Social Credit. Since they have long since seen the error of their way, it may be guessed that a new election would see the downfall of Mr. Aberhart, provided, of course, that there is a unified Opposition. That has been the goal of an organisation of citizens of all parties called the People's League. It remains to be seen whether a new provincial party will emerge or whether the re-organised Liberals will succeed in rallying the forces of opposition to the Social Credit experiment. At the moment, it seems that the Aberhart Government will remain in office until new dissensions split its party ranks.

Ontario.

The political scene in Ontario has been agitated by the activities of Mr. John Lewis's Committee on Industrial Organisation and by the uncompromising opposition of the provincial Government to the introduction of its characteristic methods, including the "sit-down" strike, into

Canada. Shortly after the conclusion of the sit-down strike in the General Motors Corporation in the United States, a strike began in the company's Canadian factory. An emissary of Mr. Lewis arrived in Oshawa. It is not clear whether the C.I.O. chose Oshawa as a key position in a strategic drive into Canada or whether the Oshawa workers invited the C.I.O. to come over into Macedonia. Mr. Hepburn was more than inclined to take the former view. He announced that "Lewisism" would stop at the border. Two of his more radical Ministers were promptly asked to resign on the ground that they had respectively approved of the payment of relief to strikers and denied police protection to a firm which had refused to recognise the C.I.O. Thus the Government that once appeared so far to the Left over the repudiation of power contracts moved sharply to the Right on the labour issue. Moderate opinion is uncertain about the aims of the C.I.O. Is it a belated attempt to inaugurate a régime of collective bargaining in America, or the effort of a ruthless minority to subvert the economic and political order? Mr. Hepburn's impulsive intervention at Oshawa suggests that he took the darker view. At any rate, he was determined that the industrial conflicts of the United States should not extend to Ontario to the detriment of an expanding export trade and of mining activity in the north.

The Oshawa strike ended with the recognition of the local union of the United Automobile Workers' International Union, but Mr. Hepburn scored a pyrrhic victory when peace was signed by local workers and not by agents of the C.I.O.

Mr. Hepburn went on to defy the Liberal chieftains in Ottawa, where events in Oshawa had been treated as a decent, old-fashioned strike. In June, he announced in words destined for the head-lines that although still a reformer he was not a Mackenzie King Liberal. In the same address Mr. Hepburn made a gesture of good will toward Mr. Duplessis of Quebec, who likewise has no love

of international trade unions, new style. Quebec returned the compliment. The net result of these events has been to split the ranks of the Ontario parties. Many Conservatives think that the erstwhile radical Mr. Hepburn has acted sincerely and well; many Liberals deplore his volatile actions and his alleged *entente* with mining millionaires.

The prophets have been busy. They announce an early election in Ontario with Mr. Hepburn leading a coalition of the Right; or they predict a new third party in federal politics based on a mixed marriage of Conservatives in Ontario and Quebec; others of a different stripe foretell the rise at last of an effective Labour party. The ordinary citizen is distressed to hear the sinister words fascism and communism and to realise that the contemporary conflict in the United States has reached the Dominion of Canada. As for the industrial workers, there is reason to believe that the majority of them strongly resented Mr. Hepburn's uncompromising opposition to an organisation that was tacitly recognised by the Dominion authorities as "an international union" within the meaning of the Immigration Act and therefore entitled to send its accredited representatives into Canada on their lawful occasions. While the flocking to the standards of the C.I.O. that occurred just after its success in the General Motors strike at Oshawa has ceased, and a contrary movement is said to have set in, that is not to say that Mr. Hepburn will not feel the displeasure of the workers at the coming election.

Quebec.

A year has now passed since the Union Nationale of Conservatives and insurgent Liberals destroyed the Taschereau regime in Quebec.* The years of depression had strongly accented the nationalism of French Canada, and the Government of Mr. Maurice Duplessis was swept into power by a resurgence of anti-English feeling. Opinion

* See the article on "Nationalism in French Canada" in THE ROUND TABLE, No. 105, December 1936, pp. 126-136.

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was particularly hostile to the economic domination of Quebec by alien "big interests" such as the power trusts. The revived nationalism urged a "new deal" for the French Canadian masses. The aspirations of the more extreme nationalists of 1936 could be satisfied with nothing less than a thorough policy of expropriation and public ownership, but a socialist Quebec is a contradiction in terms. In two sessions of the legislature, Mr. Duplessis has manœuvred skilfully between election promises and the ancient ways in Quebec. There has been no attack on the principle of private ownership, but only gestures to restrain the trusts and to placate public opinion. One statute aims at preventing over-capitalisation in industry. Another bars the Crown from granting leases of forests, mines, and water power except to companies wholly incorporated within the province. Several deal with the question of electric power. A new commission of control has been set up to investigate the private utilities and to protect the consumer. Municipalities have been granted special powers to build and to operate their own power plants. A special government agency has been set up to produce and to distribute power in the mining areas of northern Quebec.

The new emphasis on the colonisation of marginal areas within the province is strictly in the tradition of the nationalist policy of Church and State in Quebec. It aims at maintaining a peasant society and balancing the spread of urbanisation. An extreme by-product of the resurgent nationalism is a law of doubtful validity directed against the status of the English language in Quebec. Henceforth, whenever there is a difference in the text of the law, the French version shall prevail regardless of the source of the law. The new rule deprives the English minority of an authoritative text in their own language and threatens to carry confusion into the interpretation of the law.

The drive against international trade unions and especially the C.I.O. is in the tradition of a province that favours Catholic unions under the ægis of the Church, and is also a

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special sign of the times. It brings Mr. Duplessis of Quebec into line with Mr. Hepburn of Ontario. Another sign of the times is the extraordinary "padlock" law, which seeks to protect the province against "communist" propaganda. Communism is a wide and very vague term in Quebec, where communists in the strict sense are few. The new law gives to the Government the power arbitrarily to padlock houses from which undesirable propaganda is being spread. It is said in some quarters to be directed against all ideas that are anathema to the Church, and has been widely noted throughout Canada as a grave infringement of civil liberties.

The charge of fascism has been made against the Government of Quebec. No doubt there is a tendency in that direction, but Mr. Duplessis is probably no more fascist than he is nationalist in any extreme sense of pursuing self-determination for Quebec. The extremists who speak of separation or of the corporative state are a small minority within the ranks of the Union Nationale. The recent legislation indicates an opportunist attempt to satisfy and yet to control the forces of nationalism. With some exaggerations, it mainly follows the old ways of maintaining the particularism of French Canada against the sapping forces of North American civilisation. But Quebec is stirring, and the new movement may go to the Right or to the Left—towards a corporative state within the limits of the encyclical *Quadragesimo Anno*, or, in the pursuit of material progress, away from the Church in a more liberal direction. For there are at least a few liberals in Quebec who trace the economic subordination of the French Canadian less to the guile of government than to the traditional education of the people, and who regard the Church as well as the power corporations as a "big interest." Quebec, it should be remembered, was separated from France before 1789.

Canada, July 1937.

AUSTRALIA

I. OTTAWA AND AUSTRALIAN TRADE POLICY

THE Anglo-Australian trade agreement * expires on August 20, 1937, but it will live on subject to the prescribed six months' notice by either Government. Ministers have been extremely reticent regarding their policy, but before leaving for the Imperial Conference the Prime Minister hinted, to a private deputation representing the Associated Chambers of Manufacturers and of Commerce of Australia, that formal notice of denunciation would probably be given some time before the federal elections, with a view to enabling the agreement to be modified early in 1938. In a subsequent statement, Mr. Lyons explained that the agreement would not be discussed at the Imperial Conference, partly because of an already over-full agenda, and partly because previous experience proves that the method of leisurely bilateral conversations is more effective for securing revision than a full-dress conference working to a time-table. Events have, to some extent, forced the hands of delegates, and the American overtures have lifted the discussions of the Ottawa principles from the level of domestic give-and-take to the international plane of world well-being.

In common with that of the rest of the Empire, Australia's trade has expanded since Ottawa, and the figures also disclose some diversion of trade from foreign countries to Great Britain. It would be unsafe to argue, however, that either the expansion or the diversion is a result of Ottawa. Both may be traceable to other factors, such as

* See THE ROUND TABLE, No. 89, December 1932, pp. 54-60 and 191-197; and No. 92, September 1933, pp. 895-904.

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general economic recovery in the Empire, and the stability of the London-Australian exchange, factors that have contrasted sharply with conditions prevailing in other countries. Nor are the changes in the Australian tariff all attributable to the Ottawa agreement. The removal of the crisis prohibitions of 1930-31, or at least their modification, would naturally have followed economic recovery, and the greater part of the initial lowering of duties soon after the agreement was signed can be explained by internal conditions, such as the fall in local production costs, increased industrial efficiency, and the protection afforded by the fall in the Australian pound.

Hampered by election promises and by the protectionist opposition of the Labour party and the manufacturers, the Government had to walk warily. While it did reduce some duties in the tariff schedules of October 1932, its simultaneous raising of the general tariff on many classes of foreign goods was an unexpected application of the principle of British preference. Nevertheless, the Tariff Board could report in 1935 that the 1930-31 prohibitions and surcharges had been removed, that primage on hundreds of items of United Kingdom goods had been either cancelled or reduced, and that of about 300 items reviewed by the Board the duties on 285 had been reduced below those ruling in August 1932. Until 1933-34 the Board had regarded primage and exchange premium as temporary phenomena and had ignored their effects in deciding the amount of duty required to protect Australian industry. Then it changed the basis of its computation; to offset the protective effect of the exchange premium, the Exchange Adjustment Act (October) 1933 authorised a reduction of about one-fourth of the amount of duty payable on goods dutiable under the British Preferential Tariff, or one-eighth of the value for duty, whichever deduction was the less. Since the Act does not apply to foreign goods, British preference is automatically enhanced. Still later, the Tariff Board adopted a new formula for

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computing rates of duty, and on items since reviewed the Board has recommended rates applicable under present currency conditions, as well as alternative rates to meet exchange variations.

All this has not been achieved without protest, although the disturbance to local industries has been relatively slight. Occasional decisions have been used to arouse public fear of reduced employment in concerns thereby threatened by more effective overseas competition. The reasonable recommendation to reduce cement duties provoked a violent political agitation as well as strong objection by the United Kingdom Government.* Throughout, the Tariff Board has sought to protect both Australian industry and the Australian consumer, and it has been at pains to explain the factors that have justified reductions in duties.

Many industries (says the Board's report for 1936) are now able to sell their products at prices little, if any, above the costs of duty-free importations from the United Kingdom; the prices of some locally made goods are even below the costs of duty-free imports. Whilst the protective effects of exchange and the greater demand for goods arising from returning prosperity have played their parts in these favourable developments, the Board is pleased to report that increasing efficiency has also been an important factor.

It is not surprising that the status of the Tariff Board should have been attacked. Not only is the Government obliged to refer duties affecting United Kingdom products to the Tariff Board in order to determine the conditions of reasonable competition, but by article XII of the Ottawa agreement it also undertakes not to ask Parliament to approve any new duty, or any increase of duty, in excess of that recommended by the Board. The deputation to the Prime Minister that has been mentioned in the first paragraph above asked the Government to amend the agreement in such a way as to leave Parliament free to act independently of the Tariff Board. Even if the British Government would agree, the proposal runs counter to the

* See THE ROUND TABLE, No. 104, September 1936, p. 848.

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declared policy of the Lyons Government, as explained to the House by Sir Henry Gullett.

• But the request also illustrates the inconsistency of the manufacturers. It is well-established practice in Australia for Governments to create quasi-judicial tribunals to investigate and determine technical and other matters on their behalf. The Tariff Board is in the same category as Public Service Boards which control civil service personnel, or Wages Boards and Arbitration Courts which determine wages and conditions of employment. And the interests attacking the Tariff Board are at pains to insist that other Boards shall be allowed to operate without political interference. The Lyons Government was, therefore, merely applying a well recognised principle in its undertaking at Ottawa.

Nevertheless, tariffs are of such political and industrial significance, and are so influential in determining social policy, as to render very difficult constant adherence to the principle of parliamentary compliance with the findings of the Tariff Board. It is much easier to present a convincing case to members of Parliament than to members of the Tariff Board. And if the Government has been embarrassed by article XII it has added to its difficulties by ignoring the Tariff Board in regard to the trade dispute with Japan in 1936. It has also been criticised for appointing a Tariff Advisory Committee to deal with requests for the abolition, amendment, or addition of by-laws affecting tariffs. For both the composition of the Committee—a customs official as chairman, and one paid official each from the Associated Chamber of Manufacturers of Australia and from the Australian Association of British Manufacturers—and its procedure of private enquiry instead of public hearings render it doubtful whether it can be as impartial or effective as the Tariff Board.

Article X of the agreement is also under fire :

The tariff shall be based on the principle that protective duties shall not exceed such a level as will give United Kingdom

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producers full opportunity of reasonable competition on the basis of the relative cost of economical and efficient production, provided—

and this is a significant loophole—

that in the application of such principles special consideration shall be given to industries not fully established.

The practical difficulties of determining relative costs as between Australian and British manufacturers have been very great, and these have not been removed by the desire of local manufacturers to have the article interpreted to mean that in any circumstances "Australian secondary industries shall be adequately protected against competition from the United Kingdom". The Tariff Board has ruled that the article means that the duty on British goods shall be high enough to raise the landed cost of an article to a level not only sufficient to compensate the Australian manufacturer for the higher cost of Australian labour, raw materials, and overhead charges, but also to provide a marginal advantage in his favour. British manufacturers complain that few concrete advantages have flowed from this interpretation, and they, too, wish the article revised. Between the Australian determination to permit no displacement of domestic manufactures, and the British desire to gain "full opportunity of reasonable competition", there is a gulf that cannot be easily bridged.

At Ottawa, Great Britain undertook

(1) to continue the free entry of our goods covered by the Import Duties Act, 1932,

(2) to maintain at least a 10 per cent. *ad valorem* preference upon commodities important to Australia, including copra, dried fruits, flour, tallow, lead and zinc,

(3) to impose new duties upon other commodities, including wheat, butter, cheese, eggs and copper, provided that we offered wheat, butter, copper and zinc, on first sale in the United Kingdom, at world parity prices, and in quantities sufficient to meet the needs of the United Kingdom.

Finally, special arrangements were made to fix quotas for meat and bacon with a view to raising the wholesale prices

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on the British market to such a level as would maintain efficient production.

• These undertakings give us certain specific advantages. For some commodities, such as meat and butter, there is room for expansion of our sales. For others, such as some dried fruits, the pressure of foreign competition will tend to make the existing preference as ineffective as our preferences on textiles proved to be for Great Britain as against Japan. For all our primary products, however, it would seem that a limit may be fixed for expansion in the British market both by Great Britain's domestic agricultural policy and by her population trends, unless the British standard of living rises. The increased burden of the tariff on the British consumer points to a potential shrinkage in capacity to pay for our exports, unless that burden is compensated by a lowering of our own and other tariffs to permit an increased volume of British exports.

Representative Australian exporting interests have given their own testimony to the Ottawa arrangements. Thus the 1936 report of the Australian Meat Board expressed satisfaction that a steadily increasing proportion of the British market had been secured and that Australia's meat exports were expanding despite the loss of European markets. There has been a marked increase in the chilled-beef trade, which was lifted from an experimental to a commercial basis as recently as 1935. The Australian Dairy Produce Board records an improvement in the quality of the butter exported, as a result of reducing the number of butter brands from about 900 to 4, and "a welcome increase in the average price realised". Other boards, such as those marketing wine and dried fruits, are less satisfied with the existing protection.

While it may be taken for granted that the principle of imperial preference, which Australia has applied since 1908, will remain a fundamental feature of Australian trade policy, the future of the Ottawa settlement is less certain. It is now recognised that conditions have materially changed

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since the agreement was signed, and this, it is held, warrants a modification. There is no doubt that Australian manufacturers have been consistently hostile on the ground that local industries have been imperilled. British interests complain that insufficient scope has been afforded for reasonable competition, and there is some disappointment amongst primary producers in Australia who wanted at once a better export market and cheaper imports. While some of these influences tend to cancel out, the agreement—indeed the Ottawa settlement—may prove vulnerable to attacks from a growing body of thought which views economic appeasement as a vital step towards restoring world political stability and security.

The year 1936 was memorable in Australian tariff history. It saw the launching of the trade diversion policy,* the amendment of the tariff in important particulars, and the completion of a number of trade agreements. The course and the terms of settlement of the trade conflict with Japan have already been described in THE ROUND TABLE.†

By an amending Tariff Act of 1936, the intermediate tariff, which had been abandoned in 1933, was re-introduced by the Government in order to provide it with a margin for tariff bargaining with foreign countries. In introducing the tariff schedule in 1936, the Minister for Trade and Customs explained that "the rates proposed under the protective items of the intermediate tariff express in every case a protective level for Australian industry, as well as preserving the margin of preference required under the Ottawa agreement". If the British Preferential Tariff is protective, and if foreign exporters are no more efficient than those of the United Kingdom, it is likely that the intermediate tariff will be more than adequate for protecting Australian industry.

* See THE ROUND TABLE, No. 104, September 1936, pp. 843-848, and No. 105, December 1936, pp. 201-211.

† *Loc. cit.*, and No. 107, June 1937, pp. 657-660.

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Parliament also dealt with a number of resolutions affecting excise and customs which had been outstanding since 1935. There have been several notable variations, including a review of the duties on Canadian logs, with the purpose of further protecting the Australian hardwood milling industry; the reduction of those on barbed wire from 68s. per ton under the British Preferential Tariff and 180s. under the general tariff, to *nil* under the British and Canadian preference, 160s. under the intermediate and general tariffs; and a revision of those on unassembled motor chassis, which are now *nil* under the British Preferential Tariff, 2½d per lb. Canadian preference, 5d intermediate duty and 5½d general, with higher rates for commercial vehicles and still higher for assembled chassis.

The last-mentioned duties are aimed at the United States, and are part of the trade diversion policy referred to. The Government sought, on the one hand, to encourage the manufacture in Australia of a complete motor vehicle, and on the other to afford effective preference to the British article. In order to foster local production, which is also linked up with national defence, the Government announced its intention of offering a minimum bounty of £30 an engine to be paid during the first two years of production, with a diminishing payment in subsequent years. The bounty both on engines and on chassis was to be provided in part by a special duty of 0·7d a lb. on all engines and chassis, but the national and economic aspects of this scheme were to be considered by the Tariff Board. It is a matter of comment, however, that reference to the Tariff Board was to be made after, and not before, the Government had decided all the details.

The necessity for finding markets outside the Empire is illustrated by the trade agreements with Belgium, Czechoslovakia, and France, which Parliament was asked to ratify during last year. In all three cases, the intermediate tariff rates have been applied, and the Government has agreed to

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refer to the Tariff Board the suitability of the rates fixed for a number of commodities.*

During his negotiations in Europe, Sir Henry Gullett, then Minister for Trade Treaties, was impressed by the opposition to Australia's former tariff policy, as well as the resentment shown to the principles of the Ottawa settlement. These agreements are the outcome of his negotiations, but they make a very slender contribution to the appeasement of that dissatisfaction. The Government itself claims that the agreements, while safeguarding Australian exports, do not make any concessions that would restrict Australian industry, or hinder its steady expansion.

An agreement with South Africa that has also been tabled embodies most-favoured-nation treatment, with the reservation that the clause will not bind South Africa to give the same favours as it accords to adjoining foreign countries.

The overtures for an Anglo-American trade pact have a special significance for Australia, which is still pursuing against the United States its diversion policy. Goods affected by that policy can be imported only under licence, which cannot easily be obtained. Public appreciation of the reactions to this policy is now more general, but it is significant that official comments upon the Washington proposals are in accord with the resolution passed in June at a large meeting of members of the House of Commons against interfering with the effectiveness of the domestic and imperial tariff systems. The Attorney-General, Mr. Menzies, denied that the Ministry was contemplating any change in its tariff policy, and the Minister for Customs, Mr. White, declared that Australia would not willingly agree to reductions in her preferences in the United Kingdom as a result of any arrangement with the United States, which he indicted for its isolationist and tariff policy. The Chamber of Manufacturers, anticipating the competition

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of American goods, has fallen back on the "infancy and developmental" argument, while primary producers are concerned for their market in Great Britain. The Sydney Chamber of Commerce and economists, on the other hand, have stressed the need for pursuing a policy of economic appeasement. This argument has yet made little headway in Australia, though it has influential backing and is frequently discussed.

Primary producers fear that reductions in British agricultural duties in favour of the United States may imperil some of Australia's exports. Already, it is pointed out, the method of marketing American apples has prejudiced Australian sales in London. In any case, Australian wheat may lose the benefit of its 3d a bushel preference if America begins to export large quantities again. For Australia is obliged to sell at world parity, but if non-Empire countries wish to enter the British market they will be likely to depress the price to a point more than 3d below the previous world quotation.

Present indications suggest that the next federal elections will raise the tariff issue in an acute form. The former Labour Minister of Customs, Mr. Forde, has indicated that, if returned to office, Labour would immediately restore tariff rates. Denouncing the whittling down of the Scullin tariffs of 1929-30, he declared that "a Labour Government would at once guarantee manufacturers tariff security to enable them to pursue a developmental policy with confidence". There is, in his statement, no recognition of the reciprocal nature of trade, nor of the fact that in 1936 foreign markets took half Australia's exports, and that 60 per cent. of her imports came from countries outside the United Kingdom. Sir Henry Gullett warned us last October against the perils of Australian economic nationalism.

Any diminution of the total external consumption of Australian goods (he said) must mean a curtailment of rural industry. Failure to expand the overseas demand for our goods must mean restriction of the present volume of production, which, in turn, unless the home consumption market is to be glutted and prices

* An account of the agreements appeared in *THE ROUND TABLE*, No. 106, March 1937, pp. 430-432.

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broken, must mean the cessation of all scientific advancement in every branch of agriculture. . . . In a word, unless we can expand oversea consumption, rural Australia must stagnate. . . . There, in a few sentences, is the case for foreign treaty-making.

Nevertheless, the trade agreements that Sir Henry was defending themselves reflect both the strength of protectionist opposition and the relatively unyielding character of our tariff. It is perhaps unfortunate that the superlative quality of our merino wool makes us oversanguine of our ability to drive hard bargains. Even the cost of the dispute with Japan last year did little to disturb our confidence.

II. THE EX-GERMAN COLONIES

INTEREST in the question of the future of the ex-German colonies was stimulated in April last by the publication of a manifesto sent to Mr. Lyons in London by a number of professors and lecturers of Melbourne University. After referring to the "aggressive imperialism" of Germany, Italy and Japan, and to the expense and difficulty that would be entailed in scotching it by war, the manifesto recommends that the "haves" should attempt to meet the disabilities of the "have-nots" and that Great Britain should take the lead by declaring her readiness to consider two proposals: the reduction of trade restrictions and the whittling down of preferences within the Empire; and the pooling of post-war mandates under stricter control by the League of Nations, so that they would be equally open to the trade and investment of all nations. "But both these offers," says the manifesto, "would be contingent upon the Fascist countries coming back into the League and supporting collective security".

The manifesto was unfavourably received by the press, the general comment being that the authors were completely out of touch with realities. But the suggestion made in the manifesto that Mr. Lyons might display his

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statesmanship by offering to throw the mandated territory of New Guinea into a pool for redistribution by the League served to bring home to Australians the fact that the German demand for the return of colonies is presumably not limited to Africa.

The unpractical nature of the professors' suggestions is apparent. To begin with, it is academic to consider anything less than the out-and-out return of her former colonies to Germany. Certainly Lord Lugard has proposed some form of international control; but past experience goes to show that such control is not in the best interests of the colony affected, and there is no reason to suspect that Germany's demands would be satisfied by the admission of German nationals into a cosmopolitan civil service governing colonies in the hands of the League of Nations. The Melbourne professors do not go as far as Lord Lugard. They suggest only that Germany's old colonies should be returned to her as mandates on condition that she re-enters the League and promises to support the principle of collective security. Their scheme is based upon two fundamental misconceptions; the first, that there is a practical possibility of Germany's keeping such a promise if it did not suit her to do so; the second, that a mandated colony in some sense belongs to the League of Nations, and is held only subject to good behaviour.

As to the first, it is not so much an accusation against Germany as merely a statement of fact that her attitude to treaties is different from our own. According to the political philosophy of Treitschke, Lasson and von Bernhardi, a treaty is not an exchange of pledges between the contracting parties which is meant to govern their relations in the future, but an expression of their relations at the moment that the treaty is signed and therefore binding only until circumstances change.

As to the second, a mandate is not a gift of territory from the League of Nations, but a promise to the League by a Power that it will administer according to certain principles

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territory over which it has full sovereignty. The ex-German colonies were ceded, not to the League, but to the Principal Allied and Associated Powers. The Powers split them up between themselves, and having done so made a declaration to the League by way of self-denying ordinance that they would administer them not altogether selfishly. Hence when Japan left the League there was no question of her returning her mandates. Hence, also, if her old colonies were given back to Germany as mandates, she could, with or without again leaving the League, treat them as territories over which she was fully sovereign.

The practical question, therefore, is whether or not her former colonies should be given back to Germany. The German demand for their return is based upon three main considerations: the need for an outlet for surplus population; the need of access to raw materials; and the need to enhance her national prestige. The first carries very little weight. In the whole of the German colonies there were, before the war, only some twenty thousand Germans. Certainly the Australian mandates, New Guinea and Nauru, will never be capable of carrying a large white population.

The economic arguments are stronger. The natural resources of New Guinea and Nauru are considerable. Nauru, which is controlled jointly by Great Britain, Australia and New Zealand, produces nearly three-quarters of a million tons of phosphate rock a year, valued at over £400,000. It is sold by the British Phosphate Commission at a slight advance on cost price. It is estimated that there is sufficient rock there to keep up the present output for several generations. The cost in Australia of phosphate from Nauru is below the cost of supplies from other parts of the world, so that, if the island were returned to Germany and run by her as a profit-making concern, she could make substantial profits from the sale of the phosphate or such of it as she did not wish to use at home in her own agriculture. The mandated territory of New Guinea is now known to have resources far exceeding what

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was suspected when Australia took it over in 1914. Rich goldfields have been opened up and already have an output of over £2 million a year. An intensive search is being conducted for oil in commercial quantities, with some prospects of success. There has also been a great increase in the output of copra, the dried flesh of the coconut, which is a source of vegetable fat and is used in making soap, margarine, and glycerine. Gold and vegetable fats are among the commodities that Germany needs, and undoubtedly Germany attaches importance to colonies as sources of raw materials. But there are no export quotas or trade barriers of any kind to prevent any country from buying the gold or copra of New Guinea.

The first answer to the German argument is that, far from cornering raw materials to the detriment of countries not possessing colonies, the colonial Powers are concerned to expand the foreign markets for those raw materials. As Germany is short of foreign exchange, however, the answer is not complete. If the former colonies were within her own currency system, it would be easier for her to procure their raw materials and she would certainly be better off. But it is open to Germany to avoid currency difficulties by modifying her present economic policy.

In spite of the emphasis laid by Dr. Schacht and Dr. Goebbels on raw materials, the German claim for colonies is primarily political. Herr Hitler has aimed consistently at removing all the limitations imposed on Germany by the peace treaty, and the restoration of colonies has become a matter of national prestige. On the political plane, those who advocate the restoration of colonies to Germany argue that only by restoration can the danger of war be averted, or at the least that Germany will never settle down happily in the family of nations unless her colonial aims are fulfilled. If restoration of her colonies to Germany would really ensure the pacification of Europe, undoubtedly it would be well worth while for the mandatory Powers to make sacrifices. Considerations of their own prestige or of

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any economic benefits that they gain from the colonies should not stand in the way of withdrawal. But would it be a business risk to take the chance? There is not the slightest guarantee that Germany would be satisfied merely by the return of her former colonies and would thenceforward be no longer a danger to peace. After all, she had those colonies in 1914, and was still complaining about being excluded from a place in the sun.

The mandated territory of New Guinea is of very great strategic value to Australia. It is on the direct route from Japan to the eastern states. In our own hands, even unfortified, its harbours and resources would be most useful to any force guarding the approaches to Australia. In the hands of a hostile Power it would enormously complicate the defence of Australia. Naval defence would be much more difficult, and the northern towns of Queensland would be within range of attack from the air. This aspect of the matter is clearly understood by the Australian public. In 1883, when rumours reached here that Germany was considering the annexation of part of New Guinea, public feeling ran high, and the Premier of Queensland sent a magistrate to New Guinea formally to annex the territory. To Australia's disgust Gladstone disavowed the annexation, Bismarck having informed Granville that Germany had no designs whatever on the country. Within a year the northern part of the territory had been annexed by Germany, and the failure of the colonial parliaments to influence the home Government was an important factor in the growth of the demand for federation. Further, it was the presence of German bases and cruisers in the Pacific that led, just before the war, to the establishment of the Australian navy.

The real reason for the seizure of the German colonies was to ensure the security of the Empire. Germany's presence in New Guinea before 1914 caused anxiety to Australia. Her presence there now, especially after her recent understanding with Japan, would be most unwelcome. And for that reason there is no doubt that the

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Minister for External Affairs voiced the opinion of all except a very small minority when he stated in March 1936 that the surrender of Australian mandates was unthinkable.

III. AUSTRALIA'S FINANCIAL POSITION

THE financial position of the Australian governments continues to show improvement. The aggregate budgets of the seven governments showed a surplus of approximately £900,000 for the year ended June 30, even after the allocating of over £9,000,000 from revenue to the sinking fund. Perhaps in view of the possibility of an early election, which did not eventuate, remissions in taxation amounting to nearly £4 million were made in the last federal budget, yet, in spite of increased expenditure on defence and the ever-growing drain of old-age, invalid and returned soldiers' pensions, the Commonwealth finished the financial year with a surplus of over £1,270,000. The surplus, which was mainly due to the increased yield of direct taxation, has been received with mixed feelings. Critics have forcibly pointed out that the revenue this year was £1½ million in excess of the estimate and that in the last three years actual revenue has exceeded estimated revenue by nearly £10 million. Had the Treasurer's estimates been less conservative, it is said, he would have been forced to grant larger remissions of taxation, but by the device of under-estimating revenue he has been able to extract an unwarranted amount from the taxpayer. Certainly the Commonwealth collected some £12 million more in 1936-37 than it did in 1932-33. New South Wales has also shown a small surplus for the first time since 1927, the present Government having progressively reduced the state's deficit from the figure of over £14 million which it reached in Mr. Lang's last year of office.

The maintenance of wool values and the increase in the price of wheat have relieved anxiety about the state of Australia's funds in London. Exports of wool for the

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nine months to March 31 increased by over £16,000,000 in comparison with 1935-36, and those of wheat by over £11,000,000. It is now estimated that the favourable trade balance for the financial year will be about £36 million sterling, as compared with £23 million sterling last year. Australia requires about £27 million sterling a year in London for debt services and other government charges, so this year there will be a substantial surplus.

Federal Basic Wage.

Recently the Commonwealth Court of Conciliation and Arbitration gave consideration to the unions' application for an increase in the federal basic wage. The federal basic wage is arrived at by a formula which provides for supplying the needs of a man, his wife and two children, and varies according to the Government Statistician's index of the cost of living. During the depression the Arbitration Court reduced the standard by 10 per cent., but with returning prosperity this reduction was cancelled. The Court has now added to the basic wage a sum of 6s., of which 3s. is to be given on July 1, 1937 and the additional 3s. on October 1, 1937.

Two matters of interest attach to the enquiry and to the decision of the Court. The first is that, during the enquiry, an economist, Mr. Reddaway, recommended to the Court that the opportunity should be taken to increase wages in order to check the emergence of boom tendencies. Secondly, the Court, when awarding 6s. as a prosperity allowance, has introduced a new feature, since in the past prosperity was not considered by the Court. It is, however, a natural corollary to the 10 per cent. reduction imposed during the depression, and generally there is a feeling of satisfaction that the Court has proved itself able and flexible enough to reduce the standard in a depression and increase it in times of prosperity.

Australia,

July, 1937.

SOUTH AFRICA

I. RACE RELATIONS AND THE PROTECTORATES

THE problem of race relations—of the adjustments necessary to enable white men and coloured men to live side by side in peace and harmony as citizens of a common country—is the underlying theme, constantly becoming dominant, of South African politics. The last stages of the parliamentary session, which ended on May 17, were mainly concerned with certain aspects of this problem; the political campaigning to which the first part of the recess was devoted by many Ministers and prominent Opposition leaders had colour questions as almost its main theme; and now, with the return of General Hertzog from the Imperial Conference, the Protectorates issue has again been brought right into the foreground.

The last legislative measure of importance dealt with by Parliament was the Native Laws Amendment Bill. It was the third of General Hertzog's trilogy of Native Bills. Last year there were enacted the Representation of Natives Act to determine the political position of the Bantu, and the Native Trust and Land Act regulating their economic position in the reserves and other rural areas.* There remained a measure for the further regulation of their position in urban areas. The necessity of applying special measures of control to the native as a town-dweller has long been accepted in South Africa. The application of General Hertzog's principle of segregation appeared, however, to point to the further tightening-up of the

* See THE ROUND TABLE, No. 100, September 1935, pp. 722-734; No. 102, March 1936, pp. 414-422; No. 103, June 1936, pp. 528-545; No. 104, September 1936, pp. 851-853; and No. 105, December 1936, pp. 216-221.

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existing legislative provision in this regard. This task had been held over until the present year.

The issues raised by the Native Laws Amendment Bill were interesting from two points of view. In the first place attention was directed to the fact that the Representation of Natives Act of 1936 had provided for the establishment of a Native Representative Council with statutory authority to examine and report to Parliament upon any legislative measure affecting the natives. This Council was in fact only elected after the end of the 1937 session. It was urged that pending its election the enactment of any legislation affecting the natives without reference to it was in the nature of a breach of faith. In fact it would have been difficult to establish the existence of even a moral obligation of the Government to hold up all legislation affecting natives until the Council was in being; but there can be no doubt that it would have been wiser if this particular legislation had not been forced through at this stage. The Government's action in doing so was open to misrepresentation, and much suspicion was engendered in the native mind.

In the second place the actual proposals contained in the Bill were severely criticised, and the prevailing atmosphere of suspicion facilitated such criticism. As a consequence the natives in general have come to regard it as a far more repressive measure than actually it is. In the main it is a sound piece of legislation, capable of defence from the natives' own point of view. It does, however, contain one clause to which strong exception was rightly taken. The purport of this clause is that any urban natives whose presence in the urban community is held to be unnecessary from the point of view of the white man's requirements may be removed from that community to a native area. The underlying principle of this clause, which treats the native as a means to an end and not an end in himself, is clearly unsound. Moreover, it does admit of being administered in such a way as to inflict real hardship on a

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large number of people. It means that it will be possible for individuals and families to be uprooted against their will from an environment to which they have adapted themselves, and to be forced into one that is no longer their natural environment, in circumstances in which it may be most difficult for them to make a living. Yet, having regard to the machinery necessary to put it into operation, the clause would appear to be highly impracticable, and it is not likely that much use will be made of it.

The Native Laws Amendment Bill was passed in the teeth of determined opposition, though only from a small section. Its passage has undoubtedly had the effect of adding to the sense of unsettlement that prevails widely to-day among the native population of the Union.

The fact that a general election is due to take place about the middle of 1938 is already looming large in the minds of politicians and others, and as a consequence the recess so far has been marked by a more than ordinary amount of political activity. The various parties are obviously playing for position, and the Government in particular is making a big effort to consolidate its strength. The most powerful weapon employed by the Nationalist Opposition is the exploitation of colour prejudice. Such questions as mixed marriages, Asiatic penetration, the segregation of non-Europeans in the towns, the employment of European females by Asiatic shopkeepers, non-European students at the universities, are being skilfully exploited, and the Government, including as it does both a liberal and a reactionary wing, is sometimes hard put to it to counter attacks on these grounds. It is clear that fear of non-European development is a very potent emotion in the minds of a very large section of the European population of the Union, and that issues in which it is a factor will play a big part in Union politics during the next few years.

Against this background General Hertzog, newly

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returned from the Imperial Conference, has raised the issue of the transfer of the Protectorates. The historical and constitutional background of this question has been dealt with fully in an earlier issue of *THE ROUND TABLE*.^{*} It is not necessary to repeat what was written there, save to quote again section 151 of the South Africa Act, which in the light of recent events has assumed added importance:

The King, with the advice of the Privy Council, may, on addresses from the Houses of Parliament of the Union, transfer to the Union the government of any territories, other than the territories administered by the British South Africa Company, belonging to or under the protection of His Majesty, and inhabited wholly or in part by natives, and upon such transfer the Governor-General-in-Council may undertake the government of such territory upon the terms and conditions embodied in the Schedule to this Act.

The most important development that has taken place since the *ROUND TABLE* article was written was the agreement reached in 1935 between General Hertzog and Mr. J. H. Thomas, under which the British Government promised to co-operate with the Union Government in "bringing about a situation in which, if transfer were to become a matter of practical politics, it could be effected with the full acquiescence of the populations concerned". From the conversations which then took place General Hertzog felt himself entitled to infer that the transfer would possibly occur after a few years, at least so far as one or two of the territories were concerned. His recent conversations with Mr. Malcolm MacDonald, however, have led him to believe that the British Government does not contemplate the achievement of transfer for some considerable time, and that very little has been done to secure the acquiescence of the native inhabitants of the territories. With this position he indicated his dissatisfaction before he left England, and on his arrival in South Africa he issued a considered statement which ended with

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an implied threat to invoke the provisions of section 151 of the South Africa Act—in other words, to secure the passing of addresses to the King by the Union Parliament asking that transfer might be made effective.

General Hertzog was himself at pains to point out that the consequences which would follow from such a step are incalculable—and indeed it is difficult to know what the constitutional position of the King, who must act "with the advice of the Privy Council", would be in such circumstances. Everyone will share in General Hertzog's hope that such a position will not arise.

The situation has not yet developed sufficiently to make a full discussion profitable at this stage. There are, however, one or two points that may perhaps be emphasised with advantage.

First, let it be recognised that the present position of the Protectorates is an anachronism. The inevitability of their transfer was recognised twenty-eight years ago when the South Africa Act was passed by the Parliament at Westminster, and since those days they have become not less but more dependent on the Union. There can be no question that they will in fact be joined with the Union—the only question is when.

Secondly, there is a very general impression prevailing in the Union that the Administration of the Protectorates and the British Government have not done all that could fairly have been expected of them to give effect to the agreement of 1935. That agreement meant, it is felt, that they would press forward a positive policy of encouraging the Protectorate natives to acquiesce in transfer; the policy actually pursued is regarded as one of drift. It is suspected that most of the officials in the territories are hostile to the idea of transfer and that their influence is not being exercised in the manner contemplated in 1935.

Thirdly, it must be emphasised that the trend of recent native legislation in the Union has not been such as to

^{*} No 96, September 1934, pp. 785 *et seq.*

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encourage the inhabitants of the Protectorates to welcome incorporation. There is reason also to believe that leading Union natives, in the disgruntlement caused by that legislation, have been stimulating suspicion and hostility in the minds of their fellows outside the Union. This adds to the significance of the reception recently accorded to the Native Laws Amendment Bill.

Fourthly, it is very strongly held in the Union that the real interests of the natives in the Protectorates would not suffer from incorporation. The record of the British Government in respect of the government of these territories is not a good one—certainly a comparison between, say, conditions in the Transkei and those in Basatoland will not be to the discredit of the Union. This view is probably shared by most of those who stand for what may be called a “liberal” policy in the Union. It is true that many of them would like to see incorporation postponed, possibly because they perceive in the continued presence of the British Government, as a governing power in southern Africa, a possible lever towards securing the adoption of a more liberal policy in the Union itself. But there are others who desire such a policy in the Union no less fervently but would none the less wish to see the Protectorates transferred in the near future.

One final point remains to be made. It is clear that there are unpleasant possibilities in a conflict over this matter between the British and the Union Governments. It is, however, almost certain that a solution will be found which will obviate the realisation of these possibilities. General Hertzog is clearly anxious that such a solution should be found. He has no desire to quarrel with the British Government. At present the general relations between the two Governments are determined by friendship and mutual confidence, and while that is so the problem is certainly not insoluble.

SOUTH-WEST AFRICA

II. SOUTH-WEST AFRICA

IN April this year, the Union Government followed up its communiqué of December last * by a drastic proclamation dealing with the political activities of aliens in the mandated territory. It will be recalled that the South-West Africa Commission offered convincing proof of the extent to which Nazi activities were hampering the proper functioning of democratic government in the territory.† In its communiqué of December 1936 the Union Government made it plain that, whilst rejecting both the fifth-province policy, which was advocated by the majority of the territory's elected representatives and by one of the Commissioners, and the solutions offered by the other two members of the Commission, it was determined to secure conditions under which the existing constitution could be expected to work satisfactorily. Its first measure towards this end was the South-West Africa Proclamation of April 2.

This proclamation empowered the Administrator of the territory or other competent authority to declare “any body of persons to whom has been entrusted by law the performance of any public function” to be a public body, membership of which, or participation in any of its activities, would be forbidden, after a certain date, to any person not a British subject. The same provisions were to apply also to political organisations, and the date fixed in both cases was July 1, 1937. Further, in view of the frequent mention by Nazi elements in the territory of their allegiance to the German Reich, it was proclaimed that

Any British subject, who within the Territory takes any oath or makes any affirmation or promise that he will be faithful or bear allegiance to or obey the order of (a) any sovereign or head of State other than His Majesty the King, or (b) the Government or any member or official of the Government of any state other than that of the Union of South Africa, or (c) any foreign political organisation . . . shall be guilty of an offence,

* See THE ROUND TABLE, No. 106, March 1937, pp. 445-447.

† See THE ROUND TABLE, No. 104, September 1936, pp. 772 *et seq.*

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and liable to a fine of £100 or to imprisonment not exceeding one year or both. Finally, provision was made for the deportation of non-British subjects engaging in political propaganda.

In pursuance of this proclamation, the Administrator on April 17 declared the three political parties of the territory, the United National South-West party, the Economic League of South-West Africa, and the Deutsche Bund, to be political organisations. From July 1, therefore, no one who is not a British subject can be a member, office-bearer or agent of any of these three organisations.

The proclamation met with general approval in the Union. Dr. Malan, who the previous week had expressed the hope that South-West Africa would be permanently held by the Union, was unable to make any effective criticism of a measure that considerably increased the authority of the Union's representative in the territory. In South-West Africa, the proclamation was welcomed by the Union section, and by some of the German-speaking section whose wish to co-operate with the mandatory Power has been hampered by continuous external pressure and intimidation. To the Deutsche Bund, however, the proclamation and the subsequent naming of the Bund as a political organisation came as a severe shock, evoking defiant protests from its leader, Herr Neuendorf; for a large proportion of its members were unnaturalised Germans. In Berlin, too, as was to be expected, this determined attempt to clear the ring for constitutional government in the territory provoked angry resentment. A note of protest was despatched to the Union Government condemning the proclamation and questioning its legality as placing the German population in the mandated territory "under a special law within the general administrative regulations". Adding that the proclamation "must be considered as a combative measure against the Germans in South-West Africa", it urged the Union Government not to aggravate the existing tension by enforcing the

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proclamation. General Hertzog made a firm and courteous reply indicating that the Union Government had no intention of withdrawing before protests and that it conceived the proclamation "to have been issued not in breach of the trust imposed by the mandate but in pursuance of its duty to carry out that trust". Since these official exchanges, it has been announced that Germany is to forward a memorandum on the subject to the League of Nations, and a petition to the Mandates Commission has been drawn up by Germans in the territory: the latter, however, is reported as unlikely to come before the Commission till next year.

On July 1 the proclamation became effective. The recent marked improvement in the economic condition of the territory, due chiefly to the revival in the diamond, base-metal and karakul industries, provides a favourable background for the attempt to restore political stability. The United party (which holds a majority of seats in the legislature) and the Economic League, containing as they do few members that are not British subjects, have had no need to readjust their organisation. The Deutsche Bund, however, has had to reorganise itself as the Deutsche Sudwestbund, and the naturalised Germans who form its membership have engaged themselves to respect the laws of the territory and their obligations as British subjects, whilst endeavouring by every legitimate means to maintain the interests of German language and culture. So far, so good. It remains to be seen whether the Nazi elements in the territory who refuse naturalisation will submit without further active opposition to their complete severance from political life in the territory. It is not to be supposed that Berlin and its agents in South-West Africa will remain for long inactive in a situation which thwarts the usual methods of Nazi infiltration. Indeed, late in April, there was a report that six hundred young Germans from the territory, calling themselves the "South-West African National Group" and vowing allegiance to Herr Hitler,

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were receiving "vocational training" in Germany and organising a "Corporation of Patriots" to provide a basis for a German people's community in South-West Africa—in plain English, being trained for conspiracy in the mandated Territory. Again, though the principles of the new Deutsche Sudwestbund are impeccable, it remains to be seen how long these principles remain unimpaired by secret pressure and intimidation.

To sum up—it is clear that the proclamation was a necessary step: drastic though it is, it meets a situation that demanded drastic remedies; it has the backing of opinion in the Union and of a considerable proportion of the population of the territory; and, if doctrinaire democrats take fright at the idea of democracy adopting strong measures to defend its principles, the reply can be made that the only alternative, under existing conditions, to this attempt to make the constitution of South-West Africa work is to abolish it altogether, as the South-West Africa Commission advised.

A second step recently taken by the Union Government as a result of the report of its Commissioners fully vindicates its claim to have at heart the interests of the mandated territory. The report of the Commission laid emphasis upon the heavy strain imposed upon the finances of the territory by the annual payment, out of revenue, of interest due on loans made by the Union Government in the earlier years of the mandate. In the period from 1920 to 1934 these loans amounted to more than £3,500,000, and it was impossible for the territory to be solvent when the constant deficits due to interest payments had to be met by fresh borrowing from the mandatory Power. Now, as a result of consultations between the Administration and the Union Government, a new era has begun in which, granted a continuance of improved economic conditions, the financial stability of South-West Africa is likely to be assured. The Union Government has agreed to place in a suspense account the full amount of the loans made by

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it to the territory before March 31, 1937. The Administration of the territory will be relieved of payments on such loans, until its finances improve sufficiently to allow of their being made. The creation of this suspense account for past loans is not, however, to preclude the raising of loans in the future from time to time, with the consent of the Union Government, for development work of a reproductive nature. In return, the Administration of the territory guarantees for the future to balance its budgets by the raising, if necessary, of extra taxation, and to pay to the Union Government, in reduction of capital debt outstanding, all net revenue in excess of £100,000 accruing in any financial year from the diamond export duty, together with one-half of the yield of the profits duty on diamonds in excess of £50,000. The diamond revenue amounts this year to £60,000 net, and no yield is expected from the profits duty for some years to come. There is therefore no immediate prospect of any contribution from these sources. These are wise and generous arrangements. To have written off the accumulated debt would have meant final loss to the Union taxpayers and encouraged financial irresponsibility in the territory. As it is, South-West Africa gains a breathing space in which to set its finances in order, whilst the Union can look forward to some ultimate return on its money from financial equilibrium and the growth of prosperity in the territory.

Taken together, the proclamation and the new financial arrangement represent a constructive effort by the Union Government to remedy two of the chief ills diagnosed by the South-West Africa Commission. There is reasonable ground for hoping that they will have sufficient success to justify the Union Government in its decision to leave the constitution of the territory unaltered.

III. THE IMPERIAL CONFERENCE

GENERAL HERTZOG and Mr. Havenga are back from the Imperial Conference, but so far both have refused to say anything about the work done there, though the Prime Minister has announced that during the next few weeks he will make a formal statement. To tell the truth, interest is not painfully keen anywhere in the Union. Knowledgeable folk are used to these conferences in London, with their extreme reticence about the work afoot, while it is being done and for some time afterwards, followed by the gradual emergence of results. They take it for granted that Dominion representatives at them must watch their tongues pretty carefully, and are content to await tangible effects all in good time.

In financial circles, this patient waiting has been put to a considerable strain. Rumours about the future of gold drove the price of gold shares down to depths that would have seemed ridiculous a few months since. One or two observations let fall by Mr. Havenga had suggested that he would work at the Imperial Conference for a new gold stabilisation agreement. Even if this had involved a fall of the current gold price by, say, ten shillings an ounce, that would have been preferable, in the eyes of the gold producers and of share market operators, to the present uncertainty. It is understood that Mr. Havenga did his best at the Conference and was not far from success. But he did not succeed; uncertainty continues; and South Africans would be glad to be told why stabilisation turned out to be impossible. Even so, prudent investors fully understand that gold mining dividends, at least from mines that are solid producers and have a reasonable length of life, are unaffected by rumours and could be maintained at little less than their present level even if gold were stabilised at a point lower than the current rate. It is taken for granted that, if stabilisation could have been arranged as a side activity of the Imperial Conference, it would have

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been arranged; most people are now content to wait, in the hope that the preparatory work towards stabilisation, done at the Conference by Mr. Havenga in conjunction with British financial experts, will bear fruit in time.

Otherwise, views of Imperial Conference results are hazy, largely because the information available is so indefinite. The official Summary of Proceedings has not been cabled in full for publication here, though the text of the report on foreign policy has been published *verbatim*, for what it amounted to. There is tepid acquiescence in the suggested revision of emphasis on the sanction clauses of the Covenant, combined—so far as judgment can be founded on hardly articulate public opinion—with considerable scepticism about the possibility of refurbishing the League as an effective instrument for the preservation of international peace. Defence, as the Union Government announced before the Conference met, was not considered a necessary subject for commitments by its delegates to the Conference, Mr. Pirow's recent visit to the United Kingdom being held to have covered all the necessary ground. It would hardly be correct to say that this official view meets with any enthusiastic assent from thoughtful people here, but defence is obviously a matter for experts. Both the United Kingdom and the Dominions have again recorded their view that each member of the Commonwealth must undertake its own self-protection; the evolution of Commonwealth types of armament, equipment and staff training is already accepted in Mr. Pirow's scheme. That, common sense suggests, is about as far as it is possible for South Africa to go at the moment.

Imperial Conference vagueness on two other specific matters leaves South Africa, not exactly impatient, but wishing for information as soon as information can be given. What progress was made with the plan for an economic agreement between the Empire countries and the United States? Was it found possible to reconcile that project—eminently desirable, as everyone thinks—with

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the Ottawa pacts? If so, what will be the effect on British and other Dominion preferences to South African products? Will one of these effects be a new bilateral agreement between the Union and the United Kingdom? That has been rumoured. Will such an agreement, if it is being negotiated, end the subsidy to Italian shipping? It is still much resented, has apparently been almost wholly ineffective in promoting Italian purchases from us, and ought to go if it is standing in the way either of an Anglo-American accord or of a new system of Commonwealth trade pacts ancillary to such an accord.

Again, what about the German desire for the return of her colonies? Did the Imperial Conference reach any conclusions there; and, if so, what conclusions? But these anxieties, though they are in the undercurrent of South African public opinion, seldom come to the surface. In time, no doubt, events will show what the Imperial Conference did in relation to them. Till then, there is nothing for it but to wait as patiently as may be.

On one comparatively minor subject the Imperial Conference did reach a decision about which reticence was not considered necessary; and there the publication of its conclusions has had a remarkable effect in South Africa. Before the Conference began, and while it was sitting, there was much sporadic perturbation in various Union centres about the definition of "British subject". The Prime Minister made rather a crudely worded reference to it just before he sailed for the Conference, and the utmost advantage was taken of his remarks by mischief-makers who persuaded themselves and succeeded in convincing others that, if he had his way at the Conference, South Africans would be deprived of their status as British subjects. Indignation meetings were held in Johannesburg and Natal and angrily worded messages were despatched to the Prime Minister while he was in England.

A reassuring statement by General Smuts, who endeavoured to explain that the Prime Minister did not want

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to rob anyone of his status as a British subject, but was merely hoping to have the current confusion of mind on the meaning of British subject and South African or any other Dominion national cleared up, fell on ears deafened by prejudice, ignorance and excitement. A semblance of justification was given to the agitation by an article by Professor Berriedale Keith, which appeared in an English morning newspaper and was reproduced *verbatim* in various South African journals. Leading articles in various papers correcting Professor Keith's views and exposing his misunderstanding of the subject were derided as servile attempts to cover up General Hertzog's anti-British machinations.

It was all rather absurd; but the fuss was considerable. The Imperial Conference resolution, defining British subject once and for all as a subject of the King in whatever part of the Empire he or she might live, and clearly explaining what a Union or any other Dominion national is, killed the controversy stone dead. To all appearance, the last has now been heard of it, even from the hottest gossippers of the Dominion party.

The only other local "reaction" to the Imperial Conference at the moment is a rather tentative attempt by the "Malanites" (Opposition Nationalists) to revive the ancient grievance about Union Ministers wasting time by visits to London and neglecting meanwhile the urgent needs of indigent white South Africans. The attack is not, however, very serious, even its sponsors seeming to realise that that cat will not jump high nowadays, particularly as the prosperity of the country is manifest, and government help to the white population's wants has been for some years past so lavish that it could hardly have been surpassed if the Malanites themselves had been in power.

Union of South Africa,

July, 1937.

NEW ZEALAND

IN the past three months there has been no legislation in New Zealand. Accounts of the Imperial Conference have been published mainly in the form of hearsay journalists' reports; these, and the rather bald official summary, have aroused no particular response in this country, and announcements of policies to be adopted as the result of the Conference will presumably be deferred until the Prime Minister's return. As to domestic matters, it is known that health insurance and superannuation schemes are under consideration, but the Government has given little precise indication of its legislative plans for the session due to begin in August. The period under review has been one of political consolidation, and of detailed administration. On the one hand, the two political parties have carried through some important steps in reorganisation. On the other, the development of Government schemes gives an increasing amount of evidence on which to base an objective judgment of Labour's record.

I. THE NATIONAL PARTY

IN the view of Mr. Hamilton (the new leader of the National party) the contrast between Labour unity and anti-Labour confusion accounts for the Labour victory in November 1935.* "We put them in ourselves", he said. "They secured control because the other parties failed in their organisation." However, with the shock of defeat, the reorganisation of the anti-Labour forces has been put in hand. A conference held in Wellington on May 13

* See THE ROUND TABLE, No. 101, December 1935, p. 202, and No. 102, March 1936, p. 426.

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and 14, 1936, swept away the remains of the United and Reform party organisations and set up a new party, the National party, with a new constitution and new organisation. The constitution, it is claimed, is "probably the most democratic of any party in the world". Its basis is the body of party members in each electorate. They choose their own parliamentary candidate and also the electorate committee, which in turn sends delegates to divisional councils and to the party conference. The conference includes also the party's members of Parliament and representatives from women's and junior organisations. The conference chooses the president and other officials, and elects the Dominion council, which administers the party's affairs. The members of Parliament elect their own leader.

This constitution was framed in May 1936. Since then, we are told, "solid progress" has been made in organisation throughout the country. So far, however, the party's policy has not been formulated. It is stated in the constitution in general terms: "To unite all men and women of good will who are unswervingly loyal to His Majesty the King", and who, realising the advantages accruing to New Zealand from membership of the Empire, desire to promote the Empire's political and economic unity; "to formulate and carry out policies designed to benefit the community as a whole . . . to pursue a policy of progressive social and humanitarian legislation". But there are great difficulties in the way of drafting a detailed programme. The National party aims at including all those opposed to the present Government. But Labour's opponents have many different ideas and interests, and they are apt to disagree when positive action is to be decided upon. Unity, says Mr. Hamilton, was threatened over the choice of a leader, and it may be threatened again over the framing of a policy. Accordingly, all the party's supporters have been asked for suggestions, so that the members, not the leaders, will decide the policy. Mr. Hamilton hopes

that the ultimate result will "be as far as possible mutually satisfactory to the farmers' unions and to the chambers of commerce", and that "farmer, business man and worker will all be catered for".

Presumably the National policy will be defined at the conference to be held in August next. Meanwhile, however, some information as to the party's basic ideas has been provided by the speeches of Mr. Hamilton and his followers during a recent campaign throughout the country. Mr. Hamilton has promised "a stand for private enterprise, personal responsibility, and individualism . . . and the preservation of existing society". He argues that Cabinet Ministers should be chosen from the community of business men. They are "the most responsible section" of the people; they have shown their capacity to manage New Zealand by coming to the front in the world of private enterprise; and they have been trained to govern in "the school of business management and hard work". By contrast, Labour members have shown their lack of competence to govern New Zealand by failing to be "selected to manage businesses". This business men's Government would be supported by "responsible people" of all classes, especially by the farmers, "whose natural alliance was with the business man and professional man of the city", and as far as possible it would be guided by the classical principles of *laissez-faire*. It seems clear that, in Mr. Hamilton's view, a Government's function is to "maintain law and order", not to conduct businesses (except in certain exceptional cases, such as the post office). The country's economic life should be left to the play of economic forces, and to the wisdom of business men and farmers. Government interference, though sometimes necessary, is evil, whether in the form of taxation, of regulation, or of direct management. Such are the main ideas of the National party, as explained in outline by its official spokesmen.

II. THE LABOUR PARTY

FOR many years the Labour party has had a solid organisation throughout the country. It has a twofold basis of membership: "ordinary" members, who accept the party's policy and organise themselves in branches, and "affiliated" members—that is, the members of workers' organisations (normally trade unions) which accept the party's policy and affiliate with it. ("By 'workers' is meant any person who performs social service by hand or brain.") Branches and affiliated organisations send delegates to a Labour Representation Committee (L.R.C.), which is the main organising body in each electorate. The work of these L.R.C.s is co-ordinated by divisional councils (one representative from each electorate, appointed by its L.R.C.) and by the national executive. The "supreme governing authority" of the party is the conference which meets each Easter, and at other times in cases of emergency. It is composed of two delegates from each L.R.C., and of delegates from branches and affiliations in proportion to the membership of each. It elects the party's president, vice-president, and secretary, and also the national executive, which "shall act for the party when conference is not in session". Candidates for parliamentary elections are chosen from an "approved list", which is recruited from names sent up by branches and affiliations, subject to veto by the national executive. Candidates for particular electorates are chosen from the approved list by a ballot of ordinary and affiliated members resident in the electorate. The party is financed by a subscription of 2s. 6d per year from each ordinary member, and by a fee of 1s. per member per year paid by all branches and affiliations.

If this constitution is compared with that of the National party, it will be seen that on the whole the Labour organisation is more solid. It gives greater power of discipline and control to the national executive, and (as regards parliamentary candidates) it imposes the caucus pledge:

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"that if elected to Parliament, I will vote on all questions of policy in accord with the decisions of a majority at a duly constituted meeting of the parliamentary representatives of the party". At present, too, leadership is strong and determined. According to the constitution, supreme power in the party is vested in the annual conference. In practice, however, the conference is an unwieldy body (in 1937 there were over 500 delegates), and its work is inevitably guided to a considerable extent by the executive. Further, the present Cabinet has claimed a remarkable degree of independence. Mr. Fraser (Acting Prime Minister) plainly told the Easter conference that its resolutions were not binding on the Government, but were expressions of opinion, to be acted upon or not at the Government's discretion. "The final word lay with the Cabinet, after consultation with caucus and the party's national executive. The Labour party, as Government, was now responsible for the welfare of the whole community." * This claim was accepted by the conference. No doubt there were some who criticised such acquiescence, and the conference may yet assert its claims, particularly if hard times come again, or if a strong radical movement should develop among the rank and file.

New possibilities for such a movement have been opened up by an important recent development in trade union organisation. In this country trade unionism has spoken with many voices, which have often been discordant. As recently as the beginning of this year two prominent union leaders conducted a violent controversy against each other in the conservative press. This was perhaps the final incident that stimulated a strenuous attempt to give the whole trade union movement some national organisation and national unity of policy. The task was undertaken at a "National Industrial Conference" held in Wellington in April, 1937; and we now have a

* The *Standard*, April 8, 1937. The *Standard* is the "official organ of the New Zealand Labour movement".

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new "New Zealand Federation of Labour", combining the industrial unions of the Alliance of Labour with the craft unions of the Trades and Labour Councils.

If this Federation succeeds in co-ordinating and directing trade union policy, it will be of first-class importance in the political and economic life of the country. However, time alone will show whether it will succeed in healing old feuds and reconciling personalities that have often been antagonistic. The constitution merely gives an opportunity which may not be taken. It provides for local trades councils representing all unionists in each district. It sets up also a conference and national council, which will co-ordinate the work of district councils with that of nationwide unions, which it is hoped will become the normal form of trade union organisation. The constitution is nevertheless strictly federal. Each union is to retain "full self-government over its own industrial affairs". Thus the situation is fluid, and Labour's policy may be profoundly influenced by the Federation's success or failure.

Even if the Federation succeeds to the uttermost, it does not necessarily follow that Labour's policy will become more "extreme". For one thing, the thousands of new members recently recruited to the unions are not necessarily a source of strength. Many of them are fair-weather friends. Many more are members simply as the result of legal compulsion. Such men may in time become keen unionists. At present, they tend rather to "dilute" the militants and so to accentuate the tendency for unions to concern themselves primarily with problems of hours and wage rates rather than with socialism. Ultimate objectives are apt to be forgotten through preoccupation with the details of industrial legislation, and unionism tends to become in practice a defender of the present order. It will be easier to organise the Federation along these lines than as an instrument of militant socialism.

III. HOUSING

DURING the past three months the Government's housing scheme has emerged from the mists of controversy into the field of practice. Many houses are nearly completed. Rents have been announced. Lists of applications for the first batch of houses have been closed. Most, though not all, of the essential information about methods and plans has been published. It becomes possible, therefore, to give some kind of preliminary judgment on the scheme as a whole.

The first point which stands out is that the housing scheme originated in an acute shortage of houses throughout New Zealand. No one knows the extent of that shortage, nor will exact knowledge be available until a proper housing survey has been carried through. Such a survey was provided for by an Act passed in 1935 by the Coalition Government, and it is now proceeding. Meantime no one questions that a shortage exists; the only question has been how it might best be remedied. Some said that the work should be left to private enterprise, which would be stimulated to adequate activity by high and rising rents. The Government rejected this plan. According to Mr. Lee (Parliamentary Under-Secretary in charge of Housing), private enterprise has never been able to provide adequate housing. Throughout the world today, he says, housing schemes are being carried through under government stimulus and financed by government money—for example, in Great Britain, where municipalities are building houses with money on which the net rate of interest is 1 per cent., this being the effect of government subsidies. As for New Zealand, Mr. Lee says that about 20,000 houses have been built since 1926, of which "at least 15,000 have been built with state money".

To Mr. Lee, then, it was clear that the State must help energetically in the solution of the housing problem. Further, existing methods were inadequate. In spite of

state encouragement, building during 1936 had not reached pre-depression levels. There was a prospect, too, that even this inadequate revival might be checked in the near future by world-wide rises in costs. Finally, home building through state advances has definite disadvantages. It is of comparatively little use to the wage-earner: and, says Mr. Lee, it is economically unsound in that it leads individuals to compete against each other with state money for land and materials. Such considerations, then, led the Government to decide on direct action: it would build the houses itself, and at once, and rent them to workers.

The financial arrangements, the preliminary steps, and some of the preliminary criticisms have already been noted in *THE ROUND TABLE*.* Meanwhile, the activities of the Housing Department have been felt all over the Dominion. Mr. Lee's own account † of the creation of that Department has an epic quality. One cannot but admire the combination of furious energy and scrupulous attention to detail which within a few weeks created a new department of state out of nothing at all. Mr. Lee set out to produce houses, not merely to construct a machine that would build houses during Labour's next period of office. This meant haste, and with haste mistakes which will be avoidable in the future. It meant also that the Department could not hope to build the houses itself. To begin with, at least, it must content itself with letting the work on contract, that is, with using the existing machinery of the building and allied industries. This had the practical advantage of avoiding an immediate collision with these powerful interests. Mr. Lee hopes that in time workers' unions may be able to tender for contracts on a competitive basis and do an increasing proportion of the work: tenders for some state houses have actually been submitted by a co-operative organisation of Wellington

* No. 105, December 1936, p. 225; and No. 107, June 1937, p. 685.
See also *New Zealand Official Yearbook*, 1937, p. 445.

† *Standard*, March 11, 1937.

carpenters and joiners. Meanwhile, however, the Housing Department supervises in a minute and efficient manner the activities of the capitalist firms that are carrying out the State's housing schemes.

On May 24 the rentals of the new houses were announced. They range from £1 per week for a three-roomed flat to £1 13s. 6d for a six-roomed house, subject in each case to 2s. 6d rebate for good tenancy. This rent is supposed to include provision for repairs, interruption of tenancy, etc., and also for repayment of the capital cost during the estimated life-time of each house. These rents were higher than some had expected. But Mr. Lee says that he could easily find 20 tenants for each house available, and that applications for houses have been more numerous after than before the announcement of the rentals.

The demand from prospective tenants is so keen that, for the present, state and private building can proceed side by side without serious mutual interference, except that both compete for a limited and inadequate supply of skilled labour. At first there was fear that state rentals might be fixed so low as to make private building unprofitable. In the view of persistent critics it is now clear that this will not be the case, and private building, which fell away when the housing scheme was first announced, has since partially revived. In short, so long as it does not undercut private rents too seriously, the State can build many thousands of houses and rebuild many congested areas before the falling-off of demand will compel it to decide the relations between the state and private building industries. Mr. Lee, however, hopes that 2,500 houses will be finished by the end of this year, and that thereafter construction may proceed indefinitely at the rate of 5,000 or more per year. Activities on such a scale will some day force the State to decide deliberately whether or not it will undertake the responsibility of providing *all* the housing that may be necessary. By that time, too, the State, as a landlord on a huge scale, will be faced with other

problems: with defaulting tenants, for example, or with tenants' associations organised to demand concessions on the eve of an election.

Mr. Lee refuses to be daunted by such problems. For the present his department can proceed under full pressure without having to undertake all the housing construction in New Zealand. Discontented tenants need cause little trouble while hundreds of would-be tenants are clamouring at the door. Again, the law is to be altered to provide simplified Court procedure against defaulters, and to arrange that rent due to the State may be deducted at the source from a defaulting tenant's wages. Mr. Lee is confident that in normal times the State Advances Corporation (which will manage this side of the business) will have no difficulty in administering the new houses as a sound business proposition. If pressed, he might admit that another depression like the last would throw thousands of houses back into the State's hands. But in the view of his Government that depression was due to a policy of deflation: and they hold that if any future Government follows such a policy it deserves all the trouble it may meet from tenants or from anyone else.

To sum up: the state housing scheme arose from a practical necessity, as seen by a Government pledged to action. Its progress suggests that the technical problems can be solved and that the State can provide houses of good quality, and let them at rents which are popular but not so low as to dislocate existing housing schemes and private enterprise. Yet, as the scheme develops, it will raise difficult questions of broad policy, and may well lead the Government to a further extension of state activity and control.

IV. GUARANTEED PRICES

MUCH the same might be said of the guaranteed price for dairy produce. That scheme, says Mr. Savage, has a practical basis—the pressing need to save farmers

from bankruptcy—and it has nothing to do with the socialisation of means of production. And, as things stand, the scheme has definitely benefited dairy farmers. For example, they have received an assured price throughout the present season, including the period when London market prices were well below the level corresponding to the pay-out in New Zealand. Again, the scheme brought about a reorganisation of marketing in England, on the basis of preparatory work done in earlier years. In February last, when the price of butter was low, the Primary Products Marketing Department was roundly blamed; but it is now generally admitted that the new system of marketing in England is a great improvement on old methods, and that it commands the support of the London merchants. Such facts are realised, but many difficulties have emerged in the working of the guaranteed price plan, and there is no lack of suggestions for its improvement.

One of the most awkward of the problems that has come to the front during the present season is that of the relation between the cheese- and butter-producing sections of the industry. The guaranteed price was calculated to give the suppliers of the average cheese factory 1½d per lb of butterfat more than the suppliers of the average butter factory, who can retain the skim milk for farm purposes; but on actual results up to the present it seems likely that many of them will not receive this premium in full. Further, London prices during the year have been less favourable for butter than for cheese, with the result that the butter account will probably close with a deficit, and the cheese account with a surplus. Consequently those interested in cheese feel that they are being penalised in favour of the butter-makers, and during the autumn season a number of "dual-plant" factories actually changed from cheese to butter. If such a change became general it would be disastrous for the industry as a whole, in view of relatively good prospects for cheese-marketing in England. This

situation illustrates one kind of difficulty which may be expected to arise from a scheme of guaranteed prices. If the cheese factory supplier is sufficiently discontented the only ultimate answer is a further extension of government control. For the present, however, the Government hopes to have met the cheese position by increasing next season's margin to 2d per lb of butterfat.

Meanwhile, the broad and very complex question of the relation between the guaranteed price and the other parts of the Government's policy is raised by repeated demands that pay-outs should be substantially increased in order to enable the farmer to bear the increased costs brought about by the Government's own action. It is, in fact, not questioned that costs are rising. The increasing cost of living affects farmers, like everyone else. Prices of farming machinery and materials are increasing. In cheese and butter factories, industrial legislation and union agreements have increased operating costs. Finally, the wages of farm labourers have been fixed and standardised. In the past every effort to achieve this through the Arbitration Court has been defeated. In 1936, however, the Agricultural Workers Act set out the minimum rates of wages for workers on dairy farms. The wage rate is linked with the guaranteed price; for the present it is for adults £2 2s. 6d per week *plus* keep.* The Act provides also that minimum wage rates may also be fixed in other branches of agricultural industry, after consultation with the employers and workers concerned. Such an extension has now taken place. After long negotiations between the Farmers' Union, the Sheep-owners Federation and the New Zealand Workers' Union, an agreement was reached and by order-in-council has become law. Briefly, workers on wool, meat, and grain farms are to receive the same wages as dairy farm workers (£2 2s. 6d per week with keep) until July 31 next. At that

* See THE ROUND TABLE, No. 105, December 1936, p. 231; and an article by E. J. Riches in the *International Labour Review*, March 1937.

date the guaranteed price comes up for revision, and with it the wages of dairy farm workers. If they receive an increase, it will be shared by those covered by the new agreement, up to a maximum wage rate of £2 5s. 0d per week for adults. The rates to be paid after August 1938 will be decided by the Government after further negotiations next year.

Facts are not yet available on which to judge accurately the net increase in farmers' costs brought about by these various factors,* accentuated as they are by the rise in oversea price levels, but farmers urge that the increase is substantial. They complain that during the present period of high prices they are prevented from accumulating reserves, while costs are being fixed at boom levels so rigidly that when oversea prices fall the necessary adjustments in costs will be difficult or impossible to make. The moral drawn by farmers' organisations is that the guaranteed price for next season should be a very substantial increase on that for 1936-37, and that the Government should give the farmers a retrospective payment to cover "the heavy increase in farming costs" during the season that is just closing. There is, then, a strong demand for an increase in the guaranteed price at a time when there is a prospective deficit on the first year's operations of the scheme. This situation raises a fundamental question. Is the guaranteed price to be a means of subsidising the dairy industry, or does it merely aim at price stabilisation? This question will soon have to be answered, but the decision will be a difficult one to make. In spite of an ambiguous phrase used in the budget speech, it seems that Mr. Nash's idea was stabilisation, not subsidy. There is the same suggestion in an important statement made by the Minister of Agriculture on June 23. "We cannot go on raising the guaranteed price again and again", he said,

* See report of Guaranteed Prices Investigation Committee, published on May 25, 1937. The current guaranteed price includes a certain allowance for estimated increased costs. There are certain indications that the increase in costs has often been exaggerated.

"but having once arrived at a fair price to pay for dairy produce we must turn our attention to cutting costs". And he gave suggestions concerning how this was to be done: by reducing interest rates and the prices of fertilisers, by rationalising methods of production, and by further development of the zoning system.

This statement gives valuable evidence that the Minister is alive to one of the most urgent problems of the dairy industry. All the same, the present situation shows clearly enough some of the political and economic difficulties of the guaranteed price policy.

V. A PLANNED ECONOMY?

MR. SAVAGE has repeatedly repudiated any intention of interfering with private enterprise so long as private enterprise is functioning efficiently and giving good service. It is time for the Government to act, he says, when there is inefficiency or when any industry gets into difficulties. In such cases the Government will take responsibility for remedying the situation, either by re-organising private enterprise on a satisfactory basis, or by providing the necessary services itself.

This is not an unfair summary of the Government's attitude, but it must be admitted that in their view there are many examples of inefficiency in industry and marketing. A wide range of activities has been subject to enquiry or regulation. Some new government monopolies are in prospect, notably in transport, and drastic reorganisation as the result of government action seems likely in the taxi trade, the fruit industry, and marine fisheries. The marketing of onions and bacon has been subject to state regulation. So has the white pine industry, and the importation of citrus fruits. Further control of honey marketing has been suggested, and a plan for the revival of the flax industry has long been under discussion. The list might be extended. There is every indication that private enterprise is to be

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regulated more and more. To an increasing extent, too, the State is taking an active part in the economic life of the country. It owns land, holds mortgages, and is by far the biggest employer of labour. It markets goods, operates important insurance and trustee businesses, and controls directly or indirectly the Reserve Bank and the biggest trading bank (the Bank of New Zealand).

In attacking economic problems, and in extending the scope of state activities, the Labour Cabinet has carried further the tradition established by its predecessors, which is in fact part of a world-wide tendency.* But nowadays so much power rests in the Government's hands that the question of objectives is inevitably raised.

The objective of the Labour party is plainly stated as "socialisation of the means of production, distribution and exchange". This is to be obtained by "the conquest of political power by constitutional means; the extension of the organisation of the workers in industry, together with the co-operation of all who render social service, to the end that society may be controlled in the interests of all the people". Alongside official objectives should be placed recent decisions by the party conference, and also statements of policy by leaders. For example, last Easter a small minority invited the conference to re-state the objective in these terms: "That the objective of the party is the overthrow of capitalism and the establishment in its place of socialism, meaning by socialism the public ownership of all sources of wealth and exchange, co-operatively controlled by the workers engaged therein". This proposal was rejected "by a very large majority". And by 487 votes to 14 the conference refused to grant affiliation to the Communist party, on the ground that "Labour doctrine was for constitutional and democratic action and communism stood for revolutionary violence and dictatorship". In official statements on policy there is some confusion. The National President told the party

* See Report of Director, International Labour Office, 1937.

A PLANNED ECONOMY?

conference last Easter that socialism is being carried out; but Mr. Savage has repudiated with some warmth the suggestion that some of his party's measures were steps in the direction of socialism. He said that they were business-like and sensible measures to meet immediately pressing problems, and added that "the socialisation of the means of production will look after itself if we face the current problems in an intelligent fashion".

In view of such contradictory statements it is best to take as basis for judgment policies that have been actually carried out or formulated in detail. Of such policies, state housing and guaranteed prices are typical. Study of them suggests that we are heading for a "controlled economy", but makes it hard to believe that the Government has been working on a coherent plan with a clear-cut conception of the new order. However, difficulties that have arisen may compel the hammering out of such a plan. To give one example only—the rising cost of living threatens to take from the wage earner most or all of the benefits recently conferred on him. This challenges the Government to exercise control of a kind far wider than at present it seems to contemplate. In short, the present position suggests that, unless the Government is willing to witness passively the frustration of some schemes actually launched, it must be prepared to fight for the success of its policy by facing the difficulties of a planned economy, and trying to meet them in advance. It may be that these difficulties are insuperable, but success cannot even be hoped for unless the necessary research and planning are put in hand at once. It seems that some Ministers and civil servants are thinking along these lines, but the attitude of the Government as a whole is still in doubt.

New Zealand,

July, 1937.

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THE IMPERIAL CONFERENCE, 1937: SUMMARY OF
PROCEEDINGS

Certain passages have been omitted from the official text, which is contained in Cmd. 5482. These omissions are clearly indicated. Apart from this, at no point has the text been altered in any way.—
EDITOR.

I. PRELIMINARY NOTE

[Omitted]

II. THE CORONATION

THE Conference met on the morrow of the Coronation of a new Sovereign. In the speeches at the opening Plenary Meeting of the Conference on May 14 reference was made to the lasting character of the foundations of the British Commonwealth of Nations as laid down at the Imperial Conference of 1926, and the Delegates declared their faith in the principles of liberty and co-operation under the Crown as the inspiration of the Commonwealth relationship and as the guiding principles of all their deliberations. There was general recognition of the significance of the Coronation ceremony and it was noted that, as a result of communication between the Governments concerned, the forms of the Coronation Service had been adapted to accord with the new constitutional relationships. Reference was made in particular to the significance of the changes in the Coronation Oath, the first paragraph of which as taken by King George VI reads :—

Will you solemnly promise and swear to govern the peoples of Great Britain, Ireland, Canada, Australia, New Zealand and the Union of South Africa, of your Possessions and the other Territories to any of them belonging or pertaining, and of your Empire of India, according to their respective laws and customs ?

The position may be summed up in the words of Mr. Mackenzie King :—

. . . Particularly significant was the new form of the Oath by which the King solemnly declared the sense in which he has accepted the Crown. For the first time

South Africa, New Zealand, Australia, Canada are expressly named. His Majesty thus records that sovereignty is to be exercised in the interest of the peoples of Canada, and the other countries set forth, according to their own laws and customs. For the first time in this great ceremony it was recognised that the relationship between the King and his people of Canada is direct and immediate. The Oath has long embodied the principles upon which our system of democratic governance is built. It now recognises that the relationships of the several peoples under the Crown, one with another, as well as with foreign states, have become interpenetrated by the ancient principles of freedom and the rule of law. Thus it may be said that the new Oath, preserving the old and finding place for the new, embodies in simple fashion our political faith, and mirrors the structure of this group of free, equal and autonomous states known as the British Commonwealth of Nations.

III to VIII

[These sections refer to the Loyal Message and His Majesty's reply, the opening statements, the arrangement of the work of the Conference, publicity arrangements, His Majesty's birthday, and the death of Sir Robert Borden.]

IX. FOREIGN AFFAIRS

At the Plenary Meeting of the Imperial Conference on May 14, the Chairman made the following statement in the course of his opening speech :—

Though we shall discuss other important subjects, we are agreed that questions of foreign affairs and defence shall be our main subjects. It is fitting that they should be. For we are met at a time when the international situation is difficult and even threatening, and the responsibility rests upon us to see that our deliberations not only are of service to ourselves but also may help in some measure towards the solution of those international problems which are now perplexing the world.

Similar views were expressed by other speakers. . . . A series of meetings, of which the first took place on May 19, was devoted to the consideration of various aspects of foreign affairs under the heads of the general international situation including the League of Nations, the European situation, and the Pacific and the Far East.

On behalf of His Majesty's Government in the United Kingdom, the Secretary of State for Foreign Affairs made comprehensive statements under all these heads. He also kept the Conference informed of the current international situation. Statements as to the views of their respective Governments were made

by the Prime Ministers of Canada, the Commonwealth of Australia, New Zealand, and the Union of South Africa, and by the Marquess of Zetland on behalf of the Indian Delegation. General appreciation of all these reviews was expressed. The statements on behalf of the Delegations were followed by full and frank discussion, and it was agreed that the exchange of views, especially at the present juncture of international affairs, was of great value to the representatives gathered at the Conference. During the discussions emphasis was laid on the importance of developing the practice of communication and consultation between the respective Governments as a help to the co-ordination of policies.

The Conference recorded the results of its deliberations on the subject of foreign affairs in the following statement :—

The representatives of the Governments of the British Commonwealth of Nations gathered in the Conference, have in the course of their proceedings had an opportunity of exchanging views upon foreign affairs and the international situation as it affects their respective interests and responsibilities.

While no attempt was made to formulate commitments, which in any event could not be made effective until approved and confirmed by the respective Parliaments, the representatives of the Governments concerned found themselves in close agreement upon a number of general propositions which they thought it desirable to set out in the present statement.*

Thus they agreed that for each member of the Commonwealth the first objective is the preservation of peace. In their view the settlement of differences that may arise between nations and the adjustment of national needs should be sought by methods of co-operation, joint enquiry and conciliation. It is in such methods, and not in recourse to the use of force between nation and nation, that the surest guarantee will be found for the improvement of international relations and respect for mutual engagements.

Holding these views and desiring to base their policies upon the aims and ideals of the League of Nations, they found themselves unanimous in declaring that their respective armaments will never be used for purposes of aggression or for any purpose inconsistent with the Covenant of the League of Nations or the Pact of Paris. At the same time, being impressed with the desirability of strengthening the influence of the League by the enlargement of its membership, they united in expressing the

* It was understood and agreed that nothing in this statement should be held to diminish the right of His Majesty's Governments in the United Kingdom, Canada, the Commonwealth of Australia, New Zealand and the Union of South Africa, and the Government of India to advocate and support their statements of policy as submitted to the Assembly of the League of Nations in September 1936.

view that this object would be facilitated by the separation of the Covenant from the Treaties of Peace. Observing that in respect of certain regions in which a number of States have special interests, regional agreements of friendship and collaboration between individual members of the British Commonwealth and the other States so interested have been entered upon or may be contemplated, they welcomed all such agreements insofar as they can be made to contribute to the cause of peace, and do not conflict with the Covenant of the League of Nations.

They noted with interest the statement made on behalf of the Australian Delegation at the opening Plenary Meeting that Australia would greatly welcome a regional understanding and pact of non-aggression by the countries of the Pacific, and would be prepared to collaborate to that end with all the peoples of the Pacific region in a spirit of understanding and sympathy. They agreed that if such an arrangement could be made it would be a desirable contribution to the cause of peace and to the continued maintenance of friendly relations in the Pacific, and that it should be the subject of further consultation between Governments.

They all desired earnestly to see as wide a measure of disarmament as could be obtained. At the same time they were agreed that the several Governments of which they are the representatives are bound to adopt such measures of defence as they may deem essential for their security, as well as for the fulfilment of such international obligations as they may respectively have assumed.

Being convinced that the influence of each of them in the cause of peace was likely to be greatly enhanced by their common agreement to use that influence in the same direction, they declared their intention of continuing to consult and co-operate with one another in this vital interest and all other matters of common concern.

The representatives of the several Governments concerned further had under review the possibility of reviving confidence and increasing the stability of economic and financial conditions in the world, a process which they considered essential to the prosperity of individual countries as well as to international peace. In order to assist in furthering this end, they declared themselves ready to co-operate with other nations in examining current difficulties, including trade barriers and other obstacles to the increase of international trade and the improvement of the general standard of living.

Finally the Members of the Conference, while themselves firmly attached to the principles of democracy and to parliamentary forms of government, decided to register their view that differences of political creed should be no obstacle to friendly relations between Governments and countries, and that nothing

would be more damaging to the hopes of international appeasement than the division, real or apparent, of the world into opposing groups.

X. DEFENCE

The Conference gave close attention to the subject of defence, and considered ways in which it would be possible for the Governments concerned to co-operate in measures for their own security. The occasion was taken for a detailed review of the state of defence in each of the countries represented at the Conference and this opportunity was generally welcomed.

The discussions began with a review of the events which led up to the adoption by His Majesty's Government in the United Kingdom of their rearmament programme, and of defence problems generally. The Members of the Conference noted with deep concern that since the session of 1930, international tension had increased in a marked degree, and that there had been a large and rapid increase in the armaments of all the principal Powers. They were impressed by the world-wide effect of these increased armaments on the international situation and on the financial and economic position of the nations concerned, and while their respective Parliaments had already recognised the necessity for taking measures to put their defences in order, they thought it of the highest importance that negotiations for the limitation of armaments should be reopened whenever there was a reasonable prospect of success. They recognised with regret that notwithstanding the measure of success in the limitation of armaments attained by the countries concerned in the London Treaty for the Limitation of Naval Armaments of March 25, 1936, and in the Anglo-German Agreement of June 18, 1935, international conditions were not at the moment favourable to further progress in the direction of disarmament. At the same time, however, they acclaimed the efforts now being made to extend naval limitation to other countries.

The statements made to the Conference by the Delegation of the United Kingdom concerning the rearmament programme of the United Kingdom reported the further developments in the organisation of the Committee of Imperial Defence, notably in improving the arrangements for joint planning between the three Defence Services and for the mobilisation of industry. Facilities are always given to Dominion representatives to attend Meetings of the Committee of Imperial Defence, if they so desire, when questions of defence affecting their respective countries are under consideration. Attention was also drawn to the important progress made in recent years in the standardisation by the Governments concerned of the training and equipment of the defence forces in different parts of the Empire, as

well as in uniformity of administrative practice in defence matters. Reference was made to the increasing importance of the industrial side of defence owing to the progress of technical development in armaments, and emphasis was placed on the advantages attending co-operation in the production and supply of munitions and raw materials as well as of food and feeding stuffs to meet the several requirements of the United Kingdom, the Dominions and India, and the Colonial Empire.

The discussion was continued by the Delegations representing the Dominions and India. The Conference was informed of the developments in the Canadian defence forces from 1926 to the present time. After considerable reductions in 1931 increased appropriations had recently been made for the Defence services of the Dominion. The strength of the Canadian naval and air forces had been increased, the militia had been completely reorganised and a policy of modernisation and mechanisation of equipment had been adopted. The industrial aspect of defence preparations had received close attention and a Committee of the Cabinet had been appointed to maintain active supervision of defence problems.

The defence organisation of the Commonwealth of Australia next received consideration. The basis of Australian defence policy was described as participation in Empire naval defence for the protection of sea-borne trade, as a deterrent to invasion and as a general measure of defence against raids, combined with local defence to provide a further deterrent to and a defence against invasion and raids. The great importance from the Australian point of view of the Singapore base was noticed. The Conference was informed of the large increases in the defence votes in Australia under a Three Years' Programme commenced in 1934 and that a new Four Years' Programme overlapping the last year of the other Programme had been put in hand. It was stated that the guiding principles of the Imperial Conferences of 1923 and 1926 had been adopted by His Majesty's Government in the Commonwealth of Australia as the basis of its policy and the main features of the programmes that sought to implement them were as follows:—

(i) *Naval Principles.* . . .

The construction of a new cruiser and two new sloops.
The re-armament of the fixed defences and provision of air co-operation.
Facilities for naval repairs and oil storage.

(ii) *Responsibility for Local Defence.*

In addition to strengthening the fixed defences of the important ports, the Australian Government had recently provided a special increase in the Army vote to bring the Field Army of seven divisions up to its minimum nucleus establishment. The

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strength of the permanent forces was also being increased and improvements were being effected in the efficiency, armament and equipment of the Army.

The Air Force would complete this year Part I of the scheme laid down by Sir John Salmond, and have a first line strength of eight squadrons and 96 aircraft.

The building up of the Munitions Supply organisation had reached the stage that the Government Factories had developed the capacity for the production of the various types of the ordinary requirements of the Army, Navy and Air Force, and these resources were being further expanded. A survey of civil industry was also being carried out to determine the possibilities of capacity for production, and to prepare plans for mobilising its resources in an emergency.

The Government had recently arranged for the establishment of the aircraft industry on a sound basis and this would be an important adjunct to defence.

As affecting the whole field of defence, great importance was attached by the Australian Delegation to the development of co-operation in defence matters between the several parts of the British Commonwealth.

The Conference was informed that His Majesty's Government in New Zealand also attached the greatest importance to close co-operation in defence matters. The Government were anxious to make sure that expenditure on the three Services was properly balanced and laid out so as best to enable the New Zealand forces to act in the most efficient way possible not only in the local defence of their country but also in Commonwealth defence in co-operation with the forces of other countries of the Commonwealth. In this connection great importance was attached to the Singapore base.

With regard to the Union of South Africa, it was recalled that matters of principle had been discussed and agreed between the Union Minister for Defence, Mr. Pirow, and United Kingdom Ministers during the visit of Mr. Pirow to London in 1936. South African expenditure on defence had recently been greatly increased, being in the last year nearly three times as much as in 1932-33. An important feature of South African defence organisation was the preparation in peace-time of the industrial resources of the Union to meet possible military requirements in the event of war.

The Conference was informed that the Defence Forces of India are designed primarily to meet a possible attack on the North West Frontier and to cope with the ever-present problem of dealing with the tribesmen in that region, in addition to maintaining internal law and order. It was recognised that the Army in India is fully equipped for these purposes and constitutes a force which is as well prepared as any other to take the field if the occasion arises.

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The Conference took note of the measures, recently adopted by the various countries represented at the Conference, often at a heavy cost, and recognised that the increased programmes of armaments were no more than sufficient for the defence of their territories and trade and the fulfilment of such obligations as each might have assumed.

The Conference recognised the vital importance of measures to safeguard maritime communications, including routes and water-ways essential to defence and trade, and to provide naval bases and facilities for repairs and fuelling of ships.

The Conference accordingly was glad to be informed that steps have been taken with these ends in view and in particular that substantial progress has been made towards the completion of the naval base at Singapore and its defences, with the aid of the generous financial assistance received from various parts of the Empire.

With regard to land forces, the Conference observed the various duties which the Regular Forces of the United Kingdom and India have performed in protecting British interests and the frequency of the occasions on which it has been necessary to despatch reinforcements to several parts of the world.

The Conference heard with satisfaction of the important steps taken by His Majesty's Government in the United Kingdom for the maintenance of a Home Defence Air Force of sufficient strength to afford adequate protection against attack by the strongest air force which may be at any time within striking distance of the shores of the United Kingdom. In this connection the Conference took note of the extensive preparations that are being made by His Majesty's Government in the United Kingdom in the spheres of both active and passive defence against air invasion.

The Conference also recorded the progress made by the several Governments in creating and maintaining an adequate chain of air bases and refuelling stations along the lines of communications between the different parts of the Empire.

The Conference noted with satisfaction that in accordance with recommendations of previous Conferences a common system of organisation and training and the use of uniform manuals, patterns of arms, equipment, and stores had been adopted, as far as practicable, for the naval, military and air forces of their several countries. Each of them would thus be enabled to ensure more effectively its own security and, if it so desired, to co-operate with other countries of the Commonwealth with the least possible delay. The interchange of individual officers of the naval, military and air forces of the countries was recognised as conducing to the dissemination of the experience acquired by the officers concerned under the widely different conditions existing in various parts of the Empire.

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Defence Councils or Committees have been established in the Dominions. Considerable advantage has been taken by the Governments represented at the Conference of the facilities afforded by the Imperial Defence College in London for the education of officers in the broader aspects of strategy.

The Conference gave careful attention to the question of munitions and supplies required for defence both by the United Kingdom and other parts of the Commonwealth, and also to the question of the supply of food and feeding stuffs in time of emergency. The Conference was impressed with the value of the free interchange of detailed technical information and recommended that it should be continued between the technical officers of the Governments concerned, it being understood that any questions of policy arising in connection with any such technical exchange and discussion would be submitted to the respective Governments for decision and that each Government reserved to itself complete freedom of decision and action.

In the course of the discussions, the Conference found general agreement among its members that the security of each of their countries can be increased by co-operation in such matters as the free interchange of information concerning the state of their naval, military and air forces, the continuance of the arrangements already initiated by some of them for concerting the scale of the defences of ports, and measures for co-operation in the defence of communications and other common interests. At the same time the Conference recognised that it is the sole responsibility of the several Parliaments of the British Commonwealth to decide the nature and scope of their own defence policy.

XI. GENERAL REVIEW OF THE PROGRESS OF EMPIRE TRADE AND ALLIED QUESTIONS

... It had been agreed that questions arising out of the Ottawa Agreements could best be dealt with as occasion offered in separate discussions between the individual Governments concerned and apart from the Conference, and there was accordingly no discussion on matters of detail affecting trade between the different parts of the British Commonwealth of Nations. The meeting, however, afforded a valuable opportunity for an interchange of views between the representatives of His Majesty's Governments on economic questions of general concern.

... In the course of the proceedings suggestions were made by the New Zealand Delegation as to possible means of ensuring the regulated expansion of production and marketing in necessary foodstuffs and other commodities.

Note was taken of a number of recent encouraging developments in the economic sphere; the Declaration of September

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1936, which the Governments of the United Kingdom, France and the United States of America made in connection with the devaluation of the franc and in particular the statement of these Governments that they "attached the greatest importance to action being taken without delay to relax progressively the present system of quotas and exchange controls with a view to their abolition"; the informal investigation which the Belgian Prime Minister had been invited by the United Kingdom and French Governments to undertake as to the possibility of securing relaxations of quotas and other obstacles to international trade; and the steps taken by the United States Government in this connection. It was hoped that every effort that would tend towards the promotion of international trade would be maintained and encouraged.

The outstanding feature of the discussion was the emphatic desire expressed by the representatives of every part of the British Commonwealth represented at the Conference that all practicable steps should be taken to secure the stimulation of international trade. It was recognised that in the last resort the prosperity of the countries of the Commonwealth depends on that of the world as a whole and that a healthy growth of international trade, accompanied by an improvement in the general standard of living, is an essential step to political appeasement.

XII. COLONIAL AFFAIRS

[Omitted]

XIII. WORK OF THE IMPERIAL WAR GRAVES COMMISSION

[Omitted]

XIV. CONSTITUTIONAL QUESTIONS

Certain constitutional questions which had been raised by His Majesty's Government in the Union of South Africa were considered by a Committee on Constitutional Questions under the Chairmanship of the Right Hon. E. Lapointe, K.C., M.P., Minister of Justice, Canada. Questions as to the Nationality of Married Women, which had been raised by His Majesty's Government in the Commonwealth of Australia, were referred to the same Committee.

The Committee presented the following Report, which was adopted by the Conference:—

(i) *Nationality.*

The Committee considered certain questions which had been raised in regard to the relationship between the common status possessed by subjects of His Majesty and the particular status of membership of any one of the individual communities forming the British Commonwealth of Nations. . . .

It was in no way suggested that any change should be made in the existing position regarding the common status based on the British Nationality and Status of Aliens Act of the United Kingdom and the corresponding enactments in other parts of the British Commonwealth. This common status is described by the term "British subject". The term does not, of course, mean a "subject of Great Britain". It is one of long standing as denoting generally all subjects of His Majesty, to whatever part of the British Commonwealth they belong.

Attention was drawn to the fact . . . that British subjects not only have this common status but also, generally speaking, have a particular connection with one or other Member of the British Commonwealth. It was pointed out that in the absence of rules for determining the part of the Commonwealth with which any particular person has the connection just referred to, practical difficulties arise, or might arise, with regard to such matters as immigration, deportation, diplomatic action, extra-territorial legislation and treaty rights and obligations.

The suggestion was made that these difficulties could be overcome if each of the Members of the Commonwealth were to undertake to introduce legislation, as some Members have already done, defining its nationals or citizens. It was however found that some Members of the Commonwealth were not disposed to introduce such legislation. In the case of the United Kingdom in particular, it was pointed out that the wide differences existing between the large number of separate territories, legal jurisdictions and races for which the United Kingdom was responsible would render impracticable the adoption of any single classification which would be in any real sense analogous to that expressed by the terms "national" or "citizen" or "member of the community" in the case of other Members of the Commonwealth. Moreover it is the practice of the United Kingdom to make no distinction between different classes of British subjects as regards the grant of civil and political rights or the right of entry into and residence in the United Kingdom, and the paragraphs which follow must be read in the light of this position so far as the United Kingdom is concerned.

It should also be mentioned that in foreign countries where there is no separate diplomatic or consular representation of a particular Member of the Commonwealth, the diplomatic and consular representatives of His Majesty, appointed on the advice of the United Kingdom Government, are prepared to afford protection and assistance also to British subjects belonging to that Member. No change in this practice is contemplated or desired; and it may well be that the diplomatic and consular representatives appointed on the advice of the Governments of other parts of the British Commonwealth would be prepared, should occasion arise, to undertake similar duties.

It was thought that a closer examination of the particular difficulties to which attention has been called might be of service with a view to removing points of obscurity, inconvenience or possible misunderstanding.

The questions that arise are seen most clearly in the case of a part of the Commonwealth which has defined membership of its community in terms of distinct nationality, and that was the case first considered. But it was recognised that to a greater or less extent Members of the Commonwealth, whether or not they have given legislative definition to such a concept, do distinguish for some practical purposes between British subjects in general and those British subjects whom they regard as being members of their own respective communities. . . . When, therefore, persons are described in the following paragraphs as "members of the community" of a particular Member of the Commonwealth, the phrase is intended to have a rather technical meaning, as denoting a person whom that Member of the Commonwealth has, either by legislative definition of its nationals or citizens or otherwise, decided to regard as "belonging" to it, for the purposes of civil and political rights and duties, immigration, deportation, diplomatic representation, or the exercise of extra-territorial jurisdiction.

In the light of these considerations the following are the conclusions which have been reached :—

1. It is for each Member of the British Commonwealth to decide which persons have with it that definite connection, envisaged by paragraph 73 of the Report on the Operation of Dominion Legislation, 1929, which would enable it to recognise them as members of its community. It is desirable, however, to secure as far as possible uniformity in principle in the determination by each Member of the Commonwealth, of the persons, being British subjects, to be regarded as members of its community, and to avoid, as far as possible, the inconveniences which might arise if a particular person were to belong, at the same time, to two or more Members of the British Commonwealth. These objectives could be secured upon the following basis :—

(1) Each Member of the Commonwealth would in the normal course include as members of its community :—

- (a) persons who were born in, or became British subjects by naturalisation in, or as a result of the annexation of, its territory and still reside there, and
- (b) persons who, coming as British subjects from other parts of the Commonwealth, have identified themselves with the community to which they have come.*

As regards those mentioned under (b) it is for each Member to prescribe the conditions under which any British subject coming from

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another part of the Commonwealth will be considered to have so identified himself with the new community to which he has resorted as to become a member thereof.

(2) . . . It is recommended that any Member contemplating passing a law on the membership of its community, should submit its proposals to the other Members of the Commonwealth, so as to enable them to offer observations thereon, if they feel so inclined.

The object of this consultation would be to ensure agreement, so that other Members would not thereafter raise any objection to the consequences which would follow from the proposed action. . . .

(3) In the event of a Member desiring to pass new or amending legislation dealing with Nationality or Citizenship, it might be faced with the problem of how to deal with those British subjects not born in, but at the moment residing in, its territory. One solution of this problem would be to provide for the inclusion of all such persons, coupled with the right of those not wishing to become nationals or citizens to opt out. If our recommendation as to consultation is adopted, each Member would have an opportunity of commenting, if it so desired, on the actual proposals so far as they might affect members of its community.

2. Those Members of the Commonwealth which do not desire to proceed to a definition by legislation of the requirements for membership of their communities will consider giving effect administratively, in accepting responsibility for particular persons, to the principles contained in the foregoing paragraphs, subject, of course, to the provisions of any law which may, from time to time, be in force. They may also find it expedient to give effect to some of the implications thereof by legislation without the necessity of resorting to a definition of the members of their communities.

(ii) *Treaty Procedure.*

As regards the nature and effect of the participation of Members of the British Commonwealth in a multilateral treaty, it was recognised :—

(1) That each Member takes part in a multilateral treaty as an individual entity, and, in the absence of express provision in the treaty to the contrary, is in no way responsible for the obligations undertaken by any other Member; and

(2) That the form agreed upon for such treaties at the Imperial Conference of 1926 accords with this position.

(iii) *Nationality of Married Women.*

The Committee took note of the reference to the subject of the Nationality of Married Women contained in paragraph VI (c) of the Summary of Proceedings of the Imperial Conference of 1930. In that paragraph it was stated that all the Members of the British Commonwealth represented at the Hague Conference of 1930 signed the Nationality Convention there

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concluded. Since 1930 legislation on the lines recommended in the Hague Convention has been passed in the United Kingdom, Canada, the Commonwealth of Australia, and New Zealand, and the introduction of similar legislation in the Union of South Africa is contemplated.

The Australian and New Zealand Delegations in opening the discussion called attention to the further legislation recently passed in the Commonwealth of Australia and New Zealand which does not affect the common status of British subjects but under which a woman who prior to her marriage was a British subject but ceased to be a British subject by reason of her marriage to an alien may retain within the Commonwealth of Australia or New Zealand respectively the political and other rights and liabilities of a British subject.

A full discussion took place on the various aspects of the whole question. . . .

It was not found possible to arrive at an agreement in favour of any change in the existing law. While therefore the Committee was unable to put forward any recommendations, it was assumed that the matter would be the subject of further consideration by and consultation between the respective Governments.

XV. CIVIL AVIATION

Questions concerning civil air communications were referred to a Committee under the Chairmanship of the Hon. Sir Archdale Parkhill, K.C.M.G., M.P., Minister for Defence, Commonwealth of Australia.

The Committee discussed the prospect of establishing a British Commonwealth chain of air communications inter-connecting all parts of the Empire, and the methods of co-operation which might be adopted by Members of the British Commonwealth with this aim in view.

The Committee arranged that the proposed air services across the Tasman Sea and Pacific Ocean should be discussed by representatives of the Delegations concerned.

On the recommendation of the Committee, the Conference adopted the following Resolution :—

(i) Appreciating the many benefits, direct and indirect, immediate and potential, to be secured by nations possessing substantial and extensive civil aviation enterprises, the Conference is unanimous in its approval of the Members of the British Commonwealth of Nations pursuing a vigorous policy in regard to their air services, embracing expansion within each of their territories and interconnection between Members.

(ii) In order to promote arrangements whereby air lines

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of the Members of the British Commonwealth of Nations will link them together, the Conference affirms the willingness of the countries represented to co-operate with each other to the greatest possible extent.

(iii) In emphasising the importance of continued co-operation in the development of air services connecting the territories of the various Members, the Conference recognises that the most effective method of co-operation and efficient organisation can best be settled by the Governments concerned in each particular case as it arises, but any method should recognise, where desired by a Government, local control not only over services operating within its own territory but also, by agreement with the other Governments concerned, in adjacent areas in which it is particularly interested.

(iv) It is agreed that, whenever an application received by one Member for facilities for foreign air services is likely to affect another Member, there should be consultation between the respective Governments concerned before facilities are granted; and if an agreement has been reached between the Commonwealth Governments concerned as to the service to be required in return for such facilities, the Commonwealth Government to whom the foreign application has been made will use its best endeavours to secure the reciprocal facilities agreed upon.

(v) The Conference notes with approval the practice followed by Nations of the Commonwealth whereby, when operational rights are granted to a foreign air line, the concession expressly provides for reciprocal rights as and when desired; and suggests for consideration the desirability of including in such concessions a general safeguard of the right of the Government, at its option, to take over the ground organisation within its territory on suitable terms.

XVI. SHIPPING

General questions arising in connection with shipping policy, including the work of the Imperial Shipping Committee, were referred to a Committee on Shipping Questions under the chairmanship of the Hon. Walter Nash, M.P., Minister of Finance, New Zealand.

The Committee reviewed the position regarding British shipping (by which is meant all shipping registered as British wherever the registration be effected) in relation to the needs of the several parts of the British Commonwealth of Nations, and realised that the maintenance of adequate British shipping is a matter of common concern to the countries of the Commonwealth.

The Committee also noted that certain forms and methods of

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discrimination have latterly been adopted by Governments outside the Commonwealth, whereby British shipping in certain areas is seriously prejudiced if not threatened with entire elimination.

The Committee recommended accordingly that the Conference should reaffirm the Declaration relative to overseas shipping of the Imperial Economic Conference of 1923,* and that in any case in which it may be considered by the Government of one part of the British Commonwealth that undue assistance, to the serious prejudice and danger of British shipping, is being given by any Government outside the British Commonwealth, there should be an opportunity for consultation between the Government of that part of the Commonwealth whose shipping is endangered and the Government of any other part of the Commonwealth concerned, in order to determine the validity of the complaint and the best means of meeting the situation, due regard being had to the interests of the Government of that other part of the Commonwealth.

One case of difficulty, arising out of the competition of subsidised ships running across the Pacific between the United States and New Zealand and Australia is under consideration by the Governments concerned (United Kingdom, Canada, Australia, New Zealand) with a view to maintaining British shipping on this route. This question was referred by the Committee to a Sub-Committee representing the four Governments, which reported that its discussions had not reached finality. The matter will continue to be dealt with by the four Governments in consultation.

The Committee also noted that the Imperial Shipping Committee is at present engaged upon an investigation into the position of British shipping in Middle and Far Eastern waters, having regard to the increased competition of foreign flags.

The Committee was informed that additional statistics relating

* The Declaration reads as follows :—

“In view of the vital importance to the British Empire of safeguarding its overseas carrying trade against all forms of discrimination by foreign countries, whether open or disguised, the representatives of the Governments of the Empire declare—

“(1) That it is their established practice to make no discrimination between the flags of shipping using their ports, and that they have no intention of departing from this practice as regards countries which treat ocean-going shipping under the British flag on a footing of equality with their own national shipping.

“(2) That in the event of danger arising in future to the overseas shipping of the Empire through an attempt by a foreign country to discriminate against the British flag, the Governments of the Empire will consult together as to the best means of meeting the situation.”

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to shipping are now being compiled in the United Kingdom, and each of the Governments represented on the Committee expressed willingness in principle to arrange for the provision of similar statistics in respect of their import and export trade.

The Conference approved the Report of the Committee, and, on the recommendation of the Committee, adopted the following resolution with regard to the work of the Imperial Shipping Committee :—

(3) The Conference is of opinion—

(a) that it is desirable that the Committee should be continued on the present basis, following the general lines proposed by the Imperial Committee on Economic Consultation and Co-operation in 1933, and deriving authority from, and being responsible to, the Governments represented at the Imperial Conference. The Conference would welcome the addition of a representative of Burma to the Committee;

(b) that a sum of £2,000 per annum should continue to be provided for the work of the Committee. . . .

XVII. COMMITTEE ON CERTAIN ECONOMIC QUESTIONS

Questions relating to the work of the Imperial Economic Committee and a proposal for the establishment of an Empire Agricultural Council were referred to a Committee on Economic Questions under the Chairmanship of the Hon. N. C. Havenga, M.P., Minister of Finance, Union of South Africa.

(i) *Questions Relating to the Work of the Imperial Economic Committee.*

On the Committee's recommendation, the Conference adopted the following resolution :—

. . . The Conference approves the continuance of the Imperial Economic Committee as at present constituted and would welcome a representative of Burma on the Committee.

The Conference approves . . . that the annual fund of the Committee . . . to which the several Governments subscribe, should be £22,000 [in place of £20,000]. . . .

(ii) *Proposal for the Establishment of an Empire Agricultural Council.*

The proposal by His Majesty's Government in the Commonwealth of Australia for the establishment of an Empire Agricultural Council was considered and fully discussed. . . .

It was agreed that the Governments of the Empire should aim at the greatest possible measure of co-operation in the examination of problems of common concern. Doubt was expressed, however, by certain representatives whether many of the problems were of a kind which could be best dealt with

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by an organisation such as that proposed. Furthermore, before deciding to set up any new advisory or consultative body, it should be clear that it would not duplicate work which is within the scope of the already existing Inter-Imperial agencies. The constitution of the Imperial Economic Committee, whose terms of reference have been revised by the resolutions of successive Imperial Conferences, seemed, it was considered, to be well qualified to meet most of the functions proposed for the Agricultural Council. Moreover, co-operation in the interchange of information concerning agricultural research is provided by the Imperial Agricultural Bureaux.

The opinion was also expressed that where the need arose for a common consideration of subjects of importance to different Empire countries, which could not be met by existing agencies, the best course would be to appoint *ad hoc* bodies for the purpose.

For these reasons, the Committee, while appreciating the motives which inspired the Australian proposal, considered that the establishment of an Empire Agricultural Council is not called for, and recommended accordingly.

The Conference took note of this conclusion.

XVIII to XXI

[These sections refer to the New Hebrides, Polar questions, the concluding resolutions, and the final Address to His Majesty the King-Emperor.]